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WEST VIRGINIA LEGISLATURE

FIRST REGULAR SESSION, 1991

ENROLLED Com. Sub. for HOUSE BILL No. 2625

(By Mr. Dels Browning and Kess)

Passed March 9 1991 In Effect Passage

8 GCU C-641

ENROLLED

COMMITTEE SUBSTITUTE

FOR

H. B. 2625

(By Delegates Browning and Kiss)

[Passed March 9. 1991; in effect from passage.]

AN ACT to amend and reenact sections twenty, twenty-four, twenty-six and twenty-six-a, article twenty-two, chapter eight of the code of West Virginia, one thousand nine hundred thirty-one, as amended; and to further amend said article by adding thereto a new section, designated section sixteen-a, all relating to providing legislative findings; amending the amortization period for municipal pension funds; providing a base for death benefit calculations; providing disability benefit for nonservice related disability; creating a maximum supplemental pension benefit; providing supplemental disability benefit; creating a waiting period for eligibility for supplemental pension benefits and supplemental disability benefits; providing for actuarial certification of supplemental benefit amounts and providing for increased member contribution when required by actuary.

Be it enacted by the Legislature of West Virginia:

That sections twenty, twenty-four, twenty-six and twentysix-a, article twenty-two, chapter eight of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended and reenacted; and that said article be further amended by adding thereto a new section, designated section sixteen-a, all to read as follows:

ARTICLE 22. RETIREMENT BENEFITS GENERALLY; POLICE-MEN'S PENSION AND RELIEF FUND; FIRE-MEN'S PENSION AND RELIEF FUND; PENSION PLANS FOR EMPLOYEES OF WATERWORKS SYSTEM, SEWERAGE SYSTEM OR COMBINED WATERWORKS AND SEWERAGE SYSTEM.

§8-22-16a. Legislative findings.

The Legislature finds that prudence often dictates a 1 $\mathbf{2}$ review of well meaning actions previously taken. The 3 Legislature further finds that implementation of the 4 cost of living benefit enacted during the one thousand 5nine hundred ninety regular legislative session would be 6 disadvantageous to members of the municipal policemen 7and firemen pension funds and municipal budgets due 8 to the large cost associated with that benefit and that 9 this fact was unknown at the time of enactment of the cost of living benefit. The Legislature further finds that 1011 the fiscal integrity of the various municipal policemen 12and firemen pension funds will be in extreme jeopardy if an alternative benefit is not enacted. The Legislature 1314further finds that maintenance of an actuarially sound 15pension system is incumbent upon the administrators of the various funds and is also incumbent upon the 16 Legislature when it enacts changes to the benefit 17structure. The Legislature further finds that the 18 19 implementation of the cost of living benefit enacted in 20the one thousand nine hundred ninety regular legislative 21session would prevent the maintenance of an actuarially 22sound pension system and would jeopardize the interests 23of the members of the retirement funds, therefore, it is 24 necessary to amend the cost of living benefit as 25previously enacted.

§8-22-20. Minimum standards for actuarial soundness.

1 The board of trustees for each pension and relief fund 2 shall have regularly scheduled actuarial valuation 3 reports prepared by a qualified actuary. All of the 4 following standards must be met:

5 (a) An actuarial valuation report shall be prepared at 6 least once every three years commencing with the later 7 of (1) the first day of July, one thousand nine hundred 8 eighty-three, or (2) three years following the most 9 recently prepared actuarial valuation report: *Provided*,
10 That this most recently prepared actuarial valuation
11 report meets all of the standards of this section.

12 (b) The actuarial valuation report shall consist of, but 13is not limited to, the following disclosures: (1) The financial objective of the fund and how the objective is 14 15 to be attained, (2) the progress being made toward 16 realization of the financial objective, (3) recent changes 17in the nature of the fund, benefits provided, or actuarial 18 assumptions or methods, (4) the frequency of actuarial 19 valuation reports and the date of the most recent 20actuarial valuation report, (5) the method used to value 21fund assets, (6) the extent to which the qualified actuary 22relies on the data provided and whether the data was 23certified by the fund's auditor or examined by the 24qualified actuary for reasonableness, (7) a description 25and explanation of the actuarial assumptions and 26methods, and (8) any other information the gualified 27actuary feels is necessary or would be useful in fully and 28fairly disclosing the actuarial condition of the fund.

