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**HOUSE BILL NO. 2410**

Offered January 17, 2011

A *BILL to amend and reenact §§ 51.1-138, 51.1-201, 51.1-212, 51.1-301, 51.1-603.1, 51.1-611, 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; optional defined contribution retirement program for state and local employees.*

Patrons—Putney, Jones, Abbitt, May and O'Bannon

Referred to Committee on Appropriations

**Be it enacted by the General Assembly of Virginia:**

1. That §§ 51.1-138, 51.1-201, 51.1-212, 51.1-301, 51.1-603.1, 51.1-611, 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. *Optional defined contribution retirement program.*

A. For purposes of this section, "optional defined contribution retirement program" means a retirement program covering any employee in a position covered for retirement purposes under the provisions of 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.) for retirement purposes other than the Virginia Retirement System defined benefit retirement plan established under this chapter or an optional retirement plan pursuant to § 51.1-126, 51.1-126.5, or 51.1-126.6. Persons who are participants in, or eligible to be participants in, the optional retirement plans established under §§ 51.1-126.1, 51.1-126.3, 51.1-126.4, and 51.1-126.7 shall not be eligible to participate in the optional defined contribution plan.

The Board shall maintain this optional defined contribution retirement program, and any employer is authorized to make contributions under such program to the plans for the benefit of its employees participating in such program. Every employee who is (i) a person who becomes a member on or after July 1, 2010, and (ii) hired on or after January 1, 2012, shall make an irrevocable election to participate in either (a) the otherwise applicable defined benefit retirement plan established by this title and administered by the Virginia Retirement System or (b) this optional defined contribution retirement program.

Notwithstanding the foregoing, an employee (i) who is a person who becomes a member on or after July 1, 2010, (ii) hired on or after January 1, 2012, by an institution of higher education that has established and is maintaining its own optional retirement plan pursuant to subsection B of § 51.1-126, and (iii) 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, provided the institution of higher education administers its optional retirement plan in accordance with the provisions of this section governing the optional defined contribution retirement program. 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 otherwise applicable defined benefit retirement plan established by this title and administered by the Virginia Retirement System.

B. 1. The employer shall make a contribution on behalf of an employee participating in the optional defined contribution retirement program in the amount of two percent of creditable compensation. In addition, the employer shall make a matching contribution on behalf of the employee based on the employee's voluntary contributions to the deferred compensation plan established under § 51.1-602, up to a maximum of 6.5 percent of creditable compensation for the payroll period, as follows: (i) 100 percent of the first five percent of creditable compensation contributed by the employee to such plan for the payroll period, and (ii) 50 percent of the next three percent of creditable compensation contributed by the employee to such plan for the payroll period. The matching contribution by the employer shall be made to the appropriate cash match plan established for the employee under § 51.1-608.

2. The total amount contributed by the employer under subdivision 1 shall vest to the employee's benefit according to the following schedule:

a. Upon completion of two years of continuous participation in the defined contribution retirement program, 50 percent.

b. Upon completion of three years of continuous participation in the defined contribution retirement program, 75 percent.

c. Upon completion of four years of continuous participation in the defined contribution retirement

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59 program, 100 percent.

60 If an employee terminates employment with an employer prior to the end of this vesting period,  
61 contributions made by an employer on behalf of the employee under subdivision 1 that are not vested,  
62 shall be forfeited. The Board may establish a forfeiture account and may specify the uses of the  
63 forfeiture account.

64 3. An employee may direct the investment of contributions made by an employer under subdivision B  
65 1.

66 4. No loans or hardship distributions shall be available from contributions made by an employer  
67 under subdivision B 1.

68 C. 1. An employee participating in the optional defined contribution retirement program may make  
69 voluntary contributions to the program, in whole percentages of creditable compensation, in an amount  
70 not to exceed eight percent of creditable compensation or the limit on elective deferrals pursuant to  
71 § 457(b) of the Internal Revenue Code, whichever is less. The contribution by the employee shall be  
72 made to the appropriate deferred compensation plan established by the employee under § 51.1-602.

73 2. No loans or hardship distributions shall be available from contributions made by an employee  
74 under subdivision 1.

