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SENATE BILL NO. 1008

Offered January 12, 2011

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A BILL to amend and reenact §§ 51.1-144, 51.1-601.1, 51.1-1100, and 51.1-1400 through 51.1-1403 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 51.1-126.5:1, relating to the Virginia Retirement System; defined contribution plan for certain members; employee contributions.

Patrons—Watkins and Stosch

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-144, 51.1-601.1, 51.1-1100, and 51.1-1400 through 51.1-1403 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 51.1-126.5:1 as follows:

§ 51.1-126.5:1. Defined contribution plan for eligible members.

A. As used in this section, unless the context requires a different meaning:

"Eligible employee of a political subdivision" means an employee of the political subdivision who is regularly employed full time on a salaried basis and whose tenure is not restricted as to temporary or provisional employment.

"Eligible member" means a state employee in a position that is otherwise covered by the retirement system.

"Participating member" means an eligible member who elects to participate in the plan.

"Plan" means the defined contribution plan established pursuant to this section.

"Retirement system" means the (i) defined benefit plan established under this chapter, (ii) State Police Officers' Retirement System under Chapter 2 (§ 51.1-200 et seq.), (iii) Virginia Law Officers' Retirement System under Chapter 2.1 (§ 51.1-211 et seq.), or (iv) Judicial Retirement System under Chapter 3 (§ 51.1-300 et seq.), as applicable.

B. The Board shall establish a plan covering any eligible member who elects to participate in the plan. The plan shall be in lieu of the service retirement allowance provided by the retirement system under § 51.1-155, 51.1-206, 51.1-217, or 51.1-306, as applicable. Participating members shall be deemed to be members of the retirement system to the extent consistent with the provisions of this section.

C. 1. A person who is an eligible member on June 30, 2011, and July 1, 2011, shall have until October 1, 2011, to make an irrevocable election to participate in the plan.

2. All other persons shall, on or before the first day of becoming an eligible member, make an irrevocable election to participate in either (i) the retirement system or (ii) the plan. If the person does not make an election, he shall be deemed to have elected to participate in the retirement system.

3. Any person commencing reemployment as an eligible member shall be bound by a prior election made under subdivision 1 or 2 or pursuant to subsection J.

4. The elections under this subsection shall be made in accordance with guidelines established by the Virginia Retirement System.

5. Any person who makes the election under this subsection who has creditable service shall have the option of having all employee contributions, whether paid by the person or by his employer on his behalf, deposited into his defined contribution account.

6. Any person who is a participating member shall not be allowed to retire under the retirement system. Such person shall only be entitled to the employee contributions paid into his retirement system account whether paid by the person or by his employer on his behalf, his employee contributions to his defined contribution account, and, subject to the provisions of subsection H, the contributions made by the Commonwealth to his defined contribution account.

D. Upon ceasing to be a participating member in the plan established under this section or in a substantially similar plan established pursuant to subsection J and becoming an employee of a political subdivision of the Commonwealth that does not offer a defined contribution plan that is substantially similar to the plan offered under this section, the person may elect to:

1. Maintain the accrued contributions and earnings in his defined contribution account; or

2. Use the accrued contributions and earnings in his defined contribution account to purchase service credit in the subsequent defined benefit retirement plan covering the person as provided in subsection F.

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59 A defined contribution plan shall not include a deferred compensation plan as defined in § 51.1-600.

60 E. After termination of employment, a participating member may withdraw the accrued contributions
61 and earnings from his defined contribution account, subject to applicable state and federal law and
62 regulation.

63 F. Upon an election pursuant to subsection D 2, the accrued contributions and earnings in such
64 electing person's defined contribution account shall be used to purchase service credit in the defined
65 benefit retirement plan then covering the employee, at a rate to be established by the Board. Such rate
66 shall cover the actuarial cost of providing the creditable service. If the account is less than the actuarial
67 cost of the total time worked in the eligible position, the employee may use his own funds to purchase
68 the remaining time. In no event shall the amount of service credit purchased in the defined benefit
69 retirement plan covering the employee exceed the time that was served in an eligible position while
70 participating in the plan established under this section or a substantially similar plan established
71 pursuant to subsection J. Any amount of accrued contributions and earnings in such electing person's
72 defined contribution account in excess of the amount required to purchase service credit in the defined
73 benefit retirement plan for the time served in an eligible position while participating in the plan or a
74 substantially similar plan established pursuant to subsection J shall be forfeited to the Virginia
75 Retirement System, or to the political subdivision if the political subdivision does not participate in the
76 Virginia Retirement System.

