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## HOUSE BILL NO. 10

Offered January 11, 2006

Prefiled November 28, 2005

A BILL to amend and reenact § 51.1-142.2 of the Code of Virginia, relating to Virginia Retirement System; prior service credit.

Patron—Wright

Referred to Committee on Appropriations

**Be it enacted by the General Assembly of Virginia:****1. That § 51.1-142.2 of the Code of Virginia is amended and reenacted as follows:**

§ 51.1-142.2. Prior service or membership credit for certain members; service credit for accumulated sick leave.

Certain members may purchase credit for service as provided in this section.

A. 1. In order to receive credit for the service made available in subsection B, a member in service shall be required to make a payment. For each year, or portion thereof, to be credited at the time of purchase, a member shall pay an amount equal to five percent of his creditable compensation or five percent of his average final compensation, whichever is greater, unless the member in service is purchasing the service made available in subsection B through a pre-tax or post-tax deduction, in which case the cost to purchase each year, or portion thereof, of such service shall be five percent of his creditable compensation. However, if a person becoming a member on or after July 1, 2001, does not purchase, or enter into a purchase of service contract for, such service within three years from his first date of hire or within three years of the final day of any leave of absence under subdivision B 3, as applicable, then, for each year to be credited at the time of purchase, the member shall pay an amount equal to the actuarial equivalent cost.

2. If a member in service on June 30, 2001, and July 1, 2001, did not, prior to July 1, 2001, purchase, or enter into a contract with the Retirement System to purchase, such service under former § 51.1-142, then, for each year, or portion thereof, to be credited at the time of purchase, the member shall pay an amount equal to the actuarial equivalent cost, unless such member purchases, or enters into a purchase of service contract for, such service within three years from the date he became eligible to purchase the service or by July 1, 2004, whichever is later. If the service is purchased or a purchase of service contract is entered into within such time period, the cost to the member for each year to be credited at the time of purchase shall be five percent of his creditable compensation or five percent of his average final compensation, whichever is greater, unless the member in service is purchasing such service through a pre-tax or post-tax deduction, in which case the cost to purchase each year, or portion thereof, of such service shall be five percent of his creditable compensation. If such member first becomes eligible to purchase any of the service under subsection B after July 1, 2001, the cost of such service or portion thereof shall be as provided in subsection A, except that the three-year period in which to purchase, or enter into a purchase of service contract for, such service shall commence on the first day the member becomes eligible to purchase the service.

3. When a member requests credit for a portion of the period, the most recent portion shall be credited. Payment may be made in a lump sum at the time of purchase or by an additional payroll deduction. Only one additional deduction shall be permitted at any time. Should the additional deduction be terminated prior to purchasing the entire period that might otherwise be credited, the member shall be credited with the number of additional months of service for which full payment is made. If the additional deduction is continued beyond the point at which the entire period has been purchased, the member shall be credited with no more than the entire period that might otherwise have been credited and the excess amount deducted shall be refunded to the member.

Any employer may elect to pay an equivalent amount in lieu of all member contributions required of its employees for the purpose of service credit pursuant to this section. These contributions shall not be considered wages for purposes of Chapter 7 (§ 51.1-700 et seq.) of this title, nor shall they be considered to be salary for purposes of this chapter.

B. 1. Any member in service may purchase prior service credit for (i) active duty military service in the armed forces of the United States, provided that the discharge from a period of active duty status with the armed forces was not dishonorable, (ii) creditable service of another state or of a political subdivision or public school system of this or another state, as certified by such state, political subdivision or public school system, (iii) creditable service of a political subdivision of this state not credited to the member under an agreement as provided for in § 51.1-143.1, as certified by such political

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59 subdivision, (iv) civilian service of the United States, ~~or~~ (v) any period of time when the member was  
60 employed by a participating employer and not otherwise eligible to participate in the retirement system  
61 because the member was not an employee as defined in § 51.1-124.3, *or (vi) service as a teacher or an*  
62 *administrator with an Overseas American-Sponsored Elementary and Secondary School Assisted by the*  
63 *U.S. Department of State.*

64 For purposes of this subsection "active duty military service" means full-time service of at least 180  
65 consecutive days in the United States Army, Navy, Air Force, Marines, Coast Guard, or reserve  
66 components thereof.

