| 1 ENGROSSED |
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| 2 COMMITTEE SUBSTITUTE |
| 3 FOR |
| 4 Senate Bill No. 358 |
| 5 (By Senators Jenkins, Plymale, Chafin and McCabe) |
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| 7 [Originating in the Committee on Pensions; |
| 8 reported March 4, 2013.] |
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| 12 A BILL to amend and reenact $\$8-22-18a$, $\$8-22-19a$ and $\$8-22-25$ or |
| the Code of West Virginia, 1931, as amended; to amend said |
| code by adding thereto a new section, designated §8-22-18c, |
| and to amend and reenact $\$8-22A-4$ and $\$8-22A-9$ of said code, |
| all relating to municipal policemen and firemen pensions, |
| providing additional investigatory and legal powers and duties |
| of the West Virginia Municipal Pensions Oversight Board |
| 19 liability disclaimer for board acts or omissions concerning |
| 20 investigatory or legal actions; requiring certain notice of |
| 21 lawsuit to the West Virginia Municipal Pensions Oversight |
| 22 Board; limiting certain court orders under certain |
| circumstances; clarifying refunds to members; clarifying |
| 24 circumstances under which a member may retire when the |

- 1 member's service has been interrupted by duty with the armed
- forces of the United States; extending the cut-off date for
- 3 the West Virginia Municipal Police Officers and Firefighters
- 4 Retirement System plan to 2017; and continuing the
- 5 municipality's disability retirement purchase requirement
- 6 until 2017.
- 7 Be it enacted by the Legislature of West Virginia:
- 8 That \$8-22-18a, \$8-22-19a and \$8-22-25 of the Code of West
- 9 Virginia, 1931, as amended, be amended and reenacted; that said
- 10 code be amended by adding thereto a new section, designated
- 11 \$8-22-18c; and that \$8-22A-4 and \$8-22A-9 of said code be amended
- 12 and reenacted, all to read as follows:
- 13 ARTICLE 22. RETIREMENT BENEFITS GENERALLY; POLICEMEN'S PENSION
- AND RELIEF FUND; FIREMEN'S PENSION AND RELIEF
- 15 FUND; PENSION PLANS FOR EMPLOYEES OF WATERWORKS
- 16 SYSTEM, SEWERAGE SYSTEM OR COMBINED WATERWORKS AND
- 17 SEWERAGE SYSTEM.
- 18 §8-22-18a. West Virginia Municipal Pensions Oversight Board
- 19 created; powers and duties; management;
- 20 composition; terms; quorum; expenses; reports.
- 21 (a) (1) There is established, on the effective date of the
- 22 enactment of this section during the fourth extraordinary session
- 23 of the Legislature in 2009, The West Virginia Municipal Pensions
- 24 Oversight Board, established in 2009, is hereby continued as a

1 public body corporate for the purpose of monitoring and improving 2 the performance of municipal policemen's and firemen's pension and 3 relief funds to assure prudent administration, investment and 4 management of the funds. Management of the oversight board shall 5 be vested solely in the members of the oversight board. Duties of 6 the oversight board shall include, but not be limited to, assisting 7 municipal boards of trustees in performing their duties, assuring 8 the funds' compliance with applicable laws, providing for actuarial 9 studies, distributing tax revenues to the funds, initiating or 10 joining legal actions on behalf of active or retired pension fund 11 members or municipal boards of trustees to protect interests of the 12 members in the funds and taking other actions as may be reasonably 13 necessary to provide for the security and fiscal integrity of the 14 pension funds. The oversight board's authority to initiate legal 15 action does not preempt the authority of municipalities, municipal 16 policemen's and firemen's boards of trustees or pension fund active 17 members, beneficiaries or others to initiate legal action to 18 protect interests in the funds. The oversight board is created as 19 a public body corporate. Further, the oversight board may, in its 20 discretion, investigate the actions or practices of municipal 21 boards of trustees or of their administrators or employees that, in 22 the oversight board's judgment, have the potential to threaten the 23 security or fiscal integrity of the pension funds, and the boards 24 of trustees, administrators and employees shall cooperate with the