29(c) After the thirtieth day of June, one thousand nine 30hundred ninety-one, and thereafter, the financial 31objective of each municipality shall not be less than to 32 contribute to the fund annually an amount which, 33together with the contributions from the members and 34the allocable portion of the state premium tax fund for 35municipal pension and relief funds established under 36section fourteen-d, article three, chapter thirty-three of 37this code and other income sources as authorized by law, 38will be sufficient to meet the normal cost of the fund 39and amortize any actuarial deficiency over a period of 40not more than forty years: Provided, That in the fiscal 41 year ending the thirtieth of June, one thousand nine 42hundred ninety-one, the municipality may elect to make 43its annual contribution to the fund utilizing an alterna-44tive contribution in an amount not less than (i) one 45hundred seven percent of the amount contributed for the fiscal year ending the thirtieth day of June, one 4647thousand nine hundred ninety, or (ii) an amount equal 48to the average of the contribution payments made in the 49 five highest fiscal years beginning with the 1984 fiscal

vear whichever is greater: Provided, however, That 5051contribution payments in subsequent fiscal years under 52this alternative contribution method shall not be less 53than one hundred seven percent of the amount contrib-54uted in the prior fiscal year: Provided further, That prior 55to utilizing this alternative contribution methodology 56the actuary of the fund shall certify in writing that the 57fund is projected to be solvent under the alternative 58contribution method for the next consecutive fifteen 59year period. For purposes of determining this minimum 60 financial objective, (1) the value of the fund's assets shall 61be determined on the basis of any reasonable actuarial 62method of valuation which takes into account fair 63 market value, and (2) all costs, deficiencies, rate of 64 interest, and other factors under the fund shall be determined on the basis of actuarial assumptions and 65 66 methods which, in aggregate, are reasonable (taking into account the experience of the fund and reasonable 67 expectations) and which, in combination, offer the 6869 qualified actuary's best estimate of anticipated expe-70rience under the fund.

71 Notwithstanding any other provision of this section or 72 article to the contrary, each municipality shall contrib-73 ute annually to the fund an amount which may not be 74 less than the normal cost, as determined by the actuarial 75 report.

76(d) For purposes of this section the term "qualified 77actuary" means only an actuary who is a member of the 78society of actuaries or the American academy of 79 actuaries. The qualified actuary shall be designated a 80 fiduciary and shall discharge his duties with respect to 81 a fund solely in the interest of the members and 82 member's beneficiaries of that fund. In order for the standards of this section to be met, the qualified actuary 83 84 shall certify that the actuarial valuation report is complete and accurate and that in his opinion the 85 86 technique and assumptions used are reasonable and 87 meet the requirements of this section of this article.

(e) The cost of the preparation of the actuarialvaluation report shall be paid by the fund.

(f) Notwithstanding any other provision of this section,
for the fiscal year ending the thirtieth day of June, one
thousand nine hundred ninety-one, the municipality may
calculate its annual contribution based upon the
provisions of the supplemental benefit provided for in
this article enacted during the one thousand nine
hundred ninety-one regular session of the Legislature.

§8-22-24. Disability pensions.

1 (a) The monthly sum to be paid to each member $\mathbf{2}$ eligible for disability received as a proximate result of 3 service rendered in the performance of his or her duties 4 under the provisions of section twenty-three-a of this $\mathbf{5}$ article shall be equal to sixty percent of the monthly 6 salary being received by such member, at the time he 7 is so disabled, or the sum of five hundred dollars per 8 month, whichever shall be greater: *Provided*, That the 9 limitation provided in subsection (b) of this section is not 10exceeded.

