

---

# VIRGINIA STATE BUDGET

---

2010 Session

## Budget Bill - SB29 (Introduced)

Bill Order » Central Appropriations » Item 472.10

Central Appropriations

Item 472.10	First Year - FY2009	Second Year - FY2010
<b>Reversion Clearing Account - Employee Benefits Reversion (23300)</b>	<b>-\$61,758,944</b>	<b>-\$87,203,333</b> <b>-\$156,280,736</b>
Fund Sources:		
General	-\$61,758,944	-\$87,203,333 -\$156,280,736

---

Authority: Discretionary Inclusion.

A.1. Due to excess balances in the state employee Health Insurance Fund, the Director of the Department of Planning and Budget is hereby directed to withhold and transfer to this Item general fund appropriations of \$28,896,423 in the first year and \$30,152,770 in the second year from state agencies and institutions representing amounts budgeted for the employer contributions into the state employee health insurance program. The Director of the Department of Human Resources Management shall provide a premium credit to the agencies equal to such transfer along with a corresponding credit representing savings to agencies supported in whole or in part from nongeneral funds.

2. For the second year, health insurance premiums charged to state agencies and active state employees for the state employee health insurance program shall remain at the levels charged in the first year. Cost increases to the state employee health insurance program above the first year increase shall be absorbed by the health insurance fund.

B.1. Contribution rates paid to the Virginia Retirement System (VRS) for the retirement benefits of state employees, state police officers, state judges, and state law enforcement officers eligible for the Virginia Law Officers Retirement System shall be based on a valuation of retirement assets and liabilities that assume an investment return of eight percent, a cost of living increase of three percent, and an amortization period of 30 years.

2. Retirement contribution rates for the first year, excluding the five percent employee portion, shall be: 8.81 percent for public school teachers, 6.23 percent for state employees, 20.05 percent for state police officers, 14.23 percent for the Virginia Law Officers Retirement System, and 34.51 percent for the Judicial Retirement System. Retirement contribution rates for the second year, excluding the five percent employee portion, shall be: 8.81 percent for public school teachers, 6.26 percent for state employees, 20.05 percent for state police officers, 14.23 percent for the Virginia Law Officers Retirement System, and 34.51 percent for the Judicial Retirement System.

3. Contribution rates paid on behalf of state employees to other programs administered by the VRS in the first year shall be: 0.82 percent for the public employee group life insurance program, 1.79 percent for the Virginia Sickness and Disability Program, and 1.18 percent for the state employee retiree health insurance credit. Contribution rates paid on behalf of state employees to other programs administered by the VRS in the second year shall be: 0.79 percent for the public employee group life insurance program, 1.00 percent for the Virginia Sickness and Disability Program, and 1.00 percent for the state employee retiree health insurance credit.

4. Contribution rates paid on behalf of public school teachers shall be 1.08 percent in the first year and 1.04 percent in the second year for the teacher retiree health insurance credit.

C.1. The Director of the Department of Planning and Budget shall withhold and transfer general fund amounts estimated at \$15,339,402 the first year and \$37,540,615 the second year from the appropriations of state agencies and institutions of higher learning to this Item, representing savings from changes in the contribution rates for state employee benefits as provided for in paragraph B of this Item.

2. The Director of the Department of Planning and Budget shall withhold and transfer general fund amounts estimated at \$78,931 the first year and \$78,931 the second year from the appropriations of the Compensation Board for reimbursements to Constitutional Officers to this Item, representing savings from changes in the contribution rates for VRS benefits as provided for in paragraph B of this Item.

3. The Director of the Department of Planning and Budget shall withhold and transfer general fund amounts estimated at \$17,444,188 the first year and \$18,152,017 the second year from Item 140 of this act and transfer to this item, representing the savings that will be realized from the application of the contribution rates for public teachers included in paragraph B of this Item.

D.1 Notwithstanding any provision to the contrary, any references to a period of 14 days or a period of 28 days in §§ 51.1-1111, -1112, -1122, and -1123 of the Virginia Sickness and Disability Program (VSDP) are hereby changed to a period of 45 days. Moreover, the period of 45 days shall be consecutive days that the participating employee is (i) actively at work and (ii) fully released to return to work full time, full duty. The Virginia Retirement System shall develop policies and procedures to administer the effects of the 45-day period in connection with participants who are deemed to have a major chronic condition.

2. Notwithstanding any provision to the contrary, any eligible employee commencing employment or re-employment on or after July 1, 2009, shall not be entitled to receive Virginia Sickness and Disability Program benefits under Article 3, Chapter 11 of Title 51.1 (Nonwork Related Disability Benefits) until the employee completes one continuous year of active employment or re-employment.

3. Notwithstanding any provision to the contrary, for all eligible employees commencing employment or re-employment on or after July 1, 2009, short-term disability coverage under the Virginia Sickness and Disability Program shall provide income replacement for no more than 60 percent of a participating employee's creditable compensation for the first 60 months of continuous state service after employment or re-employment.

