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HOUSE BILL NO. 2687

Offered January 20, 1997

A BILL to amend and reenact §§ 51.1-155, 51.1-157, 51.1-206, 51.1-306 and 51.1-308 of the Code of Virginia, relating to the Virginia Retirement System; retirement allowance formula.

Patrons—Callahan, Christian, Croshaw, Dillard, Heilig, Murphy, Plum, Putney and Van Landingham;
Senators: Barry, Gartlan and Howell

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-155, 51.1-157, 51.1-206, 51.1-306 and 51.1-308 of the Code of Virginia are amended and reenacted as follows:

§ 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 ~~1.501.70~~ percent of the first \$13,200 of average final compensation ~~plus 1.65 percent of average final compensation in excess of \$13,200, multiplied by the amount of creditable service. If the member is credited with thirty-five or more years of service, he shall receive 1.65 percent of his average final compensation multiplied by the amount of his creditable service.~~

~~On and after~~For retirements between October 1, 1994, and June 30, 1997, any employee or local officer who is a member or beneficiary of a retirement system administered by the Board shall receive an additional retirement allowance equal to three percent of the service retirement allowance payable under this section; provided that, for purposes of this additional retirement allowance, the term employee shall include only those employees of political subdivisions that have adopted a resolution providing for such an allowance under subsection B of § 51.1-130. Average final compensation attributable to service as Governor, Lieutenant Governor, Attorney General, or member of the General Assembly shall not be included in computing this additional retirement allowance.

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 thirty 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 thirty 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 thirty or more years but the sum of his age at retirement plus his creditable service at retirement is less than ninety, 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 ninety or more had he remained in service until such date. If the member has less than thirty 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 thirty years of creditable service and his then creditable service plus his then attained age would have been equal to ninety 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

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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 fifty-five 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. - If a beneficiary of a service retirement allowance under this chapter, other than a member of the General Assembly, 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 7 (§ 51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed.

§ 51.1-157. Disability retirement allowance.

A. Allowance payable on retirement. - Upon retirement for disability, a member who has five or more years of creditable service shall receive an annual retirement allowance during his lifetime and continued disability equal to ~~4-65~~1.70 percent of average final compensation multiplied by the smaller of (i) twice the amount of his creditable service or (ii) the amount of creditable service he would have completed at age sixty if he had remained in service to that age. If a member has already attained age sixty, the amount of creditable service at his date of retirement shall be used.

~~On and after~~For retirements between October 1, 1994, and June 30, 1997, any employee or local officer who is a member or beneficiary of a retirement system administered by the Board shall receive an additional retirement allowance equal to three percent of the disability retirement allowance payable under this section; provided that, for purposes of this additional retirement allowance, the term employee shall include only those employees of political subdivisions that have adopted a resolution providing for such an allowance under subsection B of § 51.1-130. Average final compensation attributable to service as Governor, Lieutenant Governor, Attorney General, or member of the General Assembly shall not be included in computing this additional retirement allowance.

B. Workers' compensation guarantee. - If a member retires for disability from a cause which is compensable under the Virginia Workers' Compensation Act (§ 65.2-100 et seq.), the amount of the annual retirement allowance shall equal sixty-six and two-thirds percent of the member's average final compensation if the member does not qualify for primary social security benefits under the provisions of the Social Security Act in effect on the date of his retirement. If the member qualifies for primary social security benefits under the provisions of the Social Security Act in effect on the date of his retirement, the allowance payable from the retirement system shall equal fifty percent of his average final compensation. A member shall be entitled to the larger of the retirement allowance as determined under the provisions of subsection A or under the provisions of this subsection.

C. Reduction of allowance. - Any allowance payable to a member who retires for disability from a cause compensable under the Virginia Workers' Compensation Act shall be reduced by the amount of any payments under the provisions of the Act in effect on the date of retirement of the member and the excess of the allowance shall be paid to the member. When the time for compensation payments under the Act has elapsed, the member shall receive the full amount of the allowance payable during his lifetime and continued disability. If the member's payments under the Virginia Workers' Compensation Act are adjusted or terminated for refusal to work or to comply with the requirements of § 65.2-603, his allowance shall be computed as if he were receiving the compensation to which he would otherwise be entitled.

