

**RETIREMENT OF CONSTITUTIONAL OFFICERS AND
EMPLOYEES**

**REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL**

to

THE GOVERNOR

and

THE GENERAL ASSEMBLY OF VIRGINIA



**COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
RICHMOND
1968**

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RETIREMENT OF CONSTITUTIONAL OFFICERS AND EMPLOYEES

**REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL**

Richmond, Virginia, August 28, 1963

To:

HONORABLE A. S. HARRISON, JR., *Governor of Virginia*

and

THE GENERAL ASSEMBLY OF VIRGINIA

On November 19, 1962, Your Excellency, after several requests from various associations composed of constitutional officers that they and their employees be covered by the Virginia Supplemental Retirement System, requested the Virginia Advisory Legislative Council to study means to provide retirement coverage for such officers and employees. The Council was requested to report to the Governor and the General Assembly by September 1, 1963.

Copy of the letter requesting the study follows:

Hon. Charles K. Hutchens, Chairman
Virginia Advisory Legislative Council
Newport News, Virginia

Dear Mr. Hutchens:

I have received requests from the various associations composed of the constitutional officers of the Virginia localities that they and the employees of their offices be covered by the Virginia Supplemental Retirement Act, unless covered, by choice, by local retirement systems. I enclose these requests for your information.

Mr. Charles H. Smith, Director of the Virginia Supplemental Retirement System, has assembled basic information on the extension of the coverage provided by the Virginia Supplemental Retirement System to such local officers and employees. However, I believe it would be well for the Governor and the General Assembly to have the benefit of an evaluation of the facts by a subcommittee of the Virginia Advisory Legislative Council.

I therefore request the VALC's consideration of this subject in the light of information presently available and a report to me and the General Assembly by September 1, 1963.

Sincerely yours,

A. S. Harrison, Jr.

The Council designated Honorable John Warren Cooke, of Mathews, member of the House of Delegates and member of the Council, to act as chairman of a committee to make the initial study and report. The following persons were selected to serve as members of the Committee: Harold I. Baumes, Executive Secretary, Virginia Municipal League; C. B. Covington, Jr., City Treasurer, Newport News; C. E. Gnadt, Commissioner of the Revenue, Prince William County, Manassas; William J. Hassan, Commonwealth's Attorney, Arlington County; George R. Long, League of Virginia Counties, Charlottesville; William V. Rawlings, member of the Senate, Capron; and Lewis H. Vaden, State Treasurer, Richmond.

The Committee met and organized, electing Mr. Gnadt as Vice-Chairman. John B. Boatwright, Jr., and R. L. Masden served as Secretary and Recording Secretary, respectively, to the Committee.

With the assistance of Charles H. Smith, Director, Virginia Supplemental Retirement System, the Committee assembled information on the history of the Virginia System and coverage of local officers thereunder; it also secured comparable information as to nearby states. It held a public hearing at which those interested were invited to express their views. The Committee completed its study and reported to the Council. The Council has carefully considered the report of the Committee and now submits its own report.

The Council gratefully acknowledges the assistance rendered it by the members of the Committee in contributing their time and knowledge to the investigation of this subject. It also desires to recognize the aid given the Committee by Mr. C. H. Smith, and expresses its appreciation to him and the others who were of assistance during the study.

HISTORY OF VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM

In 1942 the Virginia Retirement Act was passed, offering retirement benefits to full-time salaried State employees and to instructional personnel in the public school system. In 1944 it was made possible for cities, counties, and other political subdivisions to bring all their full-time salaried officers and employees into the Virginia Retirement System. No provision was then made, however, for the State's sharing in the employer cost for city and county constitutional officers and their employees, with the result that, prior to the 1958 Session of the General Assembly, only six cities had requested coverage and were included as employers under the State System.

In 1952 the State System was changed to permit coverage of State and local governmental employees in Virginia under the Old Age and Survivors' Insurance features of the Federal Social Security System, in line with recent amendments to the Social Security Act by Congress. This coverage was permissive as to each governing body; by 1958 all of the counties and cities (except the city of Roanoke) had provided Social Security coverage for their constitutional officers and their employees.

