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SENATE BILL NO. 975

Offered January 10, 2007

Prefiled January 9, 2007

A BILL to amend and reenact § 51.1-126 of the Code of Virginia, relating to retirement plans covering certain employees of institutions of higher education.

Patron—Edwards

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That § 51.1-126 of the Code of Virginia is 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.) for such employees.

103 *H. Notwithstanding any other provision of this section, any person covered under an optional*
104 *retirement plan pursuant to this section who has 10 years of service with the Commonwealth may make*
105 *a one-time, irrevocable election to use the accrued contributions and earnings in his optional retirement*
106 *plan account to purchase service credit in the Virginia Retirement System (§ 51.1-124.1 et seq.) at a*
107 *rate to be established by the Board. The provisions of subsection F of § 51.1-126.5 shall apply mutatis*
108 *mutandis for purposes of purchasing such service credit. The election shall be made no later than six*
109 *months following the month in which such person's total service with the Commonwealth reaches 120*
110 *months. For any such person in service on July 1, 2007, with at least 120 months of service with the*
111 *Commonwealth as of such date, the election shall be made no later than January 1, 2008. Any person*
112 *making the election under this subsection shall thereafter participate in the Virginia Retirement System*
113 *defined benefit retirement plan.*

114 *HI.* The Virginia Retirement System shall develop policies and procedures for the administration of
115 the optional retirement plan it maintains. To assist the Virginia Retirement System in developing such
116 policies and procedures, the Board may appoint an advisory committee of higher education employees to
117 supply guidance in the process.

118 *IJ.* As a condition of the Board granting approval to an institution of higher education to establish its
119 own optional retirement plan, the institution of higher education shall develop policies and procedures
120 for the administration of such plan and shall submit such policies and procedures to the Board as part of

121 the Board-approval process required under this section. In addition, an institution of higher education
122 that is granted approval by the Board to establish its own optional retirement plan covering employees
123 engaged in the performance of teaching, administrative, or research duties shall not adopt or implement
124 policies and procedures that are substantially different from the policies and procedures approved by the
125 Board in the initial approval process unless the Board, in writing, approves such substantially different
126 policies and procedures.

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

131 **2. That the provisions of this act shall not apply to any person retired prior to July 1, 2007,**
132 **pursuant to Title 51.1 of the Code of Virginia.**