1 oversight board in any investigation. Regardless of whether it has 2 previously conducted an investigation, the oversight board may 3 initiate or intervene in legal actions to challenge or prevent any 4 action or practice which, in the oversight board's judgment, has 5 the potential to threaten the security or fiscal integrity of the 6 pension funds. Establishment of the oversight board does not 7 relieve the municipal funds' boards of trustees from their 8 fiduciary and other duties to the funds, nor does it create any 9 liability for the funds on the part of the state. The failure of 10 the oversight board to investigate or initiate legal actions 11 regarding the actions or practices of municipal boards of trustees, 12 their administrators or employees does not render the oversight 13 board liable for the actions or practices. Members and employees 14 of the oversight board are not liable personally, either jointly or 15 severally, for debts or obligations of the municipal pension and 16 relief funds. Except as otherwise provided herein, members and 17 employees of the oversight board have a fiduciary duty toward the 18 municipal pension and relief funds and are liable for malfeasance 19 or gross negligence. Employees of the oversight board are 20 nonclassified classified-exempt state employees.

21 (2) The oversight board shall consist of nine members. The 22 Executive Director of the state's Investment Management Board and 23 the Executive Director of the state's Consolidated Public 24 Retirement Board, or their designees, shall serve as voting ex

- 1 officio members. The other seven members shall be citizens of the 2 state who have been qualified electors of the state for a period of 3 at least one year next preceding their appointment and shall be as 4 follows: An active or retired member of a Municipal Policemen's 5 Pension and Relief Fund chosen from a list of three persons 6 submitted to the Governor by the state's largest professional 7 municipal police officers organization, an active or retired member 8 of a Municipal Firemen's Pension and Relief Fund chosen from a list 9 of three persons submitted to the Governor by the state's largest 10 professional firefighters organization, an attorney experienced in 11 finance and investment matters related to pensions management, two 12 persons experienced in pension funds management, one person who is 13 a certified public accountant experienced in auditing and one 14 person chosen from a list of three persons submitted to the 15 Governor by the state's largest association of municipalities.
- (3) On the effective date of the enactment of this section as amended during the fourth extraordinary session of the Legislature in 2009, the Governor shall forthwith appoint the members, with the advice and consent of the Senate. The Governor may remove any member from the oversight board for neglect of duty, incompetency or official misconduct.
- 22 (b) The oversight board has the power to:
- 23 (1) Enter into contracts, to sue and be sued, to implead and 24 be impleaded;

- 1 (2) Promulgate and enforce bylaws and rules for the management 2 and conduct of its affairs;
- 3 (3) Maintain accounts and invest those funds which the 4 oversight board is charged with receiving and distributing;
- 5 (4) Make, amend and repeal bylaws, rules and procedures 6 consistent with the provisions of this article and chapter 7 thirty-three of this code;
- 8 (5) Notwithstanding any other provision of law, retain or 9 employ, fix compensation, prescribe duties and pay expenses of 10 legal, accounting, financial, investment, management and other 11 staff, advisors or consultants as it considers necessary, including 12 the hiring of legal counsel and actuary; and
- (6) Do all things necessary and appropriate to implement and operate the board in performance of its duties. Expenses shall be paid from the moneys in the Municipal Pensions Security Fund created in section eighteen-b of this article or, prior to the transition provided in section eighteen-b of this article, the Municipal Pensions and Protection Fund: Provided, That the board may request special appropriation for special projects. The oversight board is exempt from provisions of article three, chapter five-a of this code for the purpose of contracting for actuarial services, including the services of a reviewing actuary.
- 23 (c) Except for ex officio members, the terms of oversight 24 board members shall be staggered initially from January 1, 2010.

1 The Governor shall appoint initially one member for a term of one 2 year, one member for a term of two years, two members for terms of 3 three years, one member for a term of four years and two members 4 for terms of five years. Subsequent appointments shall be for 5 terms of five years. A member serving two full consecutive terms 6 may not be reappointed for one year after completion of his or her 7 second full term. Each member shall serve until that member's 8 successor is appointed and qualified. Any member may be removed by 9 the Governor in case of incompetency, neglect of duty, gross 10 immorality or malfeasance in office. Any vacancy on the oversight 11 board shall be filled by appointment by the Governor for the 12 balance of the unexpired term.