77 G. The contribution by the Commonwealth to a participating member's defined contribution account
78 shall be as follows:

79 1. Two percent of the employee's creditable compensation with no contribution required of the
80 employee;

81 2. If an employee contributes to his defined contribution account, the Commonwealth shall match the
82 employee's contributions at a rate of 100 percent up to the first five percent of the employee's creditable
83 compensation, which shall be in addition to the Commonwealth's contribution under subdivision 1; and

84 3. If an employee contributes more than five percent of his creditable compensation to his defined
85 contribution account, the Commonwealth shall match the employee's contributions at a rate of 50
86 percent for the employee's contributions that are in excess of five percent of his creditable compensation
87 but not in excess of eight percent of creditable compensation, which shall be in addition to the
88 Commonwealth's contributions under subdivisions 1 and 2.

89 Contributions to the defined contribution account and all earnings thereon shall be credited to an
90 account to be maintained for each participating member. The Virginia Retirement System shall establish
91 periods in which a participating member may elect to change the amount he contributes to his defined
92 contribution account. Contributions by the Commonwealth to a participating member's defined
93 contribution account shall be in lieu of contributions to the retirement system required pursuant to
94 § 51.1-145.

95 H. Upon attaining five years of continuous service with his employer, a participating member shall
96 be entitled to the contributions made by the Commonwealth to his defined contribution account.

97 I. The Virginia Retirement System shall administer the plan, develop policies and procedures for the
98 administration of the plan, and provide a program of education and support for participating members.
99 The Virginia Retirement System may contract with private corporations or institutions, subject to the
100 standards set forth in § 51.1-124.30, to provide investment products as well as any other goods and
101 services related to the administration of the defined contribution plan. The Virginia Retirement System is
102 hereby authorized to perform related services including, but not limited to, providing consolidated
103 billing, individual and collective recordkeeping and accountings, and asset purchase, control, and
104 safekeeping.

105 J. Any political subdivision that participates in the retirement system established under this chapter
106 may by ordinance or resolution adopt and establish a defined contribution plan that is substantially
107 similar to the plan under this section. The political subdivision shall promptly provide a copy of the
108 ordinance or resolution to the Virginia Retirement System.

109 The political subdivision shall make contributions to employees' defined contribution accounts that
110 are at least equal to the contribution rates required of the Commonwealth under subsection G. Eligible
111 employees of a political subdivision shall be allowed to make an irrevocable election to participate in
112 such defined contribution plan. Any such employee who has previously made such election and who is
113 commencing reemployment as an eligible member or commencing reemployment with another political
114 subdivision that has established a defined contribution plan pursuant to this subsection shall be bound
115 by the prior election.

116 The political subdivision shall promptly report to the Virginia Retirement System the name of any
117 employee electing to participate in such defined contribution plan.

118 § 51.1-144. Member contributions.

119 A. Each member shall contribute five percent of his creditable compensation for each pay period for
120 which he receives compensation.

The employer shall deduct the contribution payable by the member. Every employee accepting employment shall be deemed to consent and agree to any deductions from his compensation required by this chapter. No deduction shall be taken from the compensation of a member after his normal retirement date if the member elects not to contribute.

B. In determining the creditable compensation of a member in a payroll period, the Board may consider the rate of compensation payable to the member on the date of entry or removal of his name from the payroll as having been received throughout the month if service for the month is creditable. If service for the month is not creditable, the Board may consider any compensation payable during the month as not being creditable compensation.

C. The minimum compensation provided by law for any member shall be reduced by the deduction required by this section. Except for any benefits provided by this chapter, payment of compensation minus the deductions shall be a full and complete discharge of all claims for services rendered by the member during the period covered by the payment.