11 (b) Effective for any member who becomes eligible for 12disability benefits on or after the first day of July, one 13thousand nine hundred eighty-one, under the provisions of section twenty-three-a of this article, as a proximate 14 15result of service rendered in the performance of his 16 duties within such departments, his monthly disability 17 payment as provided in subsection (a) of this section 18 shall not, when aggregated with the monthly amount of 19 state workers' compensation, result in such disabled 20member receiving a total monthly income from such 21sources in excess of one hundred percent of the basic 22compensation which is paid to members holding the 23same position which such member held within such $\mathbf{24}$ department at the time of his disability. Lump sum 25payments of state workers' compensation benefits shall 26not be considered for purposes of this subsection unless 27such lump sum payments represent commuted values of monthly state workers' compensation benefits. 28

(c) Any member who has served on active duty with
the armed forces of the United States as described in
section twenty-seven of this article, whether prior or
subsequent to becoming a member of a paid police or

33fire department covered by the provisions of this article, and who, on the first day of July, one thousand nine 34hundred eighty-six, is receiving or thereafter receives a 35disability pension, shall receive in addition to the sixty 3637 percent or minimum five hundred dollars authorized in subsection (a) of this section, one additional percent for 38each year served in active military duty, up to a 39maximum of four additional percent. 40

(d) Beginning on and after the first day of April, one 41 42thousand nine hundred ninety-one, the monthly sum to be paid to a member who becomes eligible for total 4344disability incurred not in the line of duty shall be the 45monthly benefit provided in subsection (a) of this section: *Provided*, That the limitation in subsection (b) 46of this section is not exceeded: Provided, however, That 47for any person receiving benefits under this subsection 4849who is self-employed or employed by another, there shall be offset against said benefits the amount of one dollar 50for each three dollars of income derived from self-51employment or employment by another: Provided 5253*further*. That a person receiving disability benefits must file a certified copy of his or her tax return on or before 5455the fifteenth day of April of each year to demonstrate either unemployment or income earned from self-5657employment or employment by another: And provided further, That there shall be no offset of benefit for any 5859income derived from self-employment or employment by 60 another when the annual total amount of such income 61 is seven thousand five hundred dollars or less.

§8-22-26. Death benefits.

1 (a) In case:

 $\mathbf{2}$ (1) Any member of a paid police or fire department 3 who has been in continuous service for more than five 4 years dies from any cause other than as specified in $\mathbf{5}$ subsection (b) of this section before retirement on a 6 disability pension under the provisions of, prior to the 7 first day of July, one thousand nine hundred eighty-one, 8 section twenty-four of this article, or after the thirtieth day of June, one thousand nine hundred eighty-one, 9 sections twenty-three-a and twenty-four of this article or 10

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11 a retirement pension under the provisions of subsection 12(a) or both subsections (a) and (b), section twenty-five of 13this article, leaving in either case surviving a spouse, or 14any dependent child or children under the age of 15eighteen years, or dependent father or mother or both, or any dependent brothers or sisters or both under the 1617age of eighteen years, or any dependent child over the 18 age of eighteen years of age who is totally physically or 19 mentally disabled so long as such condition exists: or

20(2) Any former member of any such department who 21is on a disability pension prior to the first day of July. 22one thousand nine hundred eighty-one, under section 23twenty-four of this article, or after the thirtieth day of 24June, one thousand nine hundred eighty-one, under 25sections twenty-three-a and twenty-four of this article, 26or is receiving or is entitled to receive retirement 27pension benefits under the provisions of subsection (a) 28or both subsections (a) and (b), section twenty-five of this 29article, dies from any cause other than as specified in 30subsection (b) of this section leaving in either case 31surviving a spouse or any dependent child or children 32under the age of eighteen years or dependent father or 33 mother or both, or any dependent brothers or sisters or 34both under the age of eighteen years, or any dependent 35child over the age of eighteen years of age who is totally 36 physically or mentally disabled so long as such condition 37exists; then in any of the cases set forth above in (1) and 38(2) the board of trustees of such pension and relief fund 39shall, immediately following the death of such member, 40pay to or for each of such entitled surviving dependents 41 the following pension benefits: To such spouse, until 42death or remarriage, a sum per month equal to sixty 43percent of such member's pension or, in the event such 44member was not receiving a pension at the time of his 45death, a sum per month equal to sixty percent of the 46 monthly retirement pension such member would have 47been entitled to receive pursuant to section twenty-five 48of this article on the date of his death if such member 49had then been eligible for a retirement pension there-50under, or the sum of three hundred dollars per month, 51whichever is greater; to each such dependent child, a 52sum per month equal to twenty percent of such

