City of NORFOLK

C: Dir., Director of Finance

To the Honorable Council
City of Norfolk, Virginia

February 28, 2017

From: Christine Garczynski, Director of Finance

Subject: Providing for payment of a decedent's DROP account balance

Reviewed: Michael G. Goldsmith, Deputy City Manager

Ward/Superward: Citywide

Approved: Douglas L. Smith, Interim City Manager

Item Number: **R-06**

I. **Recommendation:** Adopt Ordinance

II. **Applicant:** City of Norfolk

III. **Description:**

This agenda item is an ordinance to direct that the monthly accumulated benefit credited to the Deferred Retirement Option Program ("DROP") participant's account, upon the untimely death of a DROP member, be paid to the DROP member's estate.

IV. **Analysis**

On May 20, 2014, Ordinance Number 45,566 established a Deferred Retirement Option Program (DROP) for police and fire employees who are eligible for a normal service retirement. Eligible members may elect to participate for a maximum of four years, deferring receipt of a reduced retirement benefit of 70% while continuing employment with the City without loss of any other employee benefits.

During the DROP period, the accumulated balance of the DROP member's monthly retirement allowance is identified as payable to the member only upon termination of employment. At that time, the participant will receive the lump sum DROP account balance and begin receiving 100% of their monthly pension directly.

However, Ordinance Number 45,566 did not provide for the payment of a member's DROP account balance in the event of the death of a DROP member during the elected DROP period. This ordinance directs that the DROP account balance, upon the untimely death of a DROP member, be paid to the DROP member's estate.

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V. Financial Impact

This ordinance does not impact the payment of DROP death benefits and serves to protect the financial benefit accruing to DROP participants in their untimely death while participating in DROP.

VI. Environmental

N/A

VII. Community Outreach/Notification

N/A

VIII. Board/Commission Action

The Norfolk Employees' Retirement Board has been notified and recommends approval of this ordinance.

IX. Coordination/Outreach

This letter and ordinance has been coordinated with the City Attorney's Office and the Department of Finance.

Supporting Material from the City Attorney's Office:

- Ordinance

11/18/2016-bjl

Form and Correctness Approved:

By _____
Office of the City Attorney

Contents Approved:

By _____
DEPT. Finance

NORFOLK, VIRGINIA

ORDINANCE No.

AN ORDINANCE TO AMEND AND REORDAIN SECTION 37-84(d) OF THE CODE OF THE CITY OF NORFOLK, 1979, AS AMENDED, TO PROVIDE FOR THE PAYMENT OF A DECEDENT'S DROP ACCOUNT BALANCE.

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BE IT ORDAINED by the Council of the City of Norfolk:

Section 1:- That Section 37-84(d) of the Code of the City of Norfolk, 1979, as amended, is hereby amended and reordained to provide for the payment of a decedent's DROP account balance to read as follows:

Sec. 37-84 Deferred retirement option program.

(d) *Termination.* At the end of a policeman or fireman member's elected DROP period, (1) the policeman or fireman member's employment with the city shall terminate, (2) the policeman or fireman member's DROP account balance shall be paid either as a lump sum distribution to the policeman or fireman member or the policeman or fireman member may direct the system to pay the DROP account balance to an eligible retirement plan as such term is defined in City Code section 37-74(f)(i), and (3) the policeman or fireman member shall be considered to be a retired member for all purposes related to employment with the city. In the event the policeman or fireman member's employment is terminated prior to the end of the elected DROP period, the policeman or fireman member's DROP account balance shall be paid either as a lump sum to the policeman or fireman member or the policeman or fireman member may direct the system to pay the DROP account balance to an

eligible retirement plan as such term is defined in City Code section 37-74(f)(i). In the event of a policeman or fireman member's death during the elected DROP period, City Code Section 37-72 shall apply to the payment of death benefits. In the event of a policeman or fireman member's death during the elected DROP period, the policeman or fireman member's DROP account balance shall be paid to his estate.

Section 2:- That this ordinance shall be in effect from and after July 1, 2016.