D. No deduction shall be made from any member's compensation if the employer's contribution is in default.

E. The Board may modify the method of collecting the contributions of members so that the employer may retain the amounts deducted from members' salaries and have a corresponding amount deducted from state funds otherwise payable to the employer.

F. 1. Except as provided in subdivision 2 4, ~~any employer may elect to pay an equivalent amount in lieu of all member contributions required of its employees. Such payments shall be credited to the members' contribution account. 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~~ *the persons described in subdivisions 2 and 3 shall be required to pay member contributions in the amount of five percent of creditable compensation.*

2. A person who becomes a member on or after July 1, 2010, shall be required to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of creditable compensation if the person is (i) a member covered by the defined benefit plan established under this chapter, (ii) a member of the State Police Officers' Retirement System under Chapter 2 (§ 51.1-200 et seq.), (iii) a member of the Virginia Law Officers' Retirement System under Chapter 2.1 (§ 51.1-211 et seq.), (iv) a member of the Judicial Retirement System under Chapter 3 (§ 51.1-300 et seq.), or (v) earning the benefits permitted by § 51.1-138.

3. ~~Notwithstanding any other provision of this section or other law, only those employers who were paying member contributions as of February 1, 2010, may pay member contributions. The provisions of this subdivision shall not apply to a county, city, town, local public school board, or other local employer. Every other person shall be required to pay member contributions on a salary reduction basis in accordance with § 414(h) of the Internal Revenue Code in the amount of five percent of creditable compensation as follows: (i) members in service on July 1, 2011, shall contribute an additional one percent of their creditable compensation beginning on each July 1st of 2011, 2012, 2013, 2014, and 2015 and (ii) and any other member who is not a person who becomes a member on or after July 1, 2010, shall be required to contribute five percent of his creditable compensation upon commencing employment. The requirement to contribute five percent of creditable compensation under this subdivision shall apply to each member (a) covered by the defined benefit plan established under this chapter, (b) of the State Police Officers' Retirement System under Chapter 2 (§ 51.1-200 et seq.), (c) of the Virginia Law Officers' Retirement System under Chapter 2.1 (§ 51.1-211 et seq.), (d) of the Judicial Retirement System under Chapter 3 (§ 51.1-300 et seq.), and (e) earning the benefits permitted by § 51.1-138.~~

In no case shall a member be required to contribute more than five percent of his creditable compensation for each pay period for which he receives compensation.

4. Each county, city, town, local public school board, or other local employer may elect to pay an equivalent amount in lieu of the member contributions required of its employees described in this subdivision 2. The county, city, town, local public school board, or other local employer may pay, in whole percentages, up to five percent of the creditable compensation otherwise required of such employees, provided that the employer pays the same percentage of creditable compensation for all such employees, and is paying all member contributions required ~~under this section for all of its other member employees not described in this subdivision 3. Such payments by the employer shall be credited to the member's contribution account. These payments in lieu of the member contributions required of employees shall not be considered wages for purposes of Chapter 7 (§ 51.1-700 et seq.), nor shall they be considered to be salary for purposes of this chapter.~~

Any portion of the five percent of creditable compensation ~~required of a person who becomes a member on or after July 1, 2010, that is not paid by the county, city, town, local public school board, or other local employer, shall be paid by such person~~ *the member.*

182 No employer other than a county, city, town, local public school board, or other local employer shall
183 be allowed to elect to pay any amount of the member contributions required of a person who becomes a
184 member on or after July 1, 2010.

185 G. Subject to the provisions of subsection F, any employer whose employees are paying member
186 contributions to the retirement system on a salary reduction basis in accordance with § 414(h) of the
187 Internal Revenue Code may phase-in the payment of the member contributions on behalf of its
188 employees upon notification to the Board of the employer's intent to make such payments. The Board
189 shall approve the period of time by which the phase-in shall be completed not to exceed six years from
190 the commencement of the phased-in payments.

191 H. Any employer that, by resolution of its governing body, elects to provide retirement coverage for
192 its employees in accordance with § 51.1-130 on or after September 1, 1998, shall allow its employees to
193 pay member contributions to the retirement system on a salary reduction basis in accordance with
194 § 414(h) of the Internal Revenue Code in lieu of paying the member contribution on behalf of its
195 employees in accordance with the provisions of subsection F.