53member's pension or, in the event such member was not 54receiving a pension on the date of his death, a sum per 55month equal to twenty percent of the monthly retire-56ment pension such member would have been entitled to 57receive pursuant to section twenty-five of this article on 58the date of his death if such member had then been 59eligible for a retirement pension thereunder, or until 60 such child attains the age of eighteen years or marries. 61whichever first occurs: to each such dependent orphaned 62child, a sum per month equal to twenty-five percent of 63 such member's pension or, in the event such member 64 was not receiving a pension at the time of his death, a 65sum per month equal to twenty-five percent of the 66 monthly retirement pension such member would have 67 been entitled to receive pursuant to section twenty-five 68 of this article on the date of his death if such member 69 had then been eligible for a retirement pension there-70under, until such child attains the age of eighteen years or marries, whichever first occurs; to each such 71dependent orphaned child, a sum per month equal to 7273twenty-five percent of such member's pension or, in the 74event such member was not receiving a pension on the 75date of his death, a sum per month equal to twenty-five 76percent of the monthly retirement pension such member 77would have been entitled to receive pursuant to section 78twenty-five of this article on the date of his death if such 79 member had then been eligible for a retirement pension 80 thereunder, until such child attains the age of eighteen 81 years or marries, whichever first occurs; to each such 82 dependent father or mother, a sum per month for each 83 equal to ten percent of such member's pension or, in the 84 event such member was not receiving a pension on the 85 date of his death, a sum per month equal to ten percent 86 of the monthly retirement pension such member would 87 have been entitled to receive pursuant to section twenty-88 five of this article on the date of his death if such 89 member had then been eligible for a retirement pension 90thereunder; to each such dependent brother or sister, the 91 sum of fifty dollars per month until such individual 92attains the age of eighteen years or marries, whichever 93first occurs, but in no event shall the aggregate amount 94paid to such brothers and sisters exceed one hundred

dollars per month. If at any time, because of the number
of dependents, all such dependents cannot be paid in full
as herein provided, then each dependent shall receive
his pro rata share of such payments. In no case shall the
payments to the surviving spouse and children be cut
below sixty-five percent of the total amount paid to all
dependents.

102(b) The surviving spouse, child or children. or 103dependent father or mother, or dependent brothers or 104sisters, of any such member who dies by reason of 105service rendered in the performance of such member's duties shall, regardless of the length of such member's 106 107 service and irrespective of whether such member was 108or was not entitled to receive, or was or was not 109receiving, disability pension or temporary disability 110 payments at the time of his death, receive the death 111 benefits provided for in subsection (a) of this section. If 112such member had less than three years' service at the 113time of his death, the member's pension shall be 114 computed on the basis of the actual number of years of 115service.

116 (c) If a member dies without leaving a spouse, 117 dependent child or children, or dependent father or 118mother, or dependent brothers or sisters, his contribu-119 tions to the fund plus six percent interest shall be 120 refunded to his named beneficiary or, if no beneficiary 121 has been named, to his estate to the extent that such 122contributions plus interest exceed any disability or 123retirement benefits that he may have received before his 124death.