(d) A majority of the full authorized membership of the oversight board constitutes a quorum. The board shall meet at least quarterly each year, but more often as duties require, at times and places that it determines. The oversight board shall relect a chairperson and a vice chairperson from their membership who shall serve for terms of two years and shall select annually a secretary/treasurer who may be either a member or employee of the board. The oversight board shall employ an executive director and other staff as needed and shall fix their duties and compensation. The compensation of the executive director shall be subject to approval of the Governor. Except for any special appropriation as provided in subsection (b) of this section, all personnel and other

1 expenses of the board shall be paid from revenue collected and 2 allocated for municipal policemen's or municipal firemen's pension 3 and relief funds pursuant to section fourteen-d, article three, 4 chapter thirty-three of this code and distributed through the 5 Municipal Pensions and Protection Fund or the Municipal Pensions 6 Security Fund created in section eighteen-b of this article. 7 Expenses during the initial year of the board's operation shall be 8 from proceeds of the allocation for the municipal pensions and Expenditures in years thereafter shall be by 9 relief funds. 10 appropriation from the Municipal Pensions Security Fund. 11 allocated for municipal policemen's and firemen's pension and 12 relief funds to be distributed from the Municipal Pensions and 13 Protection Fund or the Municipal Pensions Security Fund shall be 14 first allocated to pay expenses of the oversight board and the 15 remainder in the fund distributed among the various municipal 16 pension and relief funds as provided in section fourteen-d, article 17 three, chapter thirty-three of this code. The board is exempt from 18 the provisions of sections seven and eleven, article three, chapter 19 twelve of this code relating to compensation and expenses of 20 members, including travel expenses.

(e) Members of the oversight board shall serve the board without compensation for their services: *Provided*, That no public employee member may suffer any loss of salary or wages on account of his or her service on the board. Each member of the board shall

- 1 be reimbursed, on approval of the board, for any necessary expenses
- 2 actually incurred by the member in carrying out his or her duties.
- 3 All reimbursement of expenses shall be paid out of the Municipal
- 4 Pensions Security Fund.
- 5 (f) The board may contract with other state boards or state
- 6 agencies to share offices, personnel and other administrative
- 7 functions as authorized under this article: Provided, That no
- 8 provision of this subsection may be construed to authorize the
- 9 board to contract with other state boards or state agencies to
- 10 otherwise perform the duties or exercise the responsibilities
- 11 imposed on the board by this code.
- 12 (g) The board shall propose rules for legislative approval in
- 13 accordance with the provisions of article three, chapter
- 14 twenty-nine-a of this code as necessary to implement the provisions
- 15 of this article, and may initially promulgate emergency rules
- 16 pursuant to the provisions of section fifteen, article three,
- 17 chapter twenty-nine-a of this code.
- 18 (h) The oversight board shall report annually to the
- 19 Legislature's Joint Committee on Government and Finance and the
- 20 Joint Committee on Pensions and Retirement concerning the status of
- 21 municipal policemen's and firemen's pension and relief funds and
- 22 shall present recommendations for strengthening and protecting the
- 23 funds and the benefit interests of the funds' members.
- 24 (i) The oversight board shall cooperate with the West Virginia

- 1 Investment Management Board and the Board of Treasury Investments 2 to educate members of the local pension boards of trustees on the 3 services offered by the two state investment boards. No later than 4 October 31, 2013, the board shall report to the Joint Committee on 5 Government and Finance and the Joint Committee on Pensions and а detailed comparison of returns on 7 investments of moneys held by or allocated to municipal pension and 8 relief funds managed by the West Virginia Investment Management 9 Board and those managed by others than the Investment Management The oversight board shall also report at that time on 11 short-term investment returns by local pension boards using the 12 West Virginia Board of Treasury Investments compared to short-term 13 investment returns by those local boards of trustees not using the 14 Board of Treasury Investments.
- (j) The oversight board shall establish minimum requirements
 for training to be completed by each member of the board of
 trustees of a Municipal Policemen's or Firemen's Pension and Relief
 Fund. The requirements should include, but not be limited to,
 training in ethics, fiduciary duty and investment responsibilities.
- 20 §8-22-18c. Notice of legal actions by or against municipal policemen's and firemen's pension funds.
- In any legal action in which a municipal policemen's or 23 firemen's pension and relief fund, or the fund's board of trustees, 24 employee or administrator, is named as a party, the plaintiff or

