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SENATE BILL NO. 854

Senate Amendments in [] — January 28, 1999

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.

Patron—Stolle

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, [~~or~~] (iv) qualified local employee [~~or~~] or (v) judge.]

"Member" means a member of the Retirement System or the State Police Officers' Retirement System [~~or~~] or the Judicial Retirement System.]

"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~~], a member of the Judicial Retirement System pursuant to § 51.1302] 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. A member who is eligible to retire and receive an unreduced service annuity may, if he remains an employee, 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 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 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, 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 member'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. A member shall not be eligible to purchase special service credit after the date of the filing of his

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60 election to participate in the program.

61 § 51.1-173. Benefits under the program.

62 A. The retirement system shall credit monthly, during the period of the participant's participation in
63 the program, to a deferred retirement option account for the participant an amount equal to a
64 percentage of the amount the participant would have received that month under a standard service
65 retirement annuity if he had retired on the effective date of his participation in the program. The
66 percentage shall be determined as of July 1, 2000, by the retirement system's actuary and approved by
67 the Board. The Board shall approve the greatest percentage that does not cause the program to
68 materially affect employer contribution rates. In no event shall the percentage exceed 100 percent. If the
69 percentage is not initially set at 100 percent, it shall be reviewed periodically and increased, if
70 appropriate, until it is 100 percent. In no event shall a periodic review of the percentage result in a
71 reduction in the percentage.

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. The accumulated amount
74 shall be payable in a lump sum, in periodic installments, as an additional actuarially equivalent monthly
75 income, or as a direct rollover as provided under regulations promulgated under the Internal Revenue
76 Code, at the option of the participant. The Board shall determine the number and frequency of
77 installment payments.

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

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

85 § 51.1-174. Termination of participation in program.

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

88 § 51.1-175. Benefits for service after program participation.

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

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

99 § 51.1-176. Interest.

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

104 2. That the provisions of this act shall become effective on July 1, 2000.