125(d) The provisions of this section shall not be construed 126as creating or establishing any contractual or vested 127 rights in favor of any individual who may be or become 128qualified as a beneficiary of the death benefits herein 129authorized to be made, all the provisions hereof and 130benefits provided for hereunder being expressly subject 131to such subsequent legislative enactments as may 132provide for any change, modification or elimination of 133the beneficiaries or benefits specified herein.

134 (e) Notwithstanding the provisions of section twenty-

four of this article the benefit provided for in this section
shall be calculated as if the member had remained
unemployed throughout any period of disability.

§8-22-26a. Supplemental pension benefits entitlement; benefit payable; application of section; construction.

1 (a) Except as otherwise provided in this section, all $\mathbf{2}$ retirees, surviving beneficiaries, disability pensioners or $\mathbf{3}$ future retirees shall receive as a supplemental pension 4 benefit an annualized monthly amount commencing on 5the first day of July, based on a percentage increase 6 equal to any increase in the consumer price index as 7 calculated by the United States Department of Labor, 8 Bureau of Statistics, for the preceding year: *Provided*, 9 That the supplemental pension benefit specified herein 10shall not exceed four percent per year: Provided, 11 however, That no retiree shall be eligible for the 12supplemental pension benefit specified herein until the 13first day of July after the expiration of two years from 14the date of retirement of said retiree: *Provided further*, 15That persons retiring prior to the effective date of this 16 section shall receive the supplemental benefit provided 17for in this section immediately upon retirement and 18 shall not be subject to the two year delay: And provided 19*further*, That the supplemental benefit shall only be 20calculated on the allowable amount, which is the first 21fifteen thousand dollars of the total annual benefit paid. 22If at any time, after the supplemental benefit becomes 23applicable, the total accumulated percentage increase in 24benefit on the allowable amount becomes less than 25seventy-five percent of the total accumulated percentage 26increase in the consumer price index over that same 27period of time, the four percent limitation shall be 28inapplicable until such time as the supplemental benefit 29paid equals seventy-five percent of the accumulated 30 increase in the consumer price index. The supplemental 31pension benefit payable under the provisions of this 32section shall be paid in equal monthly installments.

(b) Upon commencement of the payment of death
benefits pursuant to section twenty-six of this article,
there shall be calculated on the allowable amount, which

36 is the first fifteen thousand dollars of the annual 37allowable benefit under said section twenty-six, the 38supplemental benefit provided for in subsection (a) of 39 this section using the date that the retirement benefit 40provided for pursuant to section twenty-five of this article began as the base year. The amount of the death 41 42benefit provided pursuant to section twenty-six of this 43article shall be calculated without regard to any supplemental benefit previously paid under this section. 44 45After the initial calculation made pursuant to this 46 subsection the beneficiary of the benefits provided for 47pursuant to section twenty-six, shall, after reindexation, 48 thereafter receive the supplemental benefit provided for 49 in subsection (a).

50(c) Persons becoming disabled and eligible for a 51benefit under subsection (d), section twenty-four of this article after the first day of January, one thousand nine 5253hundred ninety-one, shall receive as an annualized 54monthly supplemental benefit commencing on each July 55first an amount based on a percentage increase equal 56to any increase in the consumer price index as calculated by the United States Department of Labor, Bureau 5758of Statistics, for the preceding year: *Provided*, That the 59supplemental pension benefit shall not exceed four 60 percent per year: Provided, however, That the benefit 61 provided herein shall not commence until the first day of July in the second year after what would have been 6263 the earliest service retirement date pursuant to section twenty-five of this article for the person receiving the 64 65disability benefit: Provided further, That for persons 66 becoming eligible for a benefit under subsection (d), 67 article twenty-four of this section who were not em-68 ployed in the preceding year and file a copy of his or 69 her income tax return by the fifteenth of April each 70year, evidencing said lack of employment, the benefit 71provided herein shall commence on the first day of July 72in the second year after the date of disablement: And 73provided further. That the supplemental benefit shall 74only be calculated on the allowable amount, which is the 75first fifteen thousand dollars of the total annual benefit 76 paid. If at any time after the commencement of the 77payment of the supplemental benefit provided under

78this subsection the total accumulated percentage 79increase in benefit on the allowable amount becomes less 80 than seventy-five percent of the total accumulated increase in the consumer price index for that same 81 82 period of time, the four percent limitation shall be 83 inapplicable until such time as the supplemental benefit 84 paid equals seventy-five percent of the accumulated 85 increase in the consumer price index.

