

018870568

SENATE BILL NO. 1015

Offered January 10, 2001

Prefiled January 9, 2001

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 for teachers.*

Patron—Williams

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 teacher" means a teacher who satisfies the requirements of § 51.1-171 and is a member of the retirement system.

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

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

§ 51.1-171. Participation in program.

A. An eligible teacher who is eligible to retire and receive an unreduced service annuity may, if he remains a teacher, 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 teacher 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 teacher 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 an election to participate.

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 teacher.

§ 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, unless he terminates his membership under § 51.1-128. A participant shall not, during his period of participation, accrue additional service credit. A participant shall not make employee contributions to the retirement system, but the Commonwealth and the participant's employer, if applicable, shall make contributions 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 group life insurance premiums and contributions to the health insurance credit program during his participation in the program.

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

C. An eligible teacher shall not be eligible to purchase special service credit after the date of the filing of his election to participate in the program.

§ 51.1-173. Benefits under the program.

A. The retirement system shall credit monthly, during the period of the participant's participation in the program, to a deferred retirement option account for the participant an amount equal to a percentage of the amount the participant would have received that month under a standard service retirement annuity if he had retired on the effective date of his participation in the program. The percentage shall be determined as of July 1, 2002, by the retirement system's actuary and approved by the Board. The Board shall approve the greatest percentage that does not cause the program to materially affect employer contribution rates. In no event shall the percentage exceed 100 percent. If the

INTRODUCED

SB1015

59 percentage is not initially set at 100 percent, it shall be reviewed periodically and increased, if
60 appropriate, until it is 100 percent. In no event shall a periodic review of the percentage result in a
61 reduction in the percentage.

62 B. When a participant retires under the retirement system, he shall be entitled to the accumulated
63 amount in his deferred retirement option account, including creditable interest. The accumulated amount
64 shall be payable in a lump sum, in periodic installments, as an additional actuarially equivalent monthly
65 income, or as a direct rollover as provided under regulations promulgated under the Internal Revenue
66 Code, at the option of the participant. The Board shall determine the number and frequency of
67 installment payments.

68 C. If a participant dies during his participation in the program or after his participation but before
69 his retirement, the decedent's designated beneficiary shall be entitled to the accumulated amount in the
70 decedent's deferred retirement option account, including creditable interest. The designated beneficiary
71 shall also be entitled to a death benefit based on the decedent's compensation and years of service on
72 the effective date of his participation in the program and on his age at the date of his death.

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

75 § 51.1-174. Termination of participation in program.

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

78 § 51.1-175. Benefits for service after program participation.

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

81 B. At the time a former participant retires, or dies if prior to retirement, the retirement system shall
82 compute the value of the additional service credit accrued after termination of his participation in the
83 program at the rate provided under § 51.1-155, based on the lesser of (i) the three years of service after
84 the former participant's termination of program participation or (ii) the former participant's actual years
85 of service after the termination, in which the member received the highest annual compensation. The
86 retirement system shall add the amount computed under this subsection to the amount determined on the
87 effective date of his program participation, and the sum shall be payable, subject to actuarial reduction
88 if applicable, as the monthly annuity payment.

89 § 51.1-176. Interest.

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

94 **2. That the provisions of this act shall become effective on July 1, 2002.**