75 D. With respect to any employee who elects, pursuant to subsection A, to participate in the otherwise  
76 applicable defined benefit retirement plan established by this title and administered by the Virginia  
77 Retirement System, the employer shall collect and pay all employee and employer contributions to the  
78 Virginia Retirement System for retirement and group life insurance in accordance with the provisions of  
79 Chapter 1 (§ 51.1-124.1 et seq.) for such employee.

80 E. 1. The Board shall develop policies and procedures for administering the optional defined  
81 contribution retirement program it maintains, including the establishment of guidelines for employee  
82 elections and deferrals under the program.

83 2. No employee who is an active member in the optional defined contribution retirement program  
84 maintained by the Board shall also be (i) an active member of the retirement system or beneficiary  
85 other than a contingent annuitant, or (ii) an active member of any other optional retirement plan  
86 maintained under the provisions of Chapter 1 (§ 51.1-124.1 et seq.).

87 3. If a member of the optional defined contribution retirement program maintained under this section  
88 is at any time in service as an employee in a position covered for retirement purposes under the  
89 provisions of Chapter 1 (§ 51.1-124.1 et seq.), 2 (§ 51.1-200 et seq.), 2.1 (§ 51.1-211 et seq.), or 3  
90 (§ 51.1-300 et seq.), his benefit payments under the optional defined contribution retirement program  
91 maintained under this section shall be suspended while so employed; provided, however, reemployment  
92 shall have no effect on the payment under the optional defined contribution retirement program  
93 maintained under this section if the benefits are being paid in an annuity form under an annuity  
94 contract purchased with the member's account balance.

95 4. Any administrative fee imposed pursuant to subdivision A 13 of § 51.1-124.22 on any employer for  
96 administering and overseeing the optional defined contribution retirement program established pursuant  
97 to this section shall be charged for each employee participating in such program and shall be for costs  
98 incurred by the Virginia Retirement System that are directly related to the administration and oversight  
99 of such program.

100 5. The creditable compensation for any employee on whose behalf employee or employer  
101 contributions are made into the optional defined contribution retirement program shall not exceed the  
102 limit on compensation as adjusted by the Commissioner of the Internal Revenue Service pursuant to the  
103 transition provisions applicable to eligible participants under state and local governmental plans under  
104 § 401(a)(17) of the Internal Revenue Code as amended in 1993 and as contained in § 13212(d)(3) of the  
105 Omnibus Budget Reconciliation Act of 1993 (P. L. 103-66).

106 6. The Board may contract with private corporations or institutions, subject to the standards set forth  
107 in § 51.1-124.30, to provide investment products as well as any other goods and services related to the  
108 administration of the optional defined contribution retirement program. The Virginia Retirement System  
109 is hereby authorized to perform related services, including but not limited to, providing consolidated  
110 billing, individual and collective recordkeeping and accountings, and asset purchase, control, and  
111 safekeeping.

112 F. A person who participates in the otherwise applicable defined benefit retirement plan established  
113 by this title and administered by the Virginia Retirement System under this chapter or an optional  
114 retirement plan pursuant to § 51.1-126, 51.1-126.5, or 51.1-126.6 may make an irrevocable election to  
115 participate in the optional defined contribution retirement program. Such election shall be exercised no  
116 later than March 31, 2012. If an election is not made by March 31, 2012, such employee shall be  
117 deemed to have elected not to participate in the optional defined contribution retirement program and  
118 shall continue to participate in his current retirement plan. The Board is authorized to allow transfers  
119 of (i) the amount of the accumulated contributions and interest of each member of the Virginia  
120 Retirement System defined benefit retirement plan, or (ii) the balance in an optional retirement plan, as

applicable, by a person who makes the election to participate in the optional defined contribution retirement program.

§ 51.1-138. Benefits.

A. Employees who become members under this article and on whose behalf contributions are paid as provided in this article shall be entitled to benefits under the retirement system.

B. By resolution legally adopted and approved by the Board, the employer may elect to provide benefits equivalent to those provided under the State Police Officers' Retirement System, as set out in Chapter 2 (§ 51.1-200 et seq.) of this title except for § 51.1-209, and except that the employer may elect to establish the retirement allowance pursuant to the allowance provided in clause (i) or (ii) in subsection A of § 51.1-206, in lieu of the benefits that would otherwise be provided hereunder for any employees who are employed in (i) law-enforcement positions comparably hazardous to that of a state police officer, including any sworn law-enforcement officer who has the duty and obligation to enforce the penal and traffic laws of this Commonwealth as directed by his superior officer, if so certified by his appointing authority, (ii) positions as full-time salaried firefighters, (iii) positions as full-time salaried emergency medical technicians, or (iv) positions as regional jail superintendents and jail officers of regional jail farms, regional jails or jail authorities, as approved by the respective jail board or authority and by the participating political subdivisions of such entities. Sheriffs of political subdivisions and superintendents of regional jails which participate in the retirement system shall receive benefits equivalent to those of state police officers, except for the benefits provided under § 51.1-209, regardless of whether the employer has elected to provide equivalent benefits as set out in this subsection.