4. The Director of the Department of Planning and Budget shall withhold and transfer general fund amounts of \$1,279,000 the second year from the appropriations of state agencies and institutions of higher learning to this item, representing savings from reduced expenditures for short-term disability benefits pursuant to the policy changes authorized in this item.

E. Notwithstanding the provisions of § 2.2-3205(A), Code of Virginia, the terminating agency shall not be required to pay the Virginia Retirement System (VRS) the costs of enhanced retirement benefits provided for in § 2.2-3204 (A), Code of Virginia. Instead, the entire cost of such benefits for involuntarily separated employees shall be factored into the employer contribution rates paid to VRS beginning with the June 30, 2009 actuarial valuation.

*F. The purpose of this paragraph is to provide a transitional severance benefit, under the conditions specified, to eligible city, county, school division or other political subdivision employees who are involuntarily separated from employment with their employer.*

*1.a. "Involuntary separation" includes, but is not limited to, terminations and layoffs from employment with the employer, or being placed on leave without pay-layoff or equivalent status, due to budget reductions, employer reorganizations, workforce downsizings, or other causes not related to the job performance or misconduct of the*

employee, but shall not include voluntary resignations. As used in this paragraph, a "terminated employee" shall mean an employee who is involuntarily separated from employment with his employer.

b. The governing authority of a city, county, school division or other political subdivision electing to cover its employees under the provisions of this paragraph shall adopt a resolution, as prescribed by the Board of Trustees of the Virginia Retirement System, to that effect. An election by a school division shall be evidenced by a resolution approved by the Board of such school division and its local governing authority.

2.a. Any (i) "eligible employee" as defined in § 51.1-132, (ii) "teacher" as defined in § 51.1-124.3, and (iii) any "local officer" as defined in § 51.1-124.3 except for the treasurer, commissioner of the revenue, attorney for the Commonwealth, clerk of a circuit court, or sheriff of any county or city, and (a) for whom reemployment with his employer is not possible because there is no available position for which the employee is qualified or the position offered to the employee requires relocation or a reduction in salary and (b) whose involuntary separation was due to causes other than job performance or misconduct, shall be eligible, under the conditions specified, for the transitional severance benefit conferred by this paragraph. The date of involuntary separation shall mean the date an employee was terminated from employment or placed on leave without pay-layoff or equivalent status.

b. Eligibility shall commence on the date of involuntary separation.

3.a. On his date of involuntary separation, an eligible employee with (i) two years' service or less to the employer shall be entitled to receive a transitional severance benefit equivalent to four weeks of salary; (ii) three years through and including nine years of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to four weeks of salary plus one additional week of salary for every year of service over two years; (iii) ten years through and including fourteen years of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to twelve weeks of salary plus two additional weeks of salary for every year of service over nine years; or (iv) fifteen years or more of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to two weeks of salary for every year of service, not to exceed thirty-six weeks of salary.

b. Transitional severance benefits shall be computed by the terminating employer's payroll department. Partial years of service shall be rounded up to the next highest year of service.

c. Transitional severance benefits shall be paid by the employer in the same manner as normal salary. In accordance with § 60.2-229, transitional severance benefits shall be allocated to the date of involuntary separation. The right of any employee who receives a transitional severance benefit to also receive unemployment compensation pursuant to § 60.2-100 et seq. shall not be denied, abridged, or modified in any way due to receipt of the transitional severance benefit; however, any employee who is entitled to unemployment compensation shall have his transitional severance benefit reduced by the amount of such unemployment compensation. Any offset to a terminated employee's transitional severance benefit due to reductions for unemployment compensation shall be paid in one lump sum at the time the last transitional severance benefit payment is made.

d. For twelve months after the employee's date of involuntary separation, the employee shall continue to be covered under the (i) health insurance plan administered by the employer for its employees, if he participated in such plan prior to his date of involuntary separation, and (ii) group life insurance plan administered by the Virginia Retirement System pursuant to Chapter 5 (§ 51.1-500 et seq.) of Title 51.1, or such other group life insurance plan as may be administered by the employer. During such twelve months, the terminating employer shall continue to pay its share of the terminated employee's premiums. Upon expiration of such twelve month period, the terminated employee shall be eligible to purchase continuing health insurance coverage under COBRA.

e. Transitional severance benefit payments shall cease if a terminated employee is reemployed or hired in an individual capacity as an independent contractor or consultant by the employer during the time he is receiving such payments.

