ASSEMBLY BILL NO. 529–COMMITTEE ON GOVERNMENT AFFAIRS

MARCH 29, 2005

Referred to Concurrent Committees on
Government Affairs and Ways and Means

SUMMARY—Creates Deferred Retirement Option Plan and Benefit Actuarially Calculated Deferred Retirement Option Plan within Public Employees' Retirement System. (BDR 23-1372)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in ***bolded italics*** is new; matter between brackets ~~[omitted material]~~ is material to be omitted.

AN ACT relating to the Public Employees' Retirement System; creating a Deferred Retirement Option Plan to allow certain public employees to obtain lump-sum payments with lower monthly retirement benefits; providing the requirements for the Deferred Retirement Option Plan; creating a Benefit Actuarially Calculated Deferred Retirement Option Plan to allow certain public employees to obtain lump-sum payments with lower monthly retirement benefits; providing the requirements for the Benefit Actuarially Calculated Deferred Retirement Option Plan; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 286 of NRS is hereby amended by adding thereto the provisions set forth as sections 2 to 22, inclusive, of this act.

Sec. 2. ***As used in sections 2 to 14, inclusive, of this act, unless the context otherwise requires, the words and terms defined in sections 3 and 4 of this act have the meanings ascribed to them in those sections.***

Sec. 3. ***"Active member" means a person who is employed by a participating public employer and who is contributing to the System.***

Sec. 4. ***"Plan" means the Deferred Retirement Option Plan established pursuant to section 5 of this act.***

Sec. 5. ***A plan providing an active member who elects to participate access to a lump-sum benefit in addition to his service retirement allowance is hereby established within the System and must be known as the Deferred Retirement Option Plan.***

Sec. 6. ***1. Any active member who is eligible to retire pursuant to NRS 286.510 may participate in the Plan.***

2. An active member who elects to participate in the Plan shall irrevocably:

(a) Designate a period of participation that is not more than 60 consecutive months.

(b) Agree to terminate employment upon completion of the period of participation designated pursuant to paragraph (a).

3. An active member who participates in the Plan has all the rights, privileges and benefits, and is subject to all other terms and conditions, of active employment.

Sec. 7. ***1. An active member may terminate participation in the Plan by voluntarily terminating employment at any time before the completion of the period of participation designated pursuant to section 6 of this act.***

2. An active member's participation in the Plan terminates upon:

(a) Completion of the period of participation designated pursuant to section 6 of this act;

(b) Termination of employment, with the exception that, if termination of employment for cause is reversed, an active member's participation in the Plan, less any benefits previously distributed, shall be reinstated for the duration of the period of participation designated pursuant to section 6 of this act;

(c) The death of the active member; or

(d) Voluntary termination by the active member,

➥ whichever occurs first.

Sec. 8. ***1. The System shall establish an account on behalf of each active member who participates in the Plan. All benefits accrued by an active member pursuant to his participation in the Plan must be accounted for in such account. An active member who participates in the Plan does not have a claim on the assets of the System with respect to such account and assets shall not be set aside for any active member who participates in the Plan that are separate from all other assets of the System.***

2. The System shall credit an account established on behalf of an active member pursuant to subsection 1 for the following:

(a) An amount, credited monthly, equal to the active member's monthly service retirement allowance as calculated in the manner provided by NRS 286.551, based on the years of service of the active member as of the day that the active member began participation in the Plan; and

(b) Interest on the amount credited pursuant to paragraph (a), compounded annually at a rate of 6 percent.

3. All amounts credited to an account established on behalf of an active member pursuant to subsection 2 are fully vested.

Sec. 9. ***Beginning on the first day of the active member's participation in the Plan:***

1. Any contribution that the active member was making to the System pursuant to NRS 286.410; and

2. Any contribution that the active member's employer was making to the System on behalf of the active member pursuant to NRS 286.421 and NRS 286.425,

➥ must cease.

Sec. 10. ***An active member who elects to participate in the Plan and who becomes totally unable to perform his current job during his period of participation in the Plan:***

1. Is not eligible to receive a disability retirement allowance pursuant to NRS 286.620; and

2. Shall be deemed to have retired.

Sec. 11. ***1. An active member who elects to participate in the Plan must designate in writing a survivor beneficiary.***

2. If an active member informs the System in writing, he may change the designation of his survivor beneficiary at any time before the funds in the account established on his behalf pursuant to section 8 of this act are fully distributed.

3. If a survivor beneficiary predeceases an active member who is participating in the Plan and the active member dies before designating a new beneficiary, the System must pay all funds in the account established on behalf of the active member pursuant to section 8 of this act to the active member's estate.