C. Each employer providing the benefits of subsection B for its employees prior to July 1, 1990, may elect to provide for the early retirement of employees as set forth in this subsection in lieu of the early retirement and death before retirement provisions of the State Police Officers' Retirement System. Such election must be made to the Board in writing prior to July 1, 1990. Any member in service on or after his fifty-fifth birthday with five or more years of creditable service (i) while earning the benefits permitted by this section, (ii) as a member in the retirement system established by Chapter 2 (§ 51.1-200 et seq.) of this title, or (iii) as a member in the retirement system established by Chapter 2.1 (§ 51.1-211 et seq.) of this title may retire upon written notification to the Board setting forth at what time the retirement is to become effective. The effective date shall be after his last day of service but shall not be more than 90 days prior to the filing of such notice. The member shall receive an allowance that shall be determined in the same manner as for retirement at an employee's normal retirement with creditable service and average final compensation being determined as of the date of his 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 (a) the member's normal retirement date or (b) the first date on or after the member's fifty-fifth birthday on which the member would have completed a total of 30 years of creditable service. Effective December 31, 2003, any employee in service on June 30, 2002, and July 1, 2002, who is credited with five or more years of creditable service rendered under this chapter and earning the benefits permitted by this section, Chapter 2 (§ 51.1-200 et seq.), or Chapter 2.1 (§ 51.1-211 et seq.) of this title shall not be subject to the vesting requirements of this section, and §§ 51.1-205 and 51.1-216.

Members retiring under the provisions of this subsection shall be entitled to receive post-retirement supplements as provided in § 51.1-166. In computing the amount of any supplement, any additional allowances being paid under the provisions of subsection B of § 51.1-206 shall be disregarded. In the case of death before retirement, members whose employers elect to provide benefits in accordance with the provisions of this subsection and who have not attained the age of 50 on the date of death shall be assumed to be 50 years of age for the purposes of reducing the benefits on an actuarial equivalent basis.

D. Beginning July 1, 2008, each county and city participating in the Virginia Retirement System shall provide the benefit coverage described in subsection B to each deputy sheriff, regardless of whether the deputy sheriff's salary is funded or reimbursed in whole or in part by the Compensation Board.

E. Notwithstanding the provisions of subsection C, beginning July 1, 2009, the City of Danville shall provide to each deputy sheriff the benefit coverage described in subsection B.

F. Beginning July 1, 2009, each regional jail board and regional jail authority participating in the Virginia Retirement System and each county and city participating in such board or authority shall provide the benefit coverage described in subsection B to each sworn officer of a regional jail, regardless of whether the regional jail officer's salary is funded or reimbursed in whole or in part by the State Compensation Board.

G. Beginning July 1, 2010, any county or city that (i) participates in the Virginia Retirement System pursuant to Chapter 1 (§ 51.1-124.1 et seq.), (ii) has in effect a retirement supplement for deputy sheriffs (in addition to the annual retirement allowance provided under the Virginia Retirement System) that exceeds the allowance set forth in subsection B of § 51.1-206 hereof, and (iii) provides the same level

182 of retirement benefits to all of its deputy sheriffs, may, by resolution legally adopted, elect to provide  
183 the benefits coverage under subsection B hereof except for the allowance described in subsection B of  
184 § 51.1-206. Notwithstanding any other provision of law, the additional costs of such election shall be  
185 borne solely by such county or city.

186 H. The retirement system shall not be liable for the payment of any retirement allowances or other  
187 benefits on behalf of a member or beneficiary of a member for which reserves have not been previously  
188 created from funds contributed by the employer or the members for such benefits.

189 *I. Notwithstanding the foregoing, any person participating in the optional defined contribution*  
190 *retirement program established pursuant to § 51.1-126.5:1 shall not be entitled to the benefits under this*  
191 *section.*

192 § 51.1-201. Definitions.