D. Special retirement allowance guarantee. - Any member retired from a cause which is not compensable under the Virginia Workers' Compensation Act shall be guaranteed an annual retirement allowance during his lifetime and continued disability which equals fifty percent of the member's average final compensation if the member does not qualify for primary social security benefits under the provisions of the Social Security Act in effect on the date of his retirement. If the member qualifies for primary social security benefits under the provisions of the Social Security Act in effect on the date of retirement, the allowance payable from the retirement system shall equal thirty-three and one-third percent of his average final compensation.

E. Determination of retirement allowance. - For the purposes of this section, the retirement allowance shall be determined on the assumption that the retirement allowance is payable to the member alone and that no optional retirement allowance is elected.

§ 51.1-206. Service retirement allowance.

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

1. Normal retirement. - The allowance shall equal ~~4-50~~1.70 percent of the first \$13,200 of average final compensation plus ~~4-65~~ percent of average final compensation in excess of \$13,200 multiplied by the amount of creditable service. If the member is credited with thirty-five or more years of service, he shall receive ~~4-65~~ percent of his average final compensation multiplied by the amount of creditable service.

~~On and after~~For retirements between October 1, 1994, and June 30, 1997, any state police officer who is a member or beneficiary of a retirement system administered by the Board shall receive an additional retirement allowance equal to three percent of the service or disability retirement allowance payable under this section. Average final compensation attributable to service as Governor, Lieutenant Governor, Attorney General, or member of the General Assembly shall not be included in computing this additional retirement allowance.

2. Early retirement. - 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 twenty-five 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 or after his fiftieth birthday on which he would have completed a total of twenty-five years of creditable service.

3. 50/10 retirement. - The allowance shall be payable in a monthly stream of payments equal to the greater of (i) the amount the member would receive if he had he taken early retirement or (ii) the actuarially calculated present value of the member's accumulated contributions, including accrued interest.

B. In addition to the allowance payable under subsection A of this section, a member shall receive an additional allowance equal to \$7,080 annually from date of retirement until his sixty-fifth birthday.

Such allowance shall be reviewed and adjusted by the Board biennially to an amount recommended by the actuary of the Virginia Retirement System based upon increases in social security benefits in the interim. This subsection shall not apply to the following: (i) any member who qualifies for retirement under subsection C of § 51.1-205 and is credited with less than twenty years' service rendered in a hazardous position or (ii) any member employed initially on or after July 1, 1974, who is credited with less than twenty years' service rendered in a hazardous position.

C. If a beneficiary of a service retirement allowance under this chapter 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 7 (§ 51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed.

§ 51.1-306. 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 ~~4-65~~1.70 percent of average final compensation multiplied by the amount of creditable service. The allowance shall not exceed seventy-five percent of the average final compensation of the member.

~~On and after~~For retirements between October 1, 1994, and June 30, 1997, any judge who is a member or beneficiary of a retirement system administered by the Board shall receive an additional retirement allowance equal to three percent of the service retirement allowance payable under this section. Average final compensation attributable to service as Governor, Lieutenant Governor, Attorney General, or member of the General Assembly shall not be included in computing this additional retirement allowance.

2. Early retirement. - 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 not attained his sixtieth birthday or has less than thirty years of service, 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 or after his sixtieth birthday on which he would have completed a total of thirty years of creditable service.

B. Normal and early retirement guarantees. - Any member who was a member of one of the previous systems immediately prior to July 1, 1970, and who would have been eligible for retirement benefits thereunder shall be guaranteed a minimum retirement allowance no less than that for which he would have qualified had he continued to participate therein.

C. Determination of retirement allowance. - For the purposes of subsection B of this section, the retirement allowance shall be determined on the assumption that the retirement allowance is payable to the member alone and that no optional retirement allowance is elected.

D. Beneficiary serving in position covered by this title. - If a beneficiary of a service retirement allowance under this chapter or under any of the previous systems 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 7 (§ 51.1-700 et seq.) of this title, his retirement allowance shall cease while so employed.

