

WEST VIRGINIA LEGISLATURE

2016 REGULAR SESSION

Introduced

House Bill 2620

FISCAL
NOTE

2015 Carryover

(BY DELEGATES E. NELSON, MILLER, BORDER, SHOTT,
KURCABA, MOFFATT, WESTFALL, MCCUSKEY,
GEARHEART AND ESPINOSA)

[Introduced January 13, 2016; referred to the
Committee on Pensions and Retirement then
Finance.]

1 A BILL to amend and reenact §5-10-2 of the Code of West Virginia, 1931, as amended, relating
 2 to definitions used in the Public Employees Retirement System; redefining the term final
 3 average salary for new enrollees to the average salary received in the highest ten years
 4 of service, rather than the current three.

Be it enacted by the Legislature of West Virginia:

1 That §5-10-2 of the Code of West Virginia, 1931, as amended, be amended and reenacted
 2 to read as follows:

ARTICLE 10. WEST VIRGINIA PUBLIC EMPLOYEES RETIREMENT ACT.

§5-10-2. Definitions.

1 Unless a different meaning is clearly indicated by the context, the following words and
 2 phrases as used in this article have the following meanings:

3 (1) "Accumulated contributions" means the sum of all amounts deducted from the
 4 compensations of a member and credited to his or her individual account in the members' deposit
 5 fund, together with regular interest on the contributions;

6 (2) "Accumulated net benefit" means the aggregate amount of all benefits paid to or on
 7 behalf of a retired member;

8 (3) "Actuarial equivalent" means a benefit of equal value computed upon the basis of a
 9 mortality table and regular interest adopted by the board of trustees from time to time: *Provided,*
 10 That when used in the context of compliance with the federal maximum benefit requirements of
 11 Section 415 of the Internal Revenue Code, "actuarial equivalent" shall be computed using the
 12 mortality tables and interest rates required to comply with those requirements;

13 (4) "Annuity" means an annual amount payable by the retirement system throughout the
 14 life of a person. All annuities shall be paid in equal monthly installments, rounding to the upper
 15 cent for any fraction of a cent;

16 (5) "Annuity reserve" means the present value of all payments to be made to a retirant or
17 beneficiary of a retirant on account of any annuity, computed upon the basis of mortality and other
18 tables of experience, and regular interest, adopted by the board of trustees from time to time;

19 (6) "Beneficiary" means any person, except a retirant, who is entitled to, or will be entitled
20 to, an annuity or other benefit payable by the retirement system;

21 (7) "Board of Trustees" or "board" means the Board of Trustees of the West Virginia
22 Consolidated Public Retirement System;

23 (8) "Compensation" means the remuneration paid a member by a participating public
24 employer for personal services rendered by the member to the participating public employer. In
25 the event a member's remuneration is not all paid in money, his or her participating public
26 employer shall fix the value of the portion of the remuneration which is not paid in money:
27 *Provided*, That members hired in a position for the first time on or after July 1, 2015, who receive
28 nonmonetary remuneration shall not have nonmonetary remuneration included in compensation
29 for retirement purposes and nonmonetary remuneration may not be used in calculating a
30 member's final average salary. Any lump sum or other payments paid to members that do not
31 constitute regular salary or wage payments are not considered compensation for the purpose of
32 withholding contributions for the system or for the purpose of calculating a member's final average
33 salary. These payments include, but are not limited to, attendance or performance bonuses,
34 one-time flat fee or lump sum payments, payments paid as a result of excess budget or employee
35 recognition payments. The board shall have final power to decide whether the payments shall
36 be considered compensation for purposes of this article;

37 (9) "Contributing service" means service rendered by a member within this state and for
38 which the member made contributions to a public retirement system account of this state, to the
39 extent credited him or her as provided by this article;

40 (10) "Credited service" means the sum of a member's prior service credit, military service
41 credit, workers' compensation service credit and contributing service credit standing to his or her
42 credit as provided in this article;

