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SENATE BILL NO. 351

AMENDMENT IN THE NATURE OF A SUBSTITUTE

(Proposed by the Senate Committee on Finance
on January 29, 2002)

(Patron Prior to Substitute—Senator Reynolds)

A *BILL* providing for the purchase of creditable service on behalf of local government employees participating in the Virginia Retirement System who are terminated pursuant to a plan to reduce the number of employees of the local government.

Be it enacted by the General Assembly of Virginia:

1. § 1. Any locality (i) in which the civilian labor force equals less than ninety percent of the civilian labor force in the locality in 1993, as determined by the Virginia Employment Commission, and (ii) that is participating directly in the Virginia Retirement System, may purchase up to five years of creditable service for any of its employees participating in the Virginia Retirement System, concurrently with the termination of the employee's employment by the locality. The locality may purchase creditable service under this section only if (a) the employee's termination is directly related to the implementation of a plan to reduce the number of employment positions with the locality and (b) the employee's employment with the locality is terminated on or before July 1, 2004. Such plan shall be filed with the Virginia Employment Commission. The locality may not purchase such creditable service for any employee terminated for any other reason.

§ 2. The cost to purchase such service shall be paid by the locality. For each year of service purchased for such employee, the cost shall equal the sum of the member contribution charged pursuant to § 51.1-144 plus the employer contribution charged pursuant to § 51.1-145, both as in effect at the time of purchase. The number of years of service that may be purchased shall be determined by the locality.

§ 3. The locality may not rehire such employee until a period of at least two years has expired subsequent to the employee's termination by the locality.

§ 4. For purposes of this section, a "locality" shall include any political subdivision, as defined in § 51.1-124.3 of the Code of Virginia, or a local public school board of such locality.

2. That the provisions of this act shall not become effective unless the Virginia Retirement System receives a written ruling from the Internal Revenue Service ("IRS") that affirmatively states that the provisions of this act, were they to become effective, will not in any way adversely affect the qualified plan status of the Virginia Retirement System under federal law. The Virginia Retirement System shall seek such IRS ruling as soon as practicable in regard to the impact on such qualified plan status from the provisions of this act. Upon receipt of a written response from IRS on such question, the Virginia Retirement System shall communicate the determination made by IRS to the chairmen of the Senate Committee on Finance and the House Committee on Appropriations and to all localities described in § 1 of this act. The Virginia Retirement System shall make the final determination, which shall be consistent with such IRS ruling or determination, of whether the provisions of this act in any way adversely affect the qualified plan status of the Virginia Retirement System under federal law.