86 (d) Persons receiving a disability pension pursuant to 87 section twenty-four of this article prior to the first day 88 of January, one thousand nine hundred ninety-one, shall 89 receive commencing each July first, as an annualized 90 monthly supplemental benefit an amount based on a 91 percentage increase equal to any increase in the 92consumer price index as calculated by the United States 93Department of Labor, Bureau of Statistics, for the preceding year: Provided, That the supplemental benefit 9495provided herein shall not exceed two percent per year: 96 *Provided, however,* That beginning the first day of July 97two years after what would have been the earliest 98service retirement date pursuant to section twenty-five 99 of this article the supplemental benefit provided herein 100shall not exceed four percent per year. The amount of 101supplemental benefit provided in this subsection shall 102not exceed four percent beginning the first day of July 103in any twelve month period for any pensioner who files 104 a certified copy of his or her tax return evidencing that 105said pensioner was unemployed in the preceding year 106and received no earned income. The tax return shall be 107 filed by the fifteenth of April in any such year. If at any 108time after the first day of July in the second year from 109what would have been the earliest service retirement 110 date pursuant to section twenty-five of this article the 111 total accumulated percentage increase in the supple-112mental benefit provided pursuant to this subsection on 113the allowable amount becomes less than the seventy-five 114 percent of the total accumulated percentage increase in 115the consumer price index over that same period of time. 116 the maximum percentage shall be inapplicable until 117 such time as the percentage increase in the supplemen-118 tal benefit paid equals seventy-five percent of the 119 accumulated increase in the consumer price index. The

supplemental benefit provided in this subsection shall
only be calculated on the allowable amount, which is the
first fifteen thousand dollars of the annual benefit paid.

(e) Any supplemental benefits paid during a period of
non-entitlement may be withheld out of subsequent
regular monthly pension benefits.

(f) During the fiscal year ending on the thirtieth day 126127 of June, one thousand nine hundred ninety-six, and each year thereafter, each municipal policemen's and fire-128129men's pension fund shall be reviewed by a qualified 130actuary who shall make a determination as to its 131actuarial soundness. Based upon the actuary's determi-132nation of the actuarial soundness of the fund, the actuary shall certify to the board of trustees of the fund 133the amount of increase in supplemental benefits, if any, 134135which may be paid, and which will preserve the minimum standards for actuarial soundness of the fund. 136 137as set forth in section twenty of this article. The board 138of trustees shall increase supplemental benefits by an amount which is equal to the actuary's certified 139140 recommendation, up to the four percent limit contained 141 in this section or the increase in the consumer price 142index, whichever is less. If the actuary determines that it is necessary to preserve the actuarial soundness of the 143144 fund, the board of trustees of the fund shall increase the 145percentage of the members' contribution from seven 146 percent to the amount certified by the actuary not to 147exceed eight and one half percent, but only for so long 148as is necessary to achieve the minimum standards for 149actuarial soundness required by section twenty of this 150article. In any year in which there is no supplemental 151benefit paid, such year shall not be included in the 152reindexation calculation provided pursuant to this 153section.

(g) This section shall be construed liberally to
effectuate the purpose of establishing minimum pension
benefits under this article for members and surviving
spouses.

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

Chairman Senate Committee

Chairman House Committee

Originating in the House.

Takes effect from passage. Ne Clerk of the Senate

Clerk of the House of Delega

N 10 President of the Senate

Speaker of the House of Delegates

day of ..., 1991. Gover R GCIU C-641

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GOVERNOR June 3/20/91 Time 41:45 pm