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HOUSE BILL NO. 1927

Offered January 12, 2005

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A BILL to amend and reenact §§ 51.1-126 and 51.1-155 of the Code of Virginia, relating to Virginia Retirement System; suspension of retirement payments.

Patron—Tata

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:**1. That §§ 51.1-126 and 51.1-155 of the Code of Virginia are amended and reenacted as follows:**

§ 51.1-126. Employees of institutions of higher education.

For purposes of this section, "optional retirement plan" means a retirement plan covering the employee for retirement purposes other than the Virginia Retirement System defined benefit retirement plan established under this chapter.

A. 1. The Board shall maintain an optional retirement plan covering employees engaged in the performance of teaching, administrative, or research duties with an institution of higher education and any institution of higher education is authorized to make contributions to such plan for the benefit of its employees participating in such plan. Except (i) as provided in subsection B for institutions of higher education that have established their own optional retirement plan and (ii) for employees described in subdivision A 2, every employee hired by an institution of higher education on or after July 1, 2003, engaged in the performance of teaching, administrative, or research duties shall make an irrevocable election to participate in either (a) the Virginia Retirement System defined benefit retirement plan established by this chapter or (b) an optional retirement plan maintained by the Board. Such election shall be exercised no later than 60 days from the time of the employee's entry upon the performance of his duties. If an election is not made within such 60 days, such employee shall be deemed to have elected to participate in the Virginia Retirement System defined benefit retirement plan.

2. Any employee (i) hired on or after July 1, 2003, by an institution of higher education engaged in the performance of teaching, administrative, or research duties and (ii) who at the time of hiring is in continuous service in the performance of such teaching, administrative, or research duties shall participate in the optional retirement plan maintained by the Board if the most recent retirement plan covering the employee prior to such hiring was an optional retirement plan. If the most recent retirement plan covering the employee prior to such hiring was the Virginia Retirement System defined benefit retirement plan, such person shall participate in such defined benefit retirement plan from the time of his entry upon the performance of his duties.

B. 1. Any institution of higher education, upon receipt of approval by the Board in writing, may establish and maintain its own optional retirement plan covering its employees who are engaged in the performance of teaching, administrative, or research duties. Upon such approval, such institution is authorized to make contributions to its own optional retirement plan for the benefit of its employees who elect to participate or who are required to participate in such plan as provided in this subsection.

2. Every employee, with the exception of employees described in subdivision B 3, (i) hired on or after July 1, 2003, by an institution of higher education that has established and is maintaining its own optional retirement plan pursuant to this subsection and (ii) engaged in the performance of teaching, administrative, or research duties shall make an irrevocable election to participate in either: (a) the Virginia Retirement System defined benefit retirement plan established by this chapter or (b) such optional retirement plan of the institution of higher education. Such employee shall not be provided any election to participate in an optional retirement plan maintained by the Board.

The election shall be exercised no later than 60 days from the time of the employee's entry upon the performance of his duties. If an election is not made within such 60 days, such employee shall be deemed to have elected to participate in the Virginia Retirement System defined benefit retirement plan established by this chapter.

3. Any employee (i) hired on or after July 1, 2003, by an institution of higher education engaged in the performance of teaching, administrative, or research duties and (ii) who at the time of hiring is in continuous service in the performance of such teaching, administrative, or research duties shall participate in the optional retirement plan established by the institution of higher education pursuant to this subsection if the most recent retirement plan covering the employee prior to such hiring was an optional retirement plan. If the most recent retirement plan covering the employee prior to such hiring was the Virginia Retirement System defined benefit retirement plan, such person shall participate in such

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59 defined benefit retirement plan from the time of his entry upon the performance of his duties.

60 C. Any employee engaged in the performance of teaching, administrative, or research duties at an
61 institution of higher education who was covered under an optional retirement plan for retirement
62 purposes, other than the optional retirement plan established by such institution pursuant to subdivision
63 B 1, shall, at the time such institution establishes its own optional retirement plan pursuant to
64 subdivision B 1, automatically and immediately begin to participate in the optional retirement plan
65 established pursuant to subdivision B 1, notwithstanding such employee's prior election to participate in
66 a different optional retirement plan.

67 D. 1. Any administrative fee imposed pursuant to subdivision A 13 of § 51.1-124.22 upon any
68 institution of higher education for administering and overseeing the institution's retirement plan
69 established pursuant to subsection A shall be charged for each employee participating in such plan and
70 shall be for costs incurred by the Retirement System that are directly related to the administration and
71 oversight of such plan.

72 2. Each institution of higher education may charge and collect a reimbursement fee from each
73 employee participating in the institution's retirement plan established pursuant to subsection A. The total
74 amount charged and collected for such fee from all such employees for any year shall not exceed the
75 total of the costs described in subdivision D 1 and charged to the institution for such year.

