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SENATE BILL NO. 65**AMENDMENT IN THE NATURE OF A SUBSTITUTE**(Proposed by the Senate Committee on Finance
on February 4, 1998)

(Patron Prior to Substitute—Senator Chichester)

*A BILL to amend and reenact § 51.1-144 of the Code of Virginia, relating to member contributions to the Virginia Retirement System.***Be it enacted by the General Assembly of Virginia:****1. That § 51.1-144 of the Code of Virginia is amended and reenacted as follows:**

§ 51.1-144. Member contributions.

A. Each member shall contribute five percent of his creditable compensation for each pay period for 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. Any employer may elect to pay an 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.

G. Any employer whose employees are paying member contributions to the retirement system on a salary reduction basis in accordance with § 414 (h) of the Internal Revenue Code may pay a portion of the member contributions on behalf of all of its employees upon notification to the Board of the employer's intent to make such partial payment. Any employer paying a portion of the member contributions for its employees (i) shall do so in such manner that the entire member contribution for all of its employees shall be paid by the employer starting not later than three years from the commencement of such partial payment and (ii) shall not pay a portion of the member contribution in any incremental amount with a fractional part of less than one-half of one percent of creditable compensation.

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