*f. All transitional severance benefits payable pursuant to this section shall be subject to applicable federal laws and regulations.*

*4.a. In lieu of the transitional severance benefit provided in subparagraph 3 of this paragraph, any otherwise eligible employee who, on the date of involuntary separation, is also (i) a vested member of the Virginia Retirement System, including a member eligible for the benefits described in subsection B of § 51.1-138, and (ii) at least fifty years of age, may elect to have the employer purchase on his behalf years to be credited to either his age or creditable service or a combination of age and creditable service, except that any years of credit purchased on behalf of a member of the Virginia Retirement System, including a member eligible for the benefits described in subsection B of § 51.1-138, who is eligible for unreduced retirement shall be added to his creditable service and not his age. The cost of each year of age or creditable service purchased by the employer shall be equal to fifteen percent of the employee's present annual compensation. The number of years of age or creditable service to be purchased by the employer shall be equal to the quotient obtained by dividing (i) the cash value of the benefits to which the employee would be entitled under subparagraphs 3.a. and 3.d. of this paragraph by (ii) the cost of each year of age or creditable service. Partial years shall be rounded up to the next highest year. Deferred retirement under the provisions of subsection C of §§ 51.1-153 and 51.1-205, and disability retirement under the provisions of § 51.1-156 et seq., shall not be available under this paragraph.*

*b. In lieu of the (i) transitional severance benefit provided in subparagraph 3 of this paragraph and (ii) the retirement program provided in this subsection, any employee who is otherwise eligible may take immediate retirement pursuant to §§ 51.1-155.1 or 51.1-155.2.*

*c. The retirement allowance for any employee electing to retire under this paragraph who, by adding years to his age, is between ages fifty-five and sixty-five, shall be reduced on the actuarial basis provided in subdivision A. 2. of § 51.1-155.*

*d. The retirement program provided in this subparagraph shall be otherwise governed by policies and procedures developed by the Virginia Retirement System.*

*e. Costs associated with the provisions of this subparagraph shall be factored into the employer contribution rates paid to the Virginia Retirement System beginning with the June 30, 2011 actuarial evaluation.*

*G.1. Notwithstanding the provisions of paragraph B of this Item, beginning with the final five full pay periods of the second year, contribution rates paid on behalf of state employees for retirement, excluding the five percent employee portion, shall be suspended.*

*2. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at \$36,130,506 the second year from the general fund appropriations of state agencies and institutions of higher education, representing savings from the suspension of employer contributions for state employee retirement as provided for in this paragraph.*

*3. Pursuant to § 3-1.01 of this act, amounts estimated at \$18,083,313 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing the eligible nongeneral fund savings associated with the suspension of employer contributions for state employee retirement as provided for in this paragraph.*

*4. Savings associated with reductions in reimbursement to constitutional officers as a result of the state employee retirement rate suspension as provided for in this paragraph are reverted elsewhere in this act under the Compensation Board.*

*5. Notwithstanding the provisions of paragraph B of this Item, contributions paid by school divisions on behalf of public school teachers, excluding the five percent employee portion, shall be suspended effective April 1, 2010.*

6. Savings associated with the public school teacher retirement rate suspension as provided for in this paragraph are reverted elsewhere in this act under Direct Aid to Public Education.

H.1. Notwithstanding the provisions of paragraph B of this Item, beginning with the final five full pay periods of the second year for state employees and effective April 1, 2010 for constitutional officers and public school teachers, contribution rates paid on behalf of employees for public employee group life insurance, the Virginia Sickness and Disability Program, state employee retiree health insurance credit, and the public school teacher retiree health insurance credit, shall be suspended.

2. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at \$13,167,093 the second year from the general fund appropriations of state agencies and institutions of higher education, representing savings from the suspension of the contribution rates for state employee benefits as provided for in this paragraph.

3. Pursuant to § 3-1.01 of this act, amounts estimated at \$10,456,070 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing the eligible nongeneral fund savings associated with the suspension of the contribution rates for state employee benefits as provided for in this paragraph.

4. Savings associated with reductions in reimbursement to constitutional officers as a result of the public employee group life rate suspension as provided for in this paragraph are reverted elsewhere in this act under the Compensation Board.

5. Savings associated with the public school teacher benefit rate suspensions as provided for in this paragraph are reverted elsewhere in this act under Direct Aid to Public Education.

I.1. Notwithstanding any other provisions of law, the State Comptroller shall suspend the transfer of the employer share of retirement contributions under all defined benefit plans administered by VRS for the final five paydays of fiscal year 2010. Additionally, the State Comptroller shall delay the transfer of the employee share of retirement contributions under all defined benefit plans administered by VRS for the same five paydays from fiscal year 2010 to fiscal year 2011. The transfer shall occur no later than July 10, 2010.

2. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at \$19,779,804 the second year from the general fund appropriations of state agencies and institutions of higher education, representing savings from the delay of payments as provided for in this paragraph.

3. Pursuant to § 3-1.01 of this act, amounts estimated at \$12,766,677 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing the eligible nongeneral fund savings associated with the delay of payments as provided for in this paragraph.