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HOUSE BILL NO. 89

Offered January 11, 2006

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A BILL to amend and reenact §§ 51.1-155, 51.1-206, and 51.1-217 of the Code of Virginia, relating to retirement programs administered by the Virginia Retirement System; benefits.

Patrons—Callahan, Caputo and Lingamfelter

Referred to Committee on Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-155, 51.1-206, and 51.1-217 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 1.70 percent of his average final compensation multiplied by the amount of his creditable service *equal to or less than 25 years, and 2.0 percent of his average final compensation multiplied by the amount of his creditable service in excess of 25 years.*

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 30 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 30 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.

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 30 or more years but the sum of his age at retirement plus his creditable service at retirement is less than 90, 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 90 or more had he remained in service until such date. If the member has less than 30 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 30 years of creditable service and his then creditable service plus his then attained age would have been equal to 90 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. 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, 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 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 55 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.

1. Except as provided in subdivisions 2 and 3, if a beneficiary of a service retirement allowance under this chapter or the provisions of Chapters 2 (§ 51.1-200 et seq.), 2.1 (§ 51.1-211 et seq.), or 3 (§ 51.1-300 et seq.) is at any time in service as an employee in a position covered for retirement

59 purposes under the provisions of this or any chapter other than Chapter 6 (§ 51.1-600 et seq.), 6.1
60 (§ 51.1-607 et seq.), or 7 (§ 51.1-700 et seq.), his retirement allowance shall cease while so employed.
61 Any member who retires and later returns to covered employment shall not be entitled to select a
62 different retirement option for a subsequent retirement.

63 2. Active members of the General Assembly who are eligible to receive a retirement allowance under
64 this title, excluding their service as a member of the General Assembly, shall be eligible to receive a
65 retirement allowance based on their creditable service and average final compensation for service other
66 than as a member of the General Assembly. Such members of the General Assembly shall continue to
67 be reported as any other members of the retirement system. Upon ceasing to serve in the General
68 Assembly, members of the General Assembly receiving a retirement allowance based on their creditable
69 service and average final compensation for service other than as a member of the General Assembly
70 shall have their retirement allowance recomputed prospectively to include their service as a member of
71 the General Assembly. Active members of the General Assembly shall be prohibited from receiving a
72 service retirement allowance under this title based solely on their service as a member of the General
73 Assembly.

74 3. (Expires July 1, 2010) Any person receiving a service retirement allowance under this chapter,
75 who is hired as a local school board instructional or administrative employee required to be licensed by
76 the Board of Education, may elect to continue to receive the retirement allowance during such
77 employment, under the following conditions:

78 (a) The person's retirement allowance is based in whole or in part on service as a local school board
79 instructional or administrative employee required to be licensed by the Board of Education;

80 (b) The person has been receiving such retirement allowance for a certain period of time preceding
81 his employment as provided by law;

82 (c) The person is not receiving a retirement benefit pursuant to an early retirement incentive program
83 from any local school division within the Commonwealth; and

84 (d) At the time the person is employed, the position to which he is assigned is among those
85 identified by the Superintendent of Public Instruction pursuant to subdivision 4 of § 22.1-23, by the
86 relevant division superintendent, pursuant to § 22.1-70.3, or by the relevant local school board, pursuant
87 to subdivision 9 of § 22.1-79.

88 If the person elects to continue to receive the retirement allowance during the period of such
89 employment, then his service performed and compensation received during such period of time will not
90 increase, decrease, or affect in any way his retirement benefits before, during, or after such employment.

91 § 51.1-206. Service retirement allowance.

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

93 1. Normal retirement. - The allowance shall equal 1.70 percent of his average final compensation
94 multiplied by the amount of creditable service *equal to or less than 25 years, and 2.0 percent of his*
95 *average final compensation multiplied by the amount of his creditable service in excess of 25 years.*

96 For retirements between October 1, 1994, and December 31, 1998, any state police officer who is a
97 member or beneficiary of a retirement system administered by the Board shall receive an additional
98 retirement allowance equal to three percent of the service or disability retirement allowance payable
99 under this section. Average final compensation attributable to service as Governor, Lieutenant Governor,
100 Attorney General, or member of the General Assembly shall not be included in computing this
101 additional retirement allowance.

