Summary of the Virginia State Pension Reform Law

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Highlights

House Bill 1130/Senate Bill 498, signed into law on April 9, 2012 makes changes to the Virginia Retirement System, which:

For Future Employees

- Create a new hybrid retirement plan for all employees (except hazardous duty employees) hired on or after January 1, 2014. The hybrid plan will be an optional plan for all members who are not vested as of January 1, 2014;
- Reduce the benefit multiplier to 1.65% for state employees, teachers, and applicable local members for Plans 1 and 2 who are not vested as of January 1, 2013;
- Adjust the time period used to calculate final average salary from 36 consecutive months of highest compensation to 60 consecutive months of highest compensation for Plan 1 members not vested as of January 1, 2013. Average final compensation for Plan 2 members remains at highest 60 months.
- Extend Plan 2's age and service requirements (including the Rule-of-90) to Plan 1 employees who are not vested by January 1, 2013.

For Current and Future Employees

- Cap cost-of-living increases at 3% for new hires, Plan 2 members and any Plan 1 member not vested as of January 1, 2013. Cost-of-living increases are also deferred for any member who retires with less than 20 years of creditable service until one year after attaining unreduced retirement eligibility (Employees within five years of eligibility for an unreduced benefit as of January 1, 2013 are grandfathered);

Hybrid Retirement Plan

According to the legislation,

"I. *Effective January 1, 2014, any reference to "retirement system" in this section shall mean the hybrid retirement program described in § 51.1-169*. The Virginia Retirement System shall (i) develop policies and procedures for the administration of the plan and (ii) provide a program of education and support for participating members."

Exemptions

Hazardous duty employees are exempted from the requirement to participate in the hybrid plan and the age-and-service requirements.