§ 51.1-308. Disability retirement allowance.

A. Allowance payable on retirement. - Upon retirement for disability, a member who has five or more years of creditable service shall receive an annual retirement allowance, not to exceed seventy-five percent of his average final compensation, payable during his lifetime and continued disability equal to

183 1.651.70 percent of average final compensation when multiplied by the smaller of (i) twice the amount
184 of creditable service or (ii) the amount of creditable service he would have completed at age sixty if he
185 had remained in service to that age. If a member has already attained age sixty, the amount of creditable
186 service at his date of retirement shall be used.

187 ~~On and after~~For retirements between October 1, 1994, and June 30, 1997, any judge who is a
188 member or beneficiary of a retirement system administered by the Board shall receive an additional
189 retirement allowance equal to three percent of the disability retirement allowance payable under this
190 section. Average final compensation attributable to service as Governor, Lieutenant Governor, Attorney
191 General, or member of the General Assembly shall not be included in computing this additional
192 retirement allowance.

193 B. Workers' compensation guarantee. - If a member retires for disability from a cause which is
194 compensable under the Virginia Workers' Compensation Act (§ 65.2-100 et seq.), the amount of the
195 annual retirement allowance shall, subject to the provisions of subsection D, equal sixty-six and
196 two-thirds percent of the member's average final compensation if the member does not qualify for
197 primary social security benefits under the provisions of the Social Security Act in effect on the date of
198 his retirement. If the member qualifies for primary social security benefits under the provisions of the
199 Social Security Act in effect on the date of his retirement, the allowance payable from the retirement
200 system shall equal fifty percent of his average final compensation. A member shall be entitled to the
201 larger of the retirement allowance as determined under the provisions of subsection A of this section or
202 under the provisions of this subsection.

203 C. General disability retirement guarantee. - The disability retirement allowance payable to a member
204 who immediately prior to July 1, 1970, was a member of one of the previous systems shall be at least
205 an amount equal to the disability retirement allowance to which he would have been entitled under the
206 provisions of the previous system.

207 D. Determination of retirement allowance. - For the purposes of this section, the retirement allowance
208 shall be determined on the assumption that the retirement allowance is payable to the member alone and
209 that no optional retirement allowance is elected.

210 E. Reduction of allowance. - Any allowance payable to a member who retires for disability from a
211 cause compensable under the Virginia Workers' Compensation Act shall be reduced by the amount of
212 any payments under the provisions of the Act in effect on the date of retirement of the member and the
213 excess of the allowance shall be paid to such member. When the time for compensation payments under
214 the Act has elapsed, the member shall receive the full amount of the allowance payable during his
215 lifetime and continued disability. If the member's payments under the Virginia Workers' Compensation
216 Act are adjusted or terminated for refusal to work or to comply with the requirements of § 65.2-603, his
217 allowance shall be computed as if he were receiving the compensation to which he would otherwise be
218 entitled.

219 F. Special retirement allowance guarantee. - Any member retired from a cause which is not
220 compensable under the Virginia Workers' Compensation Act shall be guaranteed an annual retirement
221 allowance during his lifetime and continued disability which equals fifty percent of the member's
222 average final compensation if the member does not qualify for primary social security benefits under the
223 provisions of the Social Security Act in effect on the date of his retirement. If the member qualifies for
224 primary social security benefits under the provisions of the Social Security Act in effect on the date of
225 retirement, the allowance payable from the retirement system shall equal thirty-three and one-third
226 percent of his average final compensation.

227 **2. That members who retire on or before June 30, 1997, shall receive a two percent increase in**
228 **their base benefits.**

229 **3. That, in addition to members who retire on or after July 1, 1997, the provisions of this act shall**
230 **apply to retirement allowances commencing on or after July 1, 1997, that are paid to beneficiaries**
231 **pursuant to §§ 51.1-155, 51.1-157, 51.1-206, 51.1-306, or 51.1-308.**

232 **4. That the provisions of this act shall apply to employees of political subdivisions unless the**
233 **employer notifies the Board of Trustees otherwise in writing on or before July 1, 1997.**