102 2. Early retirement. - The allowance shall be determined in the same manner as for normal retirement
103 with creditable service and average final compensation being determined as of the date of actual
104 retirement. If the member has less than 25 years of service at retirement, the amount of the retirement
105 allowance shall be reduced on an actuarial equivalent basis for the period by which the actual retirement
106 date precedes the earlier of (i) his normal retirement date or (ii) the first date on or after his fiftieth
107 birthday on which he would have completed a total of 25 years of creditable service.

108 B. In addition to the allowance payable under subsection A, a member shall receive annually from
109 the date of his retirement until his retirement age, as such term is defined under the Social Security Act
110 (42 U.S.C. § 416 et seq., as now or hereafter amended), an allowance equal to \$9,264. Beginning July 1,
111 2001, and biennially thereafter, such allowance shall be reviewed and adjusted by the Board to an
112 amount recommended by the actuary of the Virginia Retirement System based upon increases in social
113 security benefits in the interim.

114 This subsection shall not apply to the following: (i) any member who qualifies for retirement under
115 subsection C of § 51.1-205 and is credited with less than 20 years' service rendered in a hazardous
116 position or (ii) any member employed initially on or after July 1, 1974, who is credited with less than
117 20 years' service rendered in a hazardous position. However, any service rendered as an employee, as
118 such term is defined in § 51.1-212, shall be deemed as service in a hazardous position for purposes of
119 the additional retirement allowance herein.

120 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.

§ 51.1-217. Service retirement allowance.

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

1. Normal retirement

a. Notwithstanding the provisions of §§ 51.1-155, 51.1-155.1 and 51.1-155.2, for any employee commencing employment or reemployment on or after July 1, 2001, and for any employee who makes the election provided in § 51.1-221, the allowance shall equal (i) two percent of his average final compensation multiplied by the amount of creditable service *equal to or less than 25 years, and 2.3 percent of his average final compensation multiplied by the amount of his creditable service in excess of 25 years* earned (a) as a member in the retirement system established by this chapter, (b) as a member in the retirement system established by Chapter 2 (§ 51.1-200 et seq.) of Title 51.1, or (c) while earning the benefits permitted by § 51.1-138; and (ii) 1.70 percent of his average final compensation multiplied by all other creditable service *equal to or less than 25 years, and 2.0 percent of his average final compensation multiplied by the amount of his creditable service in excess of 25 years*, if any; and

b. For any other employee, the allowance shall equal 1.70 percent of his average final compensation multiplied by the amount of creditable service *equal to or less than 25 years, and 2.0 percent of his average final compensation multiplied by the amount of his creditable service in excess of 25 years*.

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.

a. For an individual retiring pursuant to subdivision B 1 of § 51.1-216, who is not retiring directly from service as an employee as defined in § 51.1-212, and who has less than thirty years of service shall retire under the provisions of the retirement system for which he is a member as of his retirement date; and

b. For all other individuals retiring pursuant to subdivision B 1 of § 51.1-216, and for an individual retiring pursuant to subdivision B 2 of § 51.1-216 who 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.

B. Any person who is an employee on June 30, 2001, and on July 1, 2001, who does not make the election provided in § 51.1-221, shall receive, in addition to the allowance payable under subsection A, from the date of his retirement until his sixty-fifth birthday, an annual allowance equal to \$9,264. Beginning July 1, 2001, and biennially thereafter, such allowance shall be reviewed and adjusted by the Board 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 § 51.1-216 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.

D. No person shall be eligible to receive any of the allowances provided in this section if he receives retirement benefits under Chapter 2 (§ 51.1-200 et seq.) of Title 51.1 or under § 51.1-138. No person shall receive any allowance pursuant to subdivision A 1 (i) if he has received an allowance pursuant to subsection B of § 51.1-206 or subsection B of § 51.1-217, unless, after receiving the allowance pursuant to subsection B of § 51.1-206 or subsection B of § 51.1-217, he becomes employed or reemployed as an employee defined in § 51.1-212, and thereafter earns five or more years of creditable service (a) as a member in the retirement system established by this chapter, (b) as a member in the retirement system established by Chapter 2 (§ 51.1-200 et seq.) of Title 51.1, or (c) while earning the benefits permitted by § 51.1-138.