196 I. The Board may develop procedures to effect the transfer of member contributions paid by
197 employers on or after July 1, 1980, and accrued interest on those contributions, to the member
198 contribution account of the member, if such contributions have been previously deposited into the
199 retirement allowance account of the employer.

200 § 51.1-601.1. Participation in plan by certain employees.

201 All employees of the Commonwealth and its agencies commencing employment or who are
202 reemployed on or after January 1, 2008, in a position covered by the Virginia Retirement System *or in*
203 *a position under which the employee is a participating member as defined in § 51.1-126.5:1*, and who
204 have not elected to participate in a plan established pursuant to § 403(b) of the Internal Revenue Code
205 of 1986, as amended, shall participate in the plan described in § 51.1-602, unless such employee elects,
206 in a manner prescribed by the Board, not to participate in such plan. The amount of the deferral for any
207 such employee participating in the plan shall equal, on a semimonthly basis, \$20 of otherwise payable
208 compensation, unless the employee elects to defer a different amount.

209 § 51.1-1100. Definitions.

210 As used in this chapter, unless the context requires a different meaning:

211 "Act" means the Virginia Workers' Compensation Act (§ 65.2-100 et seq.).

212 "Company" means an insurance company issuing a long-term disability insurance policy purchased
213 by the Board pursuant to this chapter.

214 "Disability" means a partial disability or total disability.

215 "Disability benefit" means income replacement payments payable to a participating employee under a
216 short-term or long-term disability benefit program pursuant to this chapter. Disability benefits do not
217 include benefits payable under the Act.

218 "Eligible employee" means (i) a state employee as defined in § 51.1-124.3 who is a member of the
219 retirement system, (ii) an employee as defined in § 51.1-201, (iii) an employee as defined in § 51.1-212,
220 ~~or~~ (iv) a qualifying part-time employee, *or (v) a state employee who elected to participate in the defined*
221 *contribution plan established under § 51.1-126.5:1*. Any person participating in a plan established
222 pursuant to §§ 51.1-126, 51.1-126.1, 51.1-126.4, 51.1-126.5, 51.1-502.1, or § 51.1-502.3 shall not be an
223 eligible employee. Employees of the University of Virginia Medical Center covered under the basic
224 insurance policies purchased by the Medical Center shall not be considered eligible employees under this
225 chapter, unless the University of Virginia Board of Visitors, or a duly authorized agent or representative
226 of the Board of Visitors, purchases such insurance policies from the Virginia Retirement System.

227 "Existing employee" means an employee who elected to participate in the Virginia Sickness and
228 Disability Program.

229 "Partial disability" exists during the first twenty-four months following the occurrence or
230 commencement of an illness or injury when an employee is earning less than eighty percent of his
231 predisability earnings and, as a result of an injury or illness, is (i) able to perform one or more, but not
232 all, of the essential job functions of his own job on an active employment or a part-time basis or (ii)
233 able to perform all of the essential job functions of his own job only on a part-time basis.

234 "Participating employee" means any eligible employee required or electing to participate in the
235 program.

236 "Program" means the program providing sick leave, family and personal leave, short-term disability,
237 and long-term disability benefits for participating employees established pursuant to this chapter.

238 "Qualifying part-time employee" means any person who would qualify as a state employee as defined
239 in § 51.1-124.3 but, rather than being regularly employed full time on a salaried basis, is regularly
240 employed part time for at least twenty hours but less than forty hours per week on a salaried basis.

241 "State service" means the employee's total period of state service as an eligible employee, including
242 all periods of classified full-time and classified part-time service and periods of leave without pay, but
243 not including periods during which the employee did not meet the definition of an eligible employee.

"Total disability" exists (i) during the first twenty-four months following the occurrence or commencement of an illness or injury if an employee is unable to perform all of his essential job functions or (ii) after twenty-four months following the occurrence or commencement of an illness or injury if an employee is unable to perform any job for which he is reasonably qualified based on his training or experience and earning less than eighty percent of his predisability earnings.