43 (11) "Employee" means any person who serves regularly as an officer or employee, full
44 time, on a salary basis, whose tenure is not restricted as to temporary or provisional appointment,
45 in the service of, and whose compensation is payable, in whole or in part, by any political
46 subdivision, or an officer or employee whose compensation is calculated on a daily basis and
47 paid monthly or on completion of assignment, including technicians and other personnel
48 employed by the West Virginia National Guard whose compensation, in whole or in part, is paid
49 by the federal government: *Provided*, That an employee of the Legislature whose term of
50 employment is otherwise classified as temporary and who is employed to perform services
51 required by the Legislature for its regular sessions or during the interim between regular sessions
52 and who has been or is employed during regular sessions or during the interim between regular
53 sessions in seven or more consecutive calendar years, as certified by the clerk of the house in
54 which the employee served, is an employee, any provision to the contrary in this article
55 notwithstanding, and is entitled to credited service in accordance with provisions of section
56 fourteen, article ten, chapter five of this code and: *Provided, however*, That members of the
57 legislative body of any political subdivision and judges of the State Court of Claims are employees
58 receiving one year of service credit for each one-year term served and pro rated service credit for
59 any partial term served, anything contained in this article to the contrary notwithstanding: *Provided*
60 *further*, That only a compensated board member of a participating public employer appointed to
61 a board of a nonlegislative body for the first time on or after July 1, 2014, who normally is required
62 to work twelve months per year and one thousand forty hours of service per year is an employee.
63 In any case of doubt as to who is an employee within the meaning of this article, the Board of

64 Trustees shall decide the question;

65 (12) "Employer error" means an omission, misrepresentation, or violation of relevant
66 provisions of the West Virginia Code or of the West Virginia Code of State ~~Regulations~~ Rules or
67 the relevant provisions of both the West Virginia Code and of the West Virginia Code of State
68 ~~Regulations~~ Rules by the participating public employer that has resulted in an underpayment or
69 overpayment of contributions required. A deliberate act contrary to the provisions of this section
70 by a participating public employer does not constitute employer error.

71 (13) "Final average salary" means either of the following: *Provided*, That salaries for
72 determining benefits during any determination period may not exceed the maximum
73 compensation allowed as adjusted for cost of living in accordance with section seven, article
74 ten-d, chapter five of this code and Section 401(a)(17) of the Internal Revenue Code: *Provided*,
75 *however*, That the provisions of section twenty-two-h of this article are not applicable to the
76 amendments made to this subdivision during the 2011 Regular Session of the Legislature.

77 (A) The average of the highest annual compensation received by a member (including a
78 member of the Legislature who participates in the retirement system in the year 1971 or
79 thereafter), during any period of three consecutive years of credited service contained within the
80 member's fifteen years of credited service immediately preceding the date his or her employment
81 with a participating public employer last terminated: *Provided*, That for new members whose
82 date of first employment is after July 1, 2015, the final average salary means the average of the
83 highest annual compensation received by a member (including a member of the Legislature who
84 participates in the retirement system in the year 1971 or thereafter) during any period of ten
85 consecutive years of credited service contained within the member's fifteen years of credited
86 service immediately preceding the date his or her employment with a participating public employer
87 last terminated; or

88 (B) If the member has less than five years of credited service, the average of the annual
89 rate of compensation received by the member during his or her total years of credited service;
90 and in determining the annual compensation, under either paragraph (A) or (B) of this subdivision,
91 of a member of the Legislature who participates in the retirement system as a member of the
92 Legislature in the year 1971, or in any year thereafter, his or her actual legislative compensation
93 (the total of all compensation paid under sections two, three, four and five, article two-a, chapter
94 four of this code), in the year 1971, or in any year thereafter, plus any other compensation he or
95 she receives in any year from any other participating public employer including the State of West
96 Virginia, without any multiple in excess of one times his or her actual legislative compensation
97 and other compensation, shall be used: *Provided, That "final average salary" for any former*
98 *member of the Legislature or for any member of the Legislature in the year 1971, who, in either*
99 *event, was a member of the Legislature on November 30, 1968, or November 30, 1969, or*
100 *November 30, 1970, or on November 30 in any one or more of those three years and who*
101 *participated in the retirement system as a member of the Legislature in any one or more of those*
102 *years means: (i) Either (notwithstanding the provisions of this subdivision preceding this proviso)*
103 *\$1,500 multiplied by eight, plus the highest other compensation the former member or member*
104 *received in any one of the three years from any other participating public employer including the*
105 *State of West Virginia; or (ii) "final average salary" determined in accordance with paragraph (A)*
106 *or (B) of this subdivision, whichever computation produces the higher final average salary (and in*
107 *determining the annual compensation under subparagraph (ii) of this proviso, the legislative*
108 *compensation of the former member shall be computed on the basis of \$1,500 multiplied by eight,*
109 *and the legislative compensation of the member shall be computed on the basis set forth in the*
110 *provisions of this subdivision immediately preceding this proviso or on the basis of \$1,500*
111 *multiplied by eight, whichever computation as to the member produces the higher annual*