76 E. 1. No employee of an institution of higher education who is an active member in any plan
77 maintained by the Board or established by an institution of higher education, pursuant to this section,
78 shall also be an active member of the retirement system or beneficiary other than a contingent annuitant.

79 2. *If a member of the optional retirement plan maintained under this section is at any time in service*
80 *as an employee in a position covered for retirement purposes under the provisions of Chapters 1*
81 *(§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.), 2.1 (§ 51.1-211 et seq.), or 3 (§ 51.1-300 et seq.), his*
82 *benefit payments under the optional retirement plan maintained under this section shall be suspended*
83 *while so employed; provided, however, reemployment shall have no effect on the payment under the*
84 *optional plan maintained under this section if the benefits are being paid in an annuity form under an*
85 *annuity contract purchased with the member's account balance.*

86 F. 1. The contribution by the Commonwealth on behalf of an employee participating in an optional
87 retirement plan maintained by the Board or on behalf of an employee participating in an optional
88 retirement plan established by his institution of higher education under this section to such employee's
89 retirement plan shall be 10.4 percent of creditable compensation. An institution of higher education may
90 make an additional contribution for participants who, before January 1, 1991, exercised the election to
91 participate in the plan provided by the institution employing them. Such additional contributions shall be
92 made using funds other than general funds, tuition or fees, up to an additional 2.17 percent of creditable
93 compensation.

94 2. These contribution rates shall be examined by the Board at least once every six years. The
95 examination shall consider the salary peer group mean contribution as determined by the State Council
96 of Higher Education and the Virginia Retirement System actuary, and, if deemed advisable, recommend
97 a revision to the rate of contribution by the Commonwealth.

98 G. With respect to any employee who elects pursuant to subsection A or B to participate in the
99 Virginia Retirement System defined benefit retirement plan established by this chapter, the institution of
100 higher education shall collect and pay all employee and employer contributions to the Virginia
101 Retirement System for retirement and group life insurance in accordance with the provisions of Chapter
102 1 (§ 51.1-124.1 et seq.) ~~of this title~~ for such employees.

103 H. The Virginia Retirement System shall develop policies and procedures for the administration of
104 the optional retirement plan it maintains. To assist the Virginia Retirement System in developing such
105 policies and procedures, the Board may appoint an advisory committee of higher education employees to
106 supply guidance in the process.

107 I. As a condition of the Board granting approval to an institution of higher education to establish its
108 own optional retirement plan, the institution of higher education shall develop policies and procedures
109 for the administration of such plan and shall submit such policies and procedures to the Board as part of
110 the Board-approval process required under this section. In addition, an institution of higher education
111 that is granted approval by the Board to establish its own optional retirement plan covering employees
112 engaged in the performance of teaching, administrative, or research duties shall not adopt or implement
113 policies and procedures that are substantially different from the policies and procedures approved by the
114 Board in the initial approval process unless the Board, in writing, approves such substantially different
115 policies and procedures.

116 J. The Board shall establish guidelines for the employee elections referred to in subdivision B 2 and
117 shall review and, if deemed advisable, recommend revisions to the contribution rates as described in
118 subsection F. Except for the duties described in subsection I, the Board shall have no duties and
119 responsibilities with respect to such plans established pursuant to subsection B.

120 § 51.1-155. Service retirement allowance.

A. Retirement allowance. - A member shall receive an annual retirement allowance, payable for life, as follows:

1. Normal retirement. - The allowance shall equal 1.70 percent of his average final compensation multiplied by the amount of his creditable service.

2. Early retirement; applicable to teachers, state employees, and certain others. - The allowance shall be determined in the same manner as for normal retirement with creditable service and average final compensation being determined as of the date of actual retirement. If the member has less than 30 years of service at retirement, the amount of the retirement allowance shall be reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date on which he would have completed a total of 30 years of creditable service. The provisions of this subdivision shall apply to teachers and state employees. These provisions shall also apply to employees of any political subdivision that participates in the retirement system if the political subdivision makes the election provided in subdivision 3 of this subsection.

3. Early retirement; applicable to employees of certain political subdivisions. - The allowance shall be determined in the same manner as for normal retirement with creditable service and average final compensation being determined as of the date of actual retirement. If the creditable service of the member equals 30 or more years but the sum of his age at retirement plus his creditable service at retirement is less than 90, the amount of the retirement allowance shall be reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date on which the sum of his then attained age plus his then creditable service would have been equal to 90 or more had he remained in service until such date. If the member has less than 30 years of creditable service, the retirement allowance shall be reduced for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date on which he would have completed a total of at least 30 years of creditable service and his then creditable service plus his then attained age would have been equal to 90 or more.