"Work-related injury" means an injury, as such term is defined in § 65.2-101, to a participating employee for which benefits are payable under the Act and the Commonwealth is the employer for purposes of the Act.

In addition to the definitions listed above, the definitions listed in § 51.1-124.3 shall apply to this chapter except as otherwise provided.

§ 51.1-1400. Health insurance credits for retired state employees.

A. The Commonwealth shall provide a credit toward the cost of health insurance coverage for any former state employee, as defined in § 2.2-2818, who retired under the Virginia Retirement System, State Police Officers' Retirement System, Judicial Retirement System, Virginia Law Officers' Retirement System, or any retirement system authorized pursuant to § 51.1-126, 51.1-126.1, 51.1-126.3, 51.1-126.4, 51.1-126.5, *51.1-126.5:1*, or 51.1-126.7 and who (i) rendered at least 15 years of total creditable service under the Retirement System or (ii) rendered service as a temporary employee of the General Assembly in 1972 and became a member of the retirement system from 1972 to 1985 immediately following such temporary service. The amount of each monthly health insurance credit payable under this section shall be \$4 per year of creditable service, which amount shall be credited monthly to any retired state employee participating in the state retiree health benefits program pursuant to § 51.1-1405 or an alternative personal health insurance plan as provided herein. However, such credit shall not exceed the health insurance premium for retiree-only coverage as provided under such alternative personal health insurance plan. Any (i) employee participant pursuant to § 51.1-126, 51.1-126.1, 51.1-126.3, 51.1-126.4, 51.1-126.5, *51.1-126.5:1*, or 51.1-126.7 receiving long-term disability, or (ii) retired state employee retired under the provisions of § 51.1-156 or 51.1-307, or (iii) any participating employee receiving long-term disability pursuant to § 51.1-112 or 51.1-1123 shall receive a maximum monthly credit which is the greater of (i) \$120, (ii) \$4 per year for each year of creditable service at the time of disability retirement, or (iii) \$4 per year for each year of creditable service at the time of eligibility for long-term disability. Any person included in the membership of a retirement system provided by Chapter 1 (§ 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.) of this title who elects to defer his retirement pursuant to subsection C of § 51.1-153, subsection C of § 51.1-205 or subsection C of § 51.1-305 shall be entitled to receive the allowable credit provided by this section on the effective date of his retirement.

B. For those retired state employees:

1. Participating in the state retiree health benefits program, such credit shall be applied to the monthly premium deducted from benefits payable to retired state employees in accordance with Chapters 1 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.), 2.1 (§ 51.1-211 et seq.), and 3 (§ 51.1-300 et seq.) of this title. In the event that either no benefit is payable or the benefit payable is insufficient to deduct the entire health care premium, the payment of the credit shall be determined in the manner prescribed by the Virginia Retirement System. Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement System.

2. Not electing or eligible to participate in the state retiree health benefits program and who purchase an alternative personal health insurance policy from a carrier or organization of his own choosing, such retirees shall be eligible to receive a credit in the amount specified in subsection A. Eligibility for the credit and payment for the credit shall be determined in a manner prescribed by the Virginia Retirement System.

C. Any person included in the membership of a retirement system provided by Chapter 1 (§ 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.) of this title who (i) rendered at least 15 years of total creditable service as a state employee as defined in § 2.2-2818 and (ii) after terminating state service, was employed by a local government that does not elect to provide a health insurance credit under § 51.1-1401 or 51.1-1402, shall be eligible for the credit provided by subsection A, provided that the retired employee is participating in a health insurance plan. The Commonwealth shall be charged with the credit as provided for in subsection D. In such case, the health insurance credit shall be determined based upon the amount of state service or service as a teacher, whichever is greater.

D. The Virginia Retirement System shall actuarially determine the amount necessary to fund all credits provided by this section to reflect the cost of such credits in the employer contribution rate pursuant to § 51.1-145, and prescribe such terms and conditions as are necessary to carry out the provisions of this section. The costs associated with the administration of the health insurance credit program provided for in this section shall be recovered from the health insurance credit trust fund.