1 petitioner shall serve a copy of the complaint or petition upon the
2 oversight board by certified mail, return receipt requested, within
3 seven days of filing the legal action. Until proof of service is
4 filed with the clerk of the court in which the action was filed,
5 and for sixty days after the filing of the proof of service, no
6 order may be entered by the court that directly or indirectly
7 requires the expenditure or other disposition of pension funds or
8 that determines the eligibility or entitlement of any member to any
9 pension benefit payable from the pension and relief fund: Provided,
10 That the court may enter such temporary or interim orders as may be
11 needed to preserve and protect the assets of the fund. In any legal
12 action involving a municipal policemen's or firemen's pension and
13 relief fund the oversight board is entitled to intervene for the
14 purpose of preserving the security or fiscal integrity of the
15 pension fund.

16 §8-22-19a. Refunds of member contributions.

After January 1, 2010, any member of a paid police department

18 or fire department who is removed or discharged or who before

19 retirement on any retirement pension or disability pension severs

20 his or her connection with said department, whether or not

21 consecutive, shall, upon request, be refunded all pension and

22 relief fund deductions made from his the member's salary or

23 compensation, but without interest from the fund. The refund shall

24 come from the accounts which originally received the member

1 deductions. For municipalities using the conservation method of 2 funding, the member contributions are to be refunded from both the 3 Municipal Pension and Relief Fund and the city benefit account, in 4 the exact percentages that were initially deposited to the 5 respective accounts. Any member who receives such a refund and 6 such member subsequently wishes to reenter the his or her 7 department such police officer or fire fighter shall not be allowed 8 to reenter the department unless such the police officer or 9 firefighter repays to the pension and relief fund all sums refunded 10 to him or her in a lump sum at the date of reentry, or by monthly 11 payroll deductions within thirty-six months from the date he or she 12 reenters the department, with interest at the rate of eight percent 13 per annum. In the event such refund is made prior to January 1, 14 1981, and such member subsequently reenters the department such 15 police officer or firefighter shall be allowed membership in such 16 pension and relief fund; however, no credit may be allowed such 17 member for any former service, unless such member repays to the 18 pension and relief fund all sums refunded to him the member within 19 one year from the date he the member reenters the department with 20 interest at the rate of eight percent per annum: Provided, That 21 any member who, on or before June 3, 1955, reentered the paid 22 police or fire department shall be allowed credit for any former 23 service in the same department reentered if he, within one year 24 from said June 3, 1955, repaid all sums withdrawn or refunded to 1 him with interest at the rate of six percent per annum, but for 2 such member who receives such refund prior to January 1, 1980, 3 interest may not be charged for more than three years. Any 4 probationary member of a paid police or fire department who is not 5 given an absolute appointment at the end of his the member's 6 probationary period shall, upon request, be refunded all pension 7 and relief fund deductions made from his the member's salary or 8 compensation, but without interest. Any member contribution made 9 in fiscal years beginning on July 1, 1981, and thereafter by any 10 members of such fund, which is in excess of the percentages, 11 required in section nineteen of this article of such member's 12 salary or compensation as defined in section sixteen of this 13 article, shall be refunded with eight percent interest to such 14 member upon completion of the calculation of his the member's 15 retirement benefit.

16 §8-22-25. Retirement pensions.