The provisions of this subdivision shall apply to the employees of any political subdivision that participates in the retirement system. The participating political subdivision may, however, elect to provide its employees with the early retirement allowance set forth in subdivision 2 of this subsection. Any election pursuant to this subdivision shall be set forth in a legally adopted resolution.

4. Additional allowance. - In addition to the allowance payable under subdivisions 1, 2, and 3 of this subsection, a member shall receive an additional allowance which shall be the actuarial equivalent, for his attained age at the time of retirement, of the excess of his accumulated contributions transferred from the abolished system to the retirement system, including interest credited at the rate of two percent compounded annually since the transfer to the date of retirement, over the annual amounts equal to four percent of his annual creditable compensation at the date of abolishment for a period equal to his period of membership in the abolished system.

5. 50/10 retirement. - The allowance shall be payable in a monthly stream of payments equal to the greater of (i) the actuarial equivalent of the benefit the member would have received had he terminated service and deferred retirement to age 55 or (ii) the actuarially calculated present value of the member's accumulated contributions, including accrued interest.

B. Beneficiary serving in position covered by this title.

1. Except as provided in subdivisions 2 and 3, if a beneficiary of a service retirement allowance under this chapter or the provisions of Chapters 2 (§ 51.1-200 et seq.), 2.1 (§ 51.1-211 et seq.), or 3 (§ 51.1-300 et seq.) is at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than Chapter 6 (§ 51.1-600 et seq.), 6.1 (§ 51.1-607 et seq.), or 7 (§51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed. Any member who retires and later returns to covered employment shall not be entitled to select a different retirement option for a subsequent retirement.

2. Active members of the General Assembly who are eligible to receive a retirement allowance under this title, excluding their service as a member of the General Assembly, shall be eligible to receive a retirement allowance based on their creditable service and average final compensation for service other than as a member of the General Assembly. Such members of the General Assembly shall continue to be reported as any other members of the retirement system. Upon ceasing to serve in the General Assembly, members of the General Assembly receiving a retirement allowance based on their creditable service and average final compensation for service other than as a member of the General Assembly shall have their retirement allowance recomputed prospectively to include their service as a member of the General Assembly. Active members of the General Assembly shall be prohibited from receiving a service retirement allowance under this title based solely on their service as a member of the General Assembly.

3. (Effective if contingency is met and expires July 1, 2005 - See note) Any person receiving a service retirement allowance under this chapter, who is hired as a local school board instructional or

182 administrative employee required to be licensed by the Board of Education, may elect to continue to
183 receive the retirement allowance during such employment, under the following conditions:

184 a. The person's retirement allowance is based in whole or in part on service as a local school board
185 instructional or administrative employee required to be licensed by the Board of Education; and

186 b. The person has been receiving such retirement allowance for a period of at least 30 days
187 preceding his employment; and

188 c. At the time the person is employed, the position to which he is assigned is among those identified
189 by the Superintendent of Public Instruction pursuant to subdivision 4 of § 22.1-23; and

190 d. The person is hired pursuant to a contract that does not exceed one year in duration.

191 e. [Repealed.]

192 Nothing in this subdivision shall be construed to restrict the total number of years that any one
193 person may participate under the provisions of this subdivision, provided that all applicable conditions
194 are met.

195 If the person elects to continue to receive the retirement allowance during the period of such
196 employment, then his service performed and compensation received during such period of time will not
197 increase, decrease, or affect in any way his retirement benefits before, during, or after such employment.

198 3. (Effective if contingency is not met and expires July 1, 2005 - See note) Any person receiving a
199 service retirement allowance under this chapter, who is hired as a local school board instructional or
200 administrative employee required to be licensed by the Board of Education, may elect to continue to
201 receive the retirement allowance during such employment, under the following conditions:

202 (a) The person's retirement allowance is based in whole or in part on service as a local school board
203 instructional or administrative employee required to be licensed by the Board of Education;

204 (b) The person has been receiving such retirement allowance for a certain period of time preceding
205 his employment as provided by law;

206 (c) The person is not receiving a retirement benefit pursuant to an early retirement incentive program
207 from any local school division within the Commonwealth; and

208 (d) At the time the person is employed, the position to which he is assigned is among those
209 identified by the Superintendent of Public Instruction pursuant to subdivision 4 of § 22.1-23, by the
210 relevant division superintendent, pursuant to § 22.1-70.3, or by the relevant local school board, pursuant
211 to subdivision 9 of § 22.1-79.

212 If the person elects to continue to receive the retirement allowance during the period of such
213 employment, then his service performed and compensation received during such period of time will not
214 increase, decrease, or affect in any way his retirement benefits before, during, or after such employment.