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

194 "Employee" means a state police officer.

195 "Member" means any person included in the membership of the retirement system as provided in this  
196 chapter, *except that any person participating in the optional defined contribution retirement program*  
197 *established pursuant to § 51.1-126.5:1 shall not be considered a member.*

198 "Normal retirement date" means a member's sixtieth birthday.

199 "Retirement system" means the State Police Officers' Retirement System.

200 § 51.1-212. Definitions.

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

202 "Employee" means any (i) member of the Capitol Police Force as described in § 30-34.2:1, (ii)  
203 campus police officer appointed under the provisions of Chapter 17 (§ 23-232 et seq.) of Title 23, (iii)  
204 conservation police officer in the Department of Game and Inland Fisheries appointed under the  
205 provisions of Chapter 2 (§ 29.1-200 et seq.) of Title 29.1, (iv) special agent of the Department of  
206 Alcoholic Beverage Control appointed under the provisions of Chapter 1 (§ 4.1-100 et seq.), (v)  
207 law-enforcement officer employed by the Virginia Marine Resources Commission as described in  
208 § 9.1-101, (vi) correctional officer as the term is defined in § 53.1-1, and including correctional officers  
209 employed at a juvenile correction facility as the term is defined in § 66-25.3, (vii) any parole officer  
210 appointed pursuant to § 53.1-143, and (viii) any commercial vehicle enforcement officer employed by  
211 the Department of State Police.

212 "Member" means any person included in the membership of the Retirement System as provided in  
213 this chapter, *except that any person participating in the optional defined contribution retirement*  
214 *program established pursuant to § 51.1-126.5:1 shall not be considered a member.*

215 "Normal retirement date" means a member's sixtieth birthday.

216 "Retirement System" means the Virginia Law Officers' Retirement System.

217 § 51.1-301. Definitions.

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

219 "Appointing authority" means the General Assembly or the Governor.

220 "Creditable service" means prior service plus membership service, as further defined in and modified  
221 by § 51.1-303, for which credit is allowable under this chapter.

222 "Judge" means any justice or judge of a court of record of the Commonwealth, any member of the  
223 State Corporation Commission or Virginia Workers' Compensation Commission, any judge of a district  
224 court of the Commonwealth other than a substitute judge of such district court, and any executive  
225 secretary of the Supreme Court assuming such position between December 1, 1975, and January 31,  
226 1976, *except that any person participating in the optional defined contribution retirement program*  
227 *established pursuant to § 51.1-126.5:1 shall not be considered a judge as provided in this chapter.*

228 "Normal retirement date" means a member's sixty-fifth birthday.

229 "Previous systems" means the systems established under the provisions of Chapters 2 (§ 51-3 et seq.)  
230 and 2.2 (§ 51-29.8 et seq.) of Title 51, and, in the case of judges of regional juvenile and domestic  
231 relations courts, the Virginia Retirement System.

232 "Primary social security benefit" means, with respect to any member, the primary insurance amount  
233 to which the member is entitled, for old age or disability, as the case may be, pursuant to the federal  
234 Social Security Act as in effect at his date of retirement, under the provisions of this chapter except as  
235 otherwise specifically provided.

236 "Retirement system" means the Judicial Retirement System.

237 "Service" means service as a judge.

238 § 51.1-603.1. Participation by employees of political subdivisions in deferred compensation plan of  
239 Virginia Retirement System.

240 The Virginia Retirement System may enter into an agreement with any political subdivision of the  
241 Commonwealth to permit participation by the political subdivision's employees in the deferred  
242 compensation plan established and administered by the Board pursuant to § 51.1-602, *except that*  
243 *political subdivisions of the Commonwealth otherwise participating in the retirement system pursuant to*

*Article 5 (§ 51-130 et seq.) of Chapter 1 shall participate in the deferred compensation plan established and administered by the Board pursuant to § 51-602 to the extent necessary to provide benefits under the optional defined contribution retirement program described in § 51.1-126.5:1.*

§ 51.1-611. Participation by employees of political subdivisions in cash match plan of Virginia Retirement System.