112 compensation);

113 (14) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended,
114 codified at Title 26 of the United States Code;

115 (15) "Limited credited service" means service by employees of the West Virginia
116 Educational Broadcasting Authority, in the employment of West Virginia University, during a
117 period when the employee made contributions to another retirement system, as required by West
118 Virginia University, and did not make contributions to the Public Employees Retirement System:
119 *Provided*, That while limited credited service can be used for the formula set forth in subsection
120 (e), section twenty-one of this article, it may not be used to increase benefits calculated under
121 section twenty- two of this article;

122 (16) "Member" means any person who has accumulated contributions standing to his or
123 her credit in the members' deposit fund;

124 (17) "Participating public employer" means the State of West Virginia, any board,
125 commission, department, institution or spending unit, and includes any agency created by rule of
126 the Supreme Court of Appeals having full-time employees, which for the purposes of this article
127 is considered a department of state government; and any political subdivision in the state which
128 has elected to cover its employees, as defined in this article, under the West Virginia Public
129 Employees Retirement System;

130 (18) "Plan year" means the same as referenced in section forty-two of this article;

131 (19) "Political subdivision" means the State of West Virginia, a county, city or town in the
132 state; a school corporation or corporate unit; any separate corporation or instrumentality
133 established by one or more counties, cities or towns, as permitted by law; any corporation or
134 instrumentality supported in most part by counties, cities or towns; and any public corporation
135 charged by law with the performance of a governmental function and whose jurisdiction is

136 coextensive with one or more counties, cities or towns: *Provided*, That any mental health agency
137 participating in the Public Employees Retirement System before July 1, 1997, is considered a
138 political subdivision solely for the purpose of permitting those employees who are members of the
139 Public Employees Retirement System to remain members and continue to participate in the
140 retirement system at their option after July 1, 1997: *Provided, however*, That the Regional
141 Community Policing Institute which participated in the Public Employees Retirement System
142 before July 1, 2000, is considered a political subdivision solely for the purpose of permitting those
143 employees who are members of the Public Employees Retirement System to remain members
144 and continue to participate in the Public Employees Retirement System after July 1, 2000;

145 (20) "Prior service" means service rendered prior to July 1, 1961, to the extent credited a
146 member as provided in this article;

147 (21) "Regular interest" means the rate or rates of interest per annum, compounded
148 annually, as the Board of Trustees adopts from time to time;

149 (22) "Required beginning date" means April 1 of the calendar year following the later of:
150 (A) The calendar year in which the member attains age seventy and one-half years of age; or (B)
151 the calendar year in which a member who has attained the age seventy and one-half years of age
152 and who ceases providing service covered under this system to a participating employer;

153 (23) "Retirant" means any member who commences an annuity payable by the retirement
154 system;

155 (24) "Retirement" means a member's withdrawal from the employ of a participating public
156 employer and the commencement of an annuity by the retirement system;

157 (25) "Retirement system" or "system" means the West Virginia Public Employees
158 Retirement System created and established by this article;

159 (26) "Retroactive service" means: ~~(4)~~ (A) Service between July 1, 1961, and the date an

160 employer decides to become a participating member of the Public Employees Retirement System;
161 ~~(2)~~ (B) service prior to July 1, 1961, for which the employee is not entitled to prior service at no
162 cost in accordance with 162 CSR 5.13; and ~~(3)~~ (C) service of any member of a legislative body
163 or employees of the State Legislature whose term of employment is otherwise classified as
164 temporary for which the employee is eligible, but for which the employee did not elect to participate
165 at that time;

166 (27) "Service" means personal service rendered to a participating public employer by an
167 employee of a participating public employer; and

168 (28) "State" means the State of West Virginia.

NOTE: The purpose of this bill is to redefine the term final average salary for new enrollees to be the average salary received in the highest ten years of service, rather than the current three.

Strike-throughs indicate language that would be stricken from the present law, and underscoring indicates new language that would be added.