(a) Any member of a paid police or fire department who is entitled to a retirement pension hereunder, and who has been in the 19 honorable service of such department for twenty years, may, upon 20 written application to the board of trustees, be retired from all 21 service in such department without medical examination or 22 disability. On such retirement the board of trustees shall 23 authorize the payment of annual retirement pension benefits 24 commencing upon his the member's retirement or upon his the

- 1 member's attaining the age of fifty years, whichever is later,
- 2 payable in twelve monthly installments for each year of the
- 3 remainder of his the member's life, in an amount equal to sixty
- 4 percent of such member's average annual salary or compensation
- 5 received during the three twelve-consecutive-month periods of
- 6 employment with such department in which such member received his
- 7 the member's highest salary or compensation while a member of the
- 8 department, or an amount of \$500 per month, whichever is greater.
- 9 (b) Any member of any such department who is entitled to a
- 10 retirement pension under the provisions of subsection (a) of this
- 11 section and who has been in the honorable service of such
- 12 department for more than twenty years at the time of his the
- 13 member's retirement shall receive, in addition to the sixty percent
- 14 authorized in said subsection (a):
- 15 (1) Two additional percent, to be added to the sixty percent
- 16 for each of the first five additional years of service completed at
- 17 the time of retirement in excess of twenty years of service up to
- 18 a maximum of seventy percent; and
- 19 (2) One additional percent, to be added to such maximum of
- 20 seventy percent, for each of the first five additional years of
- 21 service completed at the time of retirement in excess of
- 22 twenty-five years of service up to a maximum of seventy-five
- 23 percent.
- 24 The total additional credit provided for in this subsection

1 may not exceed fifteen additional percent.

(c) Any member of any such department whose service has been 3 interrupted by duty with the armed forces of the United States as 4 provided in section twenty-seven of this article prior to July 1, 5 1981, shall be eligible for retirement pension benefits immediately 6 upon retirement, regardless of his the member's age, if he the 7 member shall otherwise be eligible for such retirement pension 8 benefits. In no event are provisions of this subsection to be 9 interpreted to permit retirement before age fifty unless the 10 interruption of the member's service by duty with the armed forces 11 of the United States actually occurred before July 1, 1981. The 12 amendment made to this subsection during the 2013 regular session 13 of the Legislature is not for the purpose of changing the existing 14 <u>law regarding benefits provided to veterans for military service</u> 15 prior to July 1, 1981, but to further clarify that the provisions 16 of this section and any previous enactments of this section do not 17 make a member eligible for retirement before age fifty for a 18 member's service with the armed forces of the United States after 19 <u>Jul</u>y 1, 1981.

Any member or previously retired member of any such department 21 who has served in active duty with the armed forces of the United 22 States as described in section twenty-seven of this article, 23 whether prior to or subsequent to becoming a member of a paid 24 police or fire department covered by the provisions of this article, shall receive, in addition to the sixty percent authorized in subsection (a) of this section and the additional percent credit authorized in subsection (b) of this section, one additional percent for each year so served in active military duty, up to a maximum of four additional percent. In no event, however, may the total benefit granted to any member exceed seventy-five percent of the member's annual average salary calculated in accordance with subsection (a) of this section.

(d) Any member of a paid police for or fire department shall 9 10 be retired at the age of sixty-five years in the manner provided in 11 this subsection. When a member of the paid police or fire 12 department reaches the age of sixty-five years, the said board of 13 trustees shall notify the mayor of this fact, within thirty days of 14 such member's sixty-fifth birthday. The mayor shall cause such 15 sixty-five-year-old member of the paid police or fire department to 16 retire within a period of not more than thirty additional days. 17 Upon retirement under the provisions of this subsection, such 18 member shall receive retirement pension benefits payable in twelve 19 monthly installments for each year of the remainder of his the 20 member's life in an amount equal to sixty percent of such member's 21 average annual salary or compensation received during the three 22 twelve-consecutive-month periods of employment with such department 23 in which such member received his the member's highest salary or 24 compensation while a member of the department, or an amount of \$500