The Virginia Retirement System may enter into an agreement with any political subdivision of the Commonwealth to permit participation by the political subdivision's employees in the cash match plan established and administered by the Board pursuant to § ~~51.1-607~~ 51.1-608 *except that political subdivisions of the Commonwealth otherwise participating in the retirement system pursuant to Article 5 (§ 51-130 et seq.) of Chapter 1 shall participate in the deferred compensation plan established and administered by the Board pursuant to § 51-608 to the extent necessary to provide benefits under the optional defined contribution retirement program described in § 51.1-126.5:1.*

§ 51.1-1100. Definitions.

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

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

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

"Disability" means a partial disability or total disability.

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

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

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

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

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

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

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

"State service" means the employee's total period of state service as an eligible employee, including all periods of classified full-time and classified part-time service and periods of leave without pay, but 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 § 51.1-1112 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.

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

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

A. A teacher, as defined in § 51.1-124.3, retired under the Virginia Retirement System, and any employee retired under a defined contribution plan pursuant to § 51.1-126.6 or *51.1-126.5:1*, who rendered at least 15 years of total creditable service under the System or plan 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 \$4 for each full year of the retired member's creditable service; however, each former member whose retirement was for disability, or a participant pursuant to § 51.1-126.6 or *51.1-126.5:1* receiving long-term disability, shall receive a monthly health insurance credit of \$4

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 60 if he had remained in service to that age. 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.

B. 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 subsection D. Eligibility for the credit and payment of the credit shall be determined in a manner prescribed by the Virginia Retirement System.

C. The credit shall be in (i) the amount provided in subsection A 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.) of this title who (i) rendered at least 15 years of total creditable service as a teacher as defined in § 51.1-124.3 and (ii) after terminating service as a teacher, 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 and subsection B if provided by the school division from which the service described in clause (i) was rendered, provided that the retired employee is participating in a health insurance plan. The Commonwealth and local school division, if appropriate, shall be charged with the credit as provided for in subsection E. 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.

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, 51.1-204, and 51.1-304, 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.

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

A. Retired local government employees, whose localities have elected to participate in the Virginia Retirement System, *including the optional defined contribution retirement program established pursuant to § 51.1-126.5:1*, who have rendered at least ~~fifteen~~ 15 years of total creditable service under the System 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, provided the retiree's employer elects to participate in the credit program. 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 ~~forty-five dollars~~ \$45; however, each former member whose retirement was for disability, *or a participant pursuant to § 51.1-126.5:1 receiving long-term disability*, shall receive a monthly health insurance credit of ~~forty-five dollars~~ \$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.

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

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

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, *including the optional defined contribution retirement program established pursuant to § 51.1-126.5:1*, who rendered at least 15 years of total creditable service under the System shall receive a health insurance credit to his

428 monthly retirement allowance, which shall be applied to reduce the retired member's health insurance  
429 premium cost. The amount of each monthly health insurance credit payable under this section shall be  
430 \$1.50 for each full year of the retired member's creditable service, not to exceed a maximum monthly  
431 credit of \$45; however, each former member whose retirement was for disability, *or a participant*  
432 *pursuant to § 51.1-126.5:1 receiving long-term disability*, shall receive a monthly health insurance credit  
433 of \$45. Eligibility for the credit shall be determined in a manner prescribed by the Virginia Retirement  
434 System. Any member who elects to defer his retirement pursuant to subsection C of § 51.1-153 shall be  
435 entitled to receive the allowable credit provided by this section on the effective date of his retirement.  
436 The cost of such credit shall be borne by the Commonwealth.

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

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

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

448 D. Any person included in the membership of a retirement system provided by Chapter 1  
449 (§ 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)  
450 rendered at least 15 years of total creditable service as a local officer as defined in § 51.1-124.3 or as an  
451 employee of a local social services board or combined service as a general registrar or an employee of a  
452 general registrar and (ii) after terminating service as a local officer or employee of a local social  
453 services board or general registrar or as an employee of a general registrar, was employed by a local  
454 government that does not elect to provide a health insurance credit under § 51.1-1402, shall be eligible  
455 for the credit provided by subsection A, provided that the retired employee is participating in a health  
456 insurance plan. The Commonwealth shall be charged with the credit as provided for in subsection A. In  
457 such case, the health insurance credit shall be determined based upon the amount of state service or  
458 service as a local officer or service as an employee of a local social services board or combined service  
459 as a general registrar or an employee of a general registrar, whichever is greater.

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