305 E. Notwithstanding anything contained in this section to the contrary, the Virginia Commonwealth
306 University Health System Authority shall pay the cost of coverage for employees of such Authority who
307 (i) retired under the Virginia Retirement System or any retirement system authorized pursuant to
308 § 23-50.16:24.1, 51.1-126, 51.1-126.1, or former § 51.1-126.2; (ii) were employed by such Authority
309 prior to July 1, 1998, and were not subsequently rehired by such Authority on or after July 1, 1998; and
310 (iii) served no less than 15 years of creditable service as regularly employed full-time employees of such
311 Authority or the Commonwealth.

312 § 51.1-1401. Health insurance credits for retired teachers.

313 A. A teacher, as defined in § 51.1-124.3, retired under the Virginia Retirement System *or pursuant to*
314 *subsection J of § 51.1-126.5:1*, and any employee retired under a defined contribution plan pursuant to
315 § 51.1-126.6, who rendered at least 15 years of total creditable service under the System or plan shall
316 receive a health insurance credit to his monthly retirement allowance, which shall be applied to reduce
317 the retired member's health insurance premium cost. The amount of each monthly health insurance credit
318 payable under this section shall be \$4 for each full year of the retired member's creditable service;
319 however, each former member whose retirement was for disability shall receive a monthly health
320 insurance credit of \$4 multiplied by the smaller of (i) twice the amount of his creditable service or (ii)
321 the amount of creditable service he would have completed at age 60 if he had remained in service to
322 that age. Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement
323 System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be
324 entitled to receive the allowable credit provided by this section on the effective date of his retirement.

325 B. Those retired employees who purchase an alternative personal health insurance policy from a
326 carrier or organization of their own choosing shall be eligible to receive a credit in the amount specified
327 in subsection D. Eligibility for the credit and payment of the credit shall be determined in a manner
328 prescribed by the Virginia Retirement System.

329 C. The credit shall be in (i) the amount provided in subsection A or (ii) the amount of premium paid
330 for the personal health insurance policy, whichever is less.

331 D. Any person included in the membership of a retirement system provided by Chapter 1
332 (§ 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.) of this
333 title who (i) rendered at least 15 years of total creditable service as a teacher as defined in § 51.1-124.3
334 and (ii) after terminating service as a teacher, was employed by a local government that does not elect
335 to provide a health insurance credit under § 51.1-1402, shall be eligible for the credit provided by
336 subsection A and subsection B if provided by the school division from which the service described in
337 clause (i) was rendered, provided that the retired employee is participating in a health insurance plan.
338 The Commonwealth and local school division, if appropriate, shall be charged with the credit as
339 provided for in subsection E. In such case, the health insurance credit shall be determined based upon
340 the amount of state service or service as a teacher, whichever is greater.

341 E. The Virginia Retirement System shall (i) actuarially determine the amount necessary to fund all
342 credits provided under this section, (ii) reflect the cost of such credits in the applicable employer
343 contribution rate pursuant to §§ 51.1-145, 51.1-204, and 51.1-304, and (iii) prescribe such terms and
344 conditions as are necessary to carry out the provisions of this section. The costs associated with the
345 administration of the health insurance program provided for in this section shall be recovered from the
346 health insurance credit trust fund.

347 § 51.1-1402. Health insurance credits for retired local government employees.

348 A. Retired local government employees, whose localities have elected to participate in the Virginia
349 Retirement System, who have rendered at least fifteen years of total creditable service under the System
350 *or under a defined contribution plan pursuant to subsection J of § 51.1-126.5:1* shall receive a health
351 insurance credit to his monthly retirement allowance, which shall be applied to reduce the retired
352 member's health insurance premium cost, provided the retiree's employer elects to participate in the
353 credit program. The amount of each monthly health insurance credit payable under this section shall be
354 \$1.50 for each full year of the retired member's creditable service, not to exceed a maximum monthly
355 credit of forty-five dollars; however, each former member whose retirement was for disability shall
356 receive a monthly health insurance credit of forty-five dollars. Eligibility for the credit shall be
357 determined in a manner prescribed by the Virginia Retirement System. Any member who elects to defer
358 his retirement pursuant to subsection C of § 51.1-153 shall be entitled to receive the allowable credit
359 provided by this section on the effective date of his retirement.