- 1 per month, whichever is greater. If such member has been employed 2 in said department for more than twenty years, the provisions of 3 subsection (b) of this section shall apply.
- (e) It shall be the duty of each member of a paid police or 5 fire department at the time a fund is hereafter established to 6 furnish the necessary proof of his the member's date of birth to 7 the said board of trustees, as specified in section twenty-three of 8 this article, within a reasonable length of time, said length of 9 time to be determined by the said board of trustees. Then the 10 board of trustees and the mayor shall proceed to act in the manner 11 provided in subsection (d) of this section and shall cause all 12 members of the paid police or fire department who are over the age 13 of sixty-five years to retire in not less than sixty days from the 14 date the fund is established. Upon retirement under the provisions 15 of this subsection (e), such member, whether he the member has been 16 employed in said department for twenty years or not, shall receive 17 retirement pension benefits payable in twelve monthly installments 18 for each year of the remainder of his the member's life in an 19 amount equal to sixty percent of such member's average annual 20 salary or compensation received during the 21 twelve-consecutive-month periods of employment with such department 22 in which such member received his the member's highest salary or 23 compensation while a member of the department, or an amount of \$500 24 per month, whichever is greater. If such member has been employed

- 1 in said department for more than twenty years, the provisions of
- 2 subsection (b) of this section shall apply.
- 3 ARTICLE 22A. WEST VIRGINIA MUNICIPAL POLICE OFFICERS AND
- 4 FIREFIGHTERS RETIREMENT SYSTEM.
- 5 §8-22A-4. Creation and administration of West Virginia Municipal
- 6 Police Officers and Firefighters Retirement System;
- 7 specification of actuarial assumptions.
- 8 There is hereby created the West Virginia Municipal Police 9 Officers and Firefighters Retirement System. The purpose of this 10 system is to provide for the orderly retirement of certain police 11 officers and firefighters who become superannuated because of age 12 or permanent disability and to provide certain survivor death 13 benefits. Substantially all of the members of the retirement 14 system shall be qualified public safety employees as defined in 15 section two of this article. The retirement system shall come into 16 effect January 1, 2010: Provided, That if the number of members in 17 the system are fewer than one hundred on January 1, 2014 2017, then 18 all of the provisions of this article are void and of no force and 19 effect, and memberships in the system will be merged into the 20 Emergency Medical Services Retirement System created in article 21 five-v, chapter sixteen of this code. If merger is required, the 22 board shall take all necessary steps to see that the voluntary 23 transfers of persons and assets authorized by this article do not 24 affect the qualified status with the Internal Revenue Service of

2 transacted in the name of the West Virginia Municipal Police 3 Officers and Firefighters Retirement System. The board shall

1 either retirement plan. All business of the system shall be

- 4 specify and adopt all actuarial assumptions for the plan at its
- 5 first meeting of every calendar year or as soon thereafter as may
- 6 be practicable, which assumptions shall become part of the plan.
- 7 §8-22A-9. Retirement; commencement of benefits; insurance
- 8 requirements during early period.
- 9 (a) To ensure the fiscal integrity of the retirement system
- 10 during the start-up phase, no member is entitled to retirement,
- 11 disability or death benefits under this retirement system until
- 12 January 1, 2013 2017. Participating municipalities shall purchase
- 13 insurance for their new plan members to provide coverage in an
- 14 amount equal to disability coverage otherwise provided in sections
- 15 seventeen and eighteen of this article and death benefits otherwise
- 16 provided in sections twenty, twenty-two and twenty-three of this
- 17 article for claims arising before January 1, 2013: <u>Provided</u>, That
- 18 pursuant to the amendments made to this subsection during the 2013
- 19 regular session of the Legislature, participating municipalities
- 20 shall reinstate or purchase the insurance coverage for all plan
- 21 members no later than July 1, 2013, and continue coverage through
- 22 <u>January 1, 2017</u>.
- 23 (b) A member may retire and commence to receive retirement
- 24 income payments on the first day of the calendar month following

1 written application for his or her voluntary petition for 2 retirement coincident with or next following the later of the date 3 the member ceases employment, or the date the member attains early 4 or normal retirement age, in an amount as provided under this 5 article: Provided, That retirement income payments under this plan 6 are subject to the provisions of this article. On receipt of the 7 petition, the board shall promptly provide the member with an 8 explanation of his or her optional forms of retirement benefits and 9 on receipt of properly executed forms from the member, the board 10 shall process a member's request for and commence payments as soon 11 as administratively feasible.