

WEST VIRGINIA LEGISLATURE

2018 REGULAR SESSION

Enrolled

Senate Bill 425

BY SENATORS FERNS, CLINE, AND PLYMALE

[Passed March 9, 2018; in effect 90 days from passage]

1 AN ACT to amend and reenact §8-22-25a of the Code of West Virginia, 1931, as amended,
2 relating to removing sunset dates upon which members of the policemen's or firemen's
3 pension and relief fund are eligible for and elect to commence participation in a deferred
4 retirement option plan.

Be it enacted by the Legislature of West Virginia:

**ARTICLE 22. RETIREMENT BENEFITS GENERALLY; POLICEMEN'S PENSION AND
RELIEF FUND; FIREMEN'S PENSION AND RELIEF FUND; PENSION PLANS
FOR EMPLOYEES OF WATERWORKS SYSTEM, SEWERAGE SYSTEM OR
COMBINED WATERWORKS AND SEWERAGE SYSTEM.**

§8-22-25a. Deferred retirement option plans; authorization; requirements; limitations.

1 (a) A deferred retirement option plan (DROP) is a method to encourage retention of a
2 worker beyond normal retirement age by permitting the worker to freeze retirement benefits at a
3 certain time prior to ceasing work, to continue to work for a specified period, and to have
4 retirement benefits which accrue while the employee continues working set aside in an account
5 which the worker will then receive in a lump sum upon finally discontinuing work. The Legislature
6 acknowledges that a DROP may be a useful and economical tool for retaining experienced and
7 trained employees and for planning for turnovers in the workforce. Experience, however, dictates
8 that a DROP may place a heavy financial burden on the employer and the affected retirement
9 system, negating any positive benefit offered by the DROP if the DROP is not carefully planned
10 to be economically favorable to the employer and revenue neutral for the affected retirement
11 system while remaining attractive to the targeted employee.

12 (b) (1) The governing bodies of municipalities participating in policemen's and firemen's
13 pension and relief funds pursuant to §8-22-16 through §8-22-28 of this code, are authorized to
14 voluntarily offer DROPs. A participating municipality may design and establish a DROP to best

15 meet the municipality's needs so long as the DROP complies with federal law, the requirements
16 set forth in this section and approved by the Municipal Pensions Oversight Board.

17 (2) Prior to approval by the Municipal Pensions Oversight Board, a municipality shall
18 submit a proposed DROP to the board for analysis by the qualified actuary retained or employed
19 by the board. The actuary shall examine the plan and, in light of the elements of the DROP and
20 the actuarial projections of the impact of the DROP on the affected pension and relief fund, advise
21 the board of the anticipated impact on the Municipal Pension and Relief Fund. The board shall
22 seek to approve only those DROPs which, in the best judgment of the actuary, are designed to
23 have no negative impact on the member's pension and relief fund. The submitting municipality
24 shall reimburse the board for actuarial costs of analyzing the plan.

25 (c) To be eligible to enter a DROP, the member of the policemen's or firemen's pension
26 and relief fund must be in active employment and an active member of his or her pension and
27 relief fund for at least six months beyond attaining eligibility for regular retirement as provided in
28 §8-22-25 of this code and have received a satisfactory performance evaluation within the prior 12
29 months. The member may defer retirement for a period of not less than one nor more than five
30 years but must complete the period by age 65. The member may elect to commence participation
31 after July 1, 2011.

32 (d)(1) During the DROP participation period, the member shall continue with full-time
33 employment in a covered position subject to the municipality's requirements. A member's
34 retirement benefits are calculated as of the DROP participation date and a member may not
35 accumulate additional retirement benefits during the DROP participation period. Upon beginning
36 participation, the member is treated as retired and receiving benefits for purposes of the
37 retirement system and for purposes of distributing premium tax proceeds through the Municipal
38 Pensions Security Fund. During the participation period, the employer shall continue to make
39 regular contributions to the employee's pension and relief fund.

40 (2) Benefit payments are accumulated for the member in the pension and relief fund in an
41 accumulation account during the DROP participation period. At the end of the participation period,
42 the amount in the accumulation account owing to the member, plus interest not to exceed three
43 and one-half percent, shall be paid to the member in a lump sum. Monthly retirement payments
44 shall be paid directly to the member starting in the month following the end of the DROP
45 participation period.

46 (3) A member may voluntarily terminate DROP participation early with 60 days' advance
47 notice. Deferred accumulated benefits will be paid with no interest for the DROP period and
48 benefits payments will commence following the early termination date. Covered employment must
49 terminate before benefit distributions may be made. Should the employer wish to terminate the
50 employment during the participation period, the member may terminate participation with 30 days'
51 notice and the deferred accumulation balance shall be paid with interest according to the DROP
52 design: *Provided*, That if the employee is terminated for cause during the participation period, the
53 member may terminate participation with 30 days' notice and the deferred accumulation balance
54 shall be paid without interest according to the DROP design.

55 (4) A member who is unable to continue working because of disability shall cease
56 participation the first day of the month following notice of disability to the employer and the pension
57 and relief fund. The accumulation account balance shall be paid to the member with no interest.
58 No additional benefits are due the member on account of the disability.

59 (5) In the event of death of a member during DROP participation, the accumulation
60 account of the member through the member's date of death is payable to the member's
61 beneficiary or beneficiaries, with interest according to DROP design.

62 (6) A member entering the DROP is contractually obligated to terminate employment at
63 the end of the DROP participation period. Failure to terminate voluntarily results in termination of
64 employment for cause, except that a member who continues to work with the consent of the
65 employer past the DROP participation period shall have all benefits frozen during the extension

66 period and no additional benefit accumulates. During the period of time the member continues to
67 work beyond the end of the DROP participation period with the consent of the employer, the
68 employer shall continue to make regular contributions to the employee's pension and relief fund.
69 Regular retirement benefits will commence the month following eventual employment termination
70 or death. The member's accumulation account balance is frozen in value following the end of the
71 DROP participation period.

72 (e) Pursuant to §4-1-23 of this code, the oversight board shall annually report to the
73 Legislature's Joint Committee on Pensions and Retirement on DROPs submitted to the board for
74 approval and the status of any DROP that has been approved, including any experienced impact
75 on an affected pension and relief fund.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

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Chairman, Senate Committee

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Chairman, House Committee

Originated in the Senate.

In effect 90 days from passage.

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Clerk of the Senate

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Clerk of the House of Delegates

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President of the Senate

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Speaker of the House of Delegates

The within this the.....
Day of, 2018.

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Governor