

002527412

SENATE BILL NO. 132

Offered January 12, 2000

A BILL to amend the Code of Virginia by adding in Chapter 1 of Title 51.1 an article numbered 10, consisting of sections numbered 51.1-170 through 51.1-176, relating to a deferred retirement option program.

Patrons—Colgan, Houck, Howell and Saslaw; Delegate: Dillard

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 1 of Title 51.1 an article numbered 10, consisting of sections numbered 51.1-170 through 51.1-176, as follows:

Article 10.

Deferred Retirement Option Program.

§ 51.1-170. Definitions.

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

"Eligible member" means a member who satisfies the requirements of § 51.1-171 and is a (i) qualified state employee, (ii) state police officer, (iii) teacher, (iv) qualified local employee, or (v) judge as that term is defined in § 51.1-301.

"Member" means a member of the Virginia Retirement System, the State Police Officers' Retirement System as described in Chapter 2 (§ 51.1-200 et seq.) of this title, the Virginia Law Officers' Retirement System as described in Chapter 2.1 (§ 51.1-211 et seq.) of this title, or the Judicial Retirement System as described in Chapter 3 (§ 51.1-300 et seq.) of this title.

"Participant" means an eligible member participating in the program.

"Program" means the deferred retirement option program established pursuant to this article.

"Qualified local employee" means an employee of a political subdivision who is regularly employed full time on a salaried basis and whose tenure is not restricted by his having a temporary or provisional appointment.

"Qualified state employee" means an employee as defined in § 51.1-201 or in § 51.1-212, a member of the Judicial Retirement System pursuant to § 51.1-302, or a state employee as defined in § 51.1-124.3, but not the Governor, Lieutenant Governor, Attorney General, members of the General Assembly, or any person described in subdivision 3, 4, or 21 of § 2.1-116.

§ 51.1-171. Participation in program.

A. An eligible member who is eligible to retire and receive an unreduced service retirement annuity, pursuant to this chapter or Chapter 2, 2.1, or 3 of this title depending on the retirement system of which such person is a member, may, if he remains an employee in his current position in lieu of retiring, elect to participate in the program.

B. An election to participate in the program shall be on a form prescribed by and filed with the retirement system. An election shall not be made more than once and shall state the period that the eligible member wishes to participate in the program. The period shall be a minimum of twelve months and be in twelve-month increments. The maximum period that an eligible member may participate in the program is sixty consecutive months. An election under this section is irrevocable after filing. The filing of an election under this section shall not be considered for any purpose an application for retirement, and a participant shall not be considered a retiree for any purpose because of filing such an election to participate in the program.

C. The effective date of a participant's participation in the program shall be the first day of the month following the month in which his election is received and approved by the retirement system. The retirement system shall approve the election filed by any eligible member.

§ 51.1-172. Computation of participant's service and annuity.

A. A participant shall remain a member of the retirement system during the period of his participation in the program, unless he terminates his membership under § 51.1-128. A participant shall not, during his period of participation in the program, accrue creditable service relating to his participation in the program. A participant shall not make member contributions to the retirement system as described in § 51.1-144, but the Commonwealth or the member's employer, if applicable, shall make contributions to the program for the participant's service performed during the period of his participation in the program. The participant and his employer shall retain any obligation to pay the group life insurance premiums, as described under Chapter 5 (§ 51.1-500 et seq.) of this title, and contributions to the health insurance credit program, as required under Chapter 2 (§ 2.1-9 et seq.) of

INTRODUCED

SB132

60 Title 2.1, during the participant's participation in the program.

61 B. For purposes of the program, the computation of the service retirement annuity of a participant
62 shall be determined as of the effective date of his participation. A participant shall not be eligible to
63 receive a post-retirement increase, including post-retirement supplements provided for under § 51.1-166,
64 otherwise made applicable to retired persons, during the period of his participation in the program.

65 C. A member shall not be eligible to purchase service for creditable service after the date of the
66 filing of his election to participate in the program.

67 § 51.1-173. Benefits under the program.

68 A. During the period of the participant's participation in the program, the retirement system shall
69 credit monthly to a deferred retirement option account for the participant an amount equal to the
70 amount the participant would have received that month under a standard service retirement annuity if
71 he had retired on the effective date of his participation in the program.

72 B. When a participant retires under the retirement system, he shall be entitled to the accumulated
73 amount in his deferred retirement option account, including creditable interest. During the participant's
74 participation in the program, such interest shall be credited monthly to the participant's deferred
75 retirement option account at a rate equivalent to the actuarial net earning assumption currently being
76 used in actuarial valuations for the purposes of determining employer contribution rates. The
77 accumulated amount shall be payable in a lump sum, in periodic installments, as an additional
78 actuarially equivalent monthly income, or as a direct rollover as provided under regulations
79 promulgated under the Internal Revenue Code, at the option of the participant. The Board shall
80 determine the number and frequency of installment payments.

81 C. If a participant dies during his participation in the program or after his participation but before
82 his retirement, the decedent's designated beneficiary, as designated under this chapter, shall be entitled
83 to the accumulated amount in the decedent's deferred retirement option account, including creditable
84 interest. The designated beneficiary shall also be entitled to a death benefit based on the decedent's
85 compensation and years of service on the effective date of his participation in the program and on his
86 age at the date of his death.

87 D. Payment of the benefits provided under the program shall be in addition to any annuity otherwise
88 payable under this title.

89 § 51.1-174. Termination of participation in program.

90 Participation in the program terminates upon the first to occur of (i) a participant's retirement, (ii)
91 his death, or (iii) the expiration of the period for which his participation in the program was approved.

92 § 51.1-175. Benefits for service after program participation.

93 A. Any creditable service accrued after termination of a participant's participation in the program
94 and before his retirement shall be credited in the retirement system as provided in this section.

95 B. At the time a former participant retires, or dies, if prior to retirement, the retirement system shall
96 compute the value of the additional creditable service accrued after termination of his participation in
97 the program at the rate provided under § 51.1-155, § 51.1-206, § 51.1-217, or § 51.1-306, in accordance
98 with the retirement system of which the former participant was a member when accruing such additional
99 creditable service, based on the lesser of (i) the three years of service after the former participant's
100 termination of program participation or (ii) the former participant's actual years of service after the
101 termination, in which the member received the highest annual creditable compensation. The retirement
102 system shall add the amount computed under this subsection to the amount determined on the effective
103 date of his program participation, and the sum shall be payable, subject to actuarial reduction if
104 applicable, as the monthly annuity payment.

105 § 51.1-176. Interest.

106 Interest shall be credited to a participant's deferred retirement option account during the period of
107 his participation in the program and until all benefits are distributed or until the account's annuitization
108 into a monthly retirement income pursuant to subsection B of § 51.1-173. Interest shall be based upon
109 an annual, prorated rate equal to the actuarial earnings assumption.

110 2. That the provisions of this act shall become effective on July 1, 2001.