360 B. Those retired employees who purchase an alternative policy from a carrier or organization of their
361 own choosing shall be eligible to receive a credit in the amount specified in subsection C. Eligibility for
362 the credit and payment of the credit shall be determined in a manner prescribed by the Virginia
363 Retirement System.

364 C. The credit shall be in the amount provided in subsection A or the amount of premium paid for
365 the personal health insurance policy, whichever is less.

366 D. The cost of the monthly health insurance credit payable under this section shall be borne by the

locality.

E. The Virginia Retirement System shall actuarially determine the amount necessary to fund all credits provided under this section, reflect the cost of such credits in the applicable employer contribution rate pursuant to § 51.1-145, and prescribe such terms and conditions as are necessary to carry out the provisions of this section. The costs associated with the administration of the health insurance credit program provided for in this section shall be recovered from the health insurance credit trust fund.

§ 51.1-1403. Health insurance credits for retired constitutional officers, employees of constitutional officers, general registrars, employees of general registrars, and local social service employees.

A. A local officer, as defined in § 51.1-124.3, general registrar, employee of a general registrar, or an employee of a local social services board, retired under the Virginia Retirement System who rendered at least 15 years of total creditable service under the System *or under a defined contribution plan pursuant to subsection J of § 51.1-126.5:1* shall receive a health insurance credit to his monthly retirement allowance, which shall be applied to reduce the retired member's health insurance premium cost. The amount of each monthly health insurance credit payable under this section shall be \$1.50 for each full year of the retired member's creditable service, not to exceed a maximum monthly credit of \$45; however, each former member whose retirement was for disability shall receive a monthly health insurance credit of \$45. Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be entitled to receive the allowable credit provided by this section on the effective date of his retirement. The cost of such credit shall be borne by the Commonwealth.

B. In addition to the health insurance credit authorized in subsection A, localities which participate in the Virginia Retirement System may elect to provide an additional health insurance credit of \$1 per month for each full year of the retired member's creditable service, not to exceed a maximum monthly credit of \$30. The costs of such additional health insurance credit shall be borne by the locality.

C. 1. Those retired employees who purchase an alternative personal health insurance policy from a carrier or organization of their own choosing shall be eligible to receive a credit in the amount specified in subdivision C 2. Eligibility for the credit and payment of the credit shall be determined in a manner prescribed by the Virginia Retirement System.

2. The credit shall be in (i) the amount provided in subsection A, or subsection A and subsection B if the additional credit authorized by subsection B is provided or (ii) the amount of premium paid for the personal health insurance policy, whichever is less.

D. Any person included in the membership of a retirement system provided by Chapter 1 (§ 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.) who (i) rendered at least 15 years of total creditable service as a local officer as defined in § 51.1-124.3 or as an employee of a local social services board or combined service as a general registrar or an employee of a general registrar and (ii) after terminating service as a local officer or employee of a local social services board or general registrar or as an employee of a general registrar, was employed by a local government that does not elect to provide a health insurance credit under § 51.1-1402, shall be eligible for the credit provided by subsection A, provided that the retired employee is participating in a health insurance plan. The Commonwealth shall be charged with the credit as provided for in subsection A. In such case, the health insurance credit shall be determined based upon the amount of state service or service as a local officer or service as an employee of a local social services board or combined service as a general registrar or an employee of a general registrar, whichever is greater.

E. The Virginia Retirement System shall (i) actuarially determine the amount necessary to fund all credits provided under this section, (ii) reflect the cost of such credits in the applicable employer contribution rate pursuant to § 51.1-145, and (iii) prescribe such terms and conditions as are necessary to carry out the provisions of this section. The costs associated with the administration of the health insurance program provided for in this section shall be recovered from the health insurance credit trust fund.

2. That the provisions of this act amending § 51.1-144 of the Code of Virginia shall not become effective unless classified state employees hired prior to July 1, 2010, receive at least a one percent salary increase effective July 1, 2011. It is further the intent of the General Assembly that classified state employees hired prior to July 1, 2010, also receive at least an additional one percent salary increase beginning on each July 1st of 2012, 2013, 2014, and 2015.