67 2. Any member (i) granted a leave of absence for educational purposes may purchase service credit  
68 for such leave of absence; or (ii) granted any unpaid leave of absence due to the birth or adoption of a  
69 child may purchase up to one year of service credit per occurrence of leave.

70 C. Any member in service may purchase service credit for creditable service lost from ceasing to be  
71 a member under this chapter, as provided in § 51.1-128, because of the withdrawal of his accumulated  
72 contributions. Notwithstanding any other provision in this section, the cost to purchase such service shall  
73 be five percent of his creditable compensation or five percent of his average final compensation,  
74 whichever is greater, unless the member in service is purchasing such service through a pre-tax or  
75 post-tax deduction, in which case the cost to purchase each year, or portion thereof, of such service shall  
76 be five percent of his creditable compensation. If the member either purchases or enters into a contract  
77 to purchase such service within three years of the date he became eligible to purchase the service or by  
78 July 1, 2004, whichever is later, then the service may be purchased in a lump sum at the time of  
79 purchase or through an additional payroll deduction. Any purchase of such service made at a time later  
80 than such period shall be made in a lump sum at the time of purchase.

81 D. Any member in service may purchase service credit for accumulated sick leave on his effective  
82 date of retirement based upon such sums as the employer may provide as payment for any unused sick  
83 leave balances. The cost of service credit purchased under this subsection shall be the actuarial  
84 equivalent cost of such service.

85 E. In any case where member and employer contributions, as required under this chapter, were not  
86 made because of an error in the payroll, personnel, or other classification system of an employer  
87 participating in the retirement system, service that has not been credited because of such error may be  
88 purchased on the following basis:

89 1. The most recent three years of service shall be purchased, using applicable member and employer  
90 contribution rates and creditable compensation in effect for such period, in a manner and cost prescribed  
91 by the Board; and

92 2. All other years of service the employer shall purchase at an actuarial equivalent cost.

93 F. The service credit to be credited to a member under this section shall be calculated at the ratio of  
94 one year, or portion thereof, of service credit to one year, or portion thereof, of service purchased,  
95 except for part-time service purchased under clause (v) of subdivision B 1 which shall be calculated at  
96 the ratio of one month of service credit for each 173 hours of service as certified by the employer and  
97 as purchased by the member. Up to a maximum of four years of service credit may be purchased for  
98 each of clauses (i) through ~~(v)~~(vi) of subdivision B 1 and clause (i) and (ii) of subdivision B 2. In  
99 addition, a member in service may purchase service credit for every year or portion thereof for service  
100 lost from cessation of membership as described in subsection C.

101 Except as otherwise required by Chapter 1223 of Title 10 of the United States Code, the service  
102 credit made available under this section may not be purchased if, before being purchased or at the time  
103 of such purchase pursuant to this section, the service to be purchased is service that is included in the  
104 calculation of any retirement allowance received or to be received by the member from this or another  
105 retirement system.

106 G. Any member may receive credit at no cost for service rendered in the armed forces of the United  
107 States provided (i) the member was on leave of absence from a covered position, (ii) the discharge from  
108 a period of active duty with the armed forces was not dishonorable, (iii) the member has not withdrawn  
109 his accumulated contributions, and (iv) the member reenters service in a covered position within one  
110 year after discharge from the armed forces. In order to receive such service, the member must complete  
111 such forms and other requirements as are required by the Board and the retirement system.

112 **2. That, for the purposes of the prior service credit that may be purchased under the provisions of**  
113 **this act, the phrase "the date he became eligible to purchase the service" in subdivision A 2 of**  
114 **§ 51.1-142.2, shall mean (i) July 1, 2006, for members in service on that date, and (ii) the first day**  
115 **of employment for anyone who becomes a member in service after July 1, 2006.**