Sec. 12. ***1. On the simultaneous termination of the active member's employment and participation in the Plan, the active member is entitled to receive:***

(a) The service retirement allowance that the active member is entitled to receive based on the active member's years of service as of the day that the active member began participation in the Plan and as calculated in the manner provided by NRS 286.551; and

(b) All amounts credited to the account established on behalf of the active member pursuant to section 8 of this act.

2. Upon the active member's termination of employment and participation in the Plan, the active member shall elect to receive the amount in the account established on his behalf pursuant to section 8 of this act in one of the following forms:

(a) A lump-sum payment which the active member may elect to transfer into an eligible retirement plan, individual retirement account or any other plan or account that is authorized by the Internal Revenue Service of the United States Department of the Treasury; or

(b) Equal monthly payments over 240 months.

3. Not later than 30 days after the active member provides notice to the System of the payment option that he elected pursuant to subsection 2, the System must:

(a) Pay the active member a lump-sum payment; or

(b) Begin the equal monthly payments to the active member,

➥ *whatever the case may be.*

4. If an active member elects to receive the funds in his participation account in equal monthly payments pursuant to paragraph (b) of subsection 2, the System shall pay interest on the amount in the account established on behalf of the active member pursuant to section 8 of this act at a rate of 6 percent, compounded annually.

5. If the active member has died and payments are made to a survivor beneficiary, the survivor beneficiary may not choose to transfer a lump sum to another plan or account pursuant to paragraph (a) of subsection 2 unless the survivor beneficiary is the surviving spouse of the active member.

Sec. 13. *The Plan must not jeopardize in any way the tax qualified status of the System under the rules of the Internal Revenue Service of the United States Department of the Treasury.*

Sec. 14. *The Board may adopt regulations to carry out the provisions of sections 2 to 14, inclusive, of this act, including, without limitation, regulations to ensure compliance with section 13 of this act.*

Sec. 15. *As used in sections 15 to 22, inclusive, of this act, unless the context otherwise requires, the words and terms defined in sections 16 and 17 of this act have the meanings ascribed to them in those sections.*

Sec. 16. *"Active member" means a person who is employed by a participating public employer and who is contributing to the System.*

Sec. 17. *"Plan" means the Benefit Actuarially Calculated Deferred Retirement Option Plan established pursuant to section 18 of this act.*

Sec. 18. *A plan providing an active member who elects to participate access to a lump-sum benefit of part of his service retirement allowance is hereby established within the System and must be known as the Benefit Actuarially Calculated Deferred Retirement Option Plan.*

Sec. 19. *1. An active member of the System who has accrued more than the minimum number of years of service required pursuant to NRS 286.510 to be eligible to retire may elect to participate in the Plan and have a portion of his service retirement allowance paid to him in a lump sum, as calculated pursuant to subsection 4.*

2. Except as otherwise provided in subsection 3, an active member who elects to participate in the Plan shall irrevocably designate a period of participation in the Plan that is in whole number months and does not exceed a period of 36 months.

3. An active member may not designate a period of participation pursuant to subsection 2 that would cause him to have a monthly service retirement allowance based on a number of years of service that would be less than the minimum number of years of service required pursuant to NRS 286.510 to be eligible to retire.

4. The amount of the lump-sum payment that the System must pay to an active member who elects to participate in the Plan must be calculated as follows:

(a) The monthly service retirement allowance of the active member, as calculated pursuant to NRS 286.551, must be multiplied by the number of months designated by the active member pursuant to subsection 2.

(b) The number determined pursuant to paragraph (a) must be multiplied by 1.06 for each year that the active member designated pursuant to subsection 2.

5. After the lump-sum payment is determined pursuant to subsection 4, the future monthly service retirement allowance for an active member who elects to participate in the Plan, as calculated pursuant to NRS 286.551, must be actuarially reduced by the amount of the lump-sum payment that is calculated pursuant to subsection 4 so that when the amount of the lump-sum payment is considered together with the future actuarially reduced monthly service allowance, the combination has an actuarially equivalent cost to the System of an active member who is not participating in the Plan.

Sec. 20. *1. Participation in the Plan does not preclude an active member from participating in the Deferred Retirement Option Plan established pursuant to section 5 of this act.*

2. If an active member elects to participate in the Plan and the Deferred Retirement Option Plan, the lump-sum benefit calculated pursuant to section 19 of this act must be:

(a) Paid into the account established on behalf of the active member by the System pursuant to section 8 of this act; and

(b) Distributed to the active member pursuant to the provisions of section 12 of this act.

Sec. 21. ***The Plan must not jeopardize in any way the tax qualified status of the System under the rules of the Internal Revenue Service of the United States Department of the Treasury.***

Sec. 22. ***The Board may adopt regulations to carry out the provisions of sections 15 to 22, inclusive, of this act, including, without limitation, regulations to ensure compliance with section 21 of this act.***

Sec. 23. This act becomes effective on July 1, 2005.

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