By Chapter 367 of the 1958 Acts of Assembly, the Legislature obligated the State to share the employer contribution cost for the constitutional officer and employee group; this greatly encouraged coverage under the State Retirement System by local governing bodies, and on April 1, 1958, the first county became covered. Interest thereafter rapidly developed with twenty-six additional counties and four more cities coming in by January 1, 1959. This has continued and as of July 1, 1963, sixty-

four counties and twenty cities have been included under the State System. Four of the twenty cities, which also administer local systems for their other employees covered only constitutional officers and employees ineligible for membership in the local system. Two counties and ten cities, not under the State System, have locally administered retirement systems. Three of these city systems do not cover the constitutional officer group and three have only limited coverage for them. This leaves the constitutional officers and their employees in thirty counties and seven cities without retirement coverage other than basic Social Security.

In some of these last localities interest has been manifested in coverage. In ten counties and two cities this has reached the point of the local governing bodies authorizing the actuarial studies which are necessary before a county or a city can arrange coverage under the State System.

RECOMMENDATIONS AND REASONS THEREFOR

I. Recommendations.

1. Coverage of the constitutional officers and employees should not be made mandatory, but should be left on a voluntary basis at the election of the local governing body as is provided under the present law.
2. All means should be used to encourage the localities voluntarily to enroll their employees in the Virginia Supplemental Retirement System. These means should include these approaches:
 - (a) The Director of the Supplemental Retirement System at frequent intervals should dispense informative literature to the governing bodies of all localities not in the Supplemental Retirement System outlining the operation of the System and the benefits accruing therefrom. Such literature should also be sent simultaneously to all constitutional officers not covered by the Supplemental Retirement System.
 - (b) The Director of the Virginia Supplemental Retirement System should periodically distribute information to the governing bodies of those localities not covered by the State System, showing the localities covered by the Virginia Supplemental Retirement System. Such literature should also be sent simultaneously to all constitutional officers not covered by the Supplemental Retirement System.
 - (c) The General Assembly should adopt a strong resolution urging those localities not yet enrolled in the Virginia Supplemental Retirement System to do so voluntarily or establish their own

II. Reasons for Recommendation.

The Virginia Supplemental Retirement System as presently constituted is a voluntary program as far as the localities and their present officers and employees are concerned. That is, the locality must by positive action elect to join the Virginia Supplemental Retirement System and to expend the necessary funds to cover its share of the employer costs. Those individuals who are employed at the time a locality elects to participate

in the Virginia Supplemental Retirement System have one year in which to determine if they wish to contribute to, and have the benefit of, the Retirement System.

Thus, we feel that the Virginia Supplemental Retirement System as it is presently constituted is in keeping with the State's general policy of promoting local autonomy. Since the locality must share a portion of the employer cost the adoption of any mandatory provision for coverage of constitutional officers and employees, whether by direct or indirect means, would be in effect an expenditure by the State from the locality's treasury.

The Virginia Supplemental Retirement System, through the office of its Director and in keeping with the voluntary premise of the present legislation, has not attempted to coerce in any way enrollment of local employees in the Virginia Supplemental Retirement System. To date, the office of the Director has acted principally upon the request of the localities in supplying information concerning the Retirement System.

Since the Supplemental Retirement System has, on a strictly voluntary basis, been extended to cover a large percentage of the local employees, we believe the desired end should be sought by educational and promotional means before any mandatory provisions are considered.

Therefore, we recommend that all reasonable means be used to acquaint the localities with the advantages accruing to them and their employees by joining the Virginia Supplemental Retirement System. Such educational program should include all constitutional officers and their respective organizations.

We recognize the State and local governments' obligation to their faithful employees and specifically recognize their responsibility to provide a means by which such employees, after many years of service, may retire with respect and dignity at a reasonable age. High federal taxes and inflation have reduced the ability of all to provide for their declining years. We also note that failure to provide for the orderly retirement of employees through a retirement system may lead to a sort of unofficial pension plan whereby persons are kept on the payroll because they have no means of support if their salaries are terminated.

On July 20, 1949, the Commission created to study the Virginia Retirement Act made the following statement in its report to the Governor:

"A retirement system is generally viewed as a means of attracting and holding the best type young men and women in State service and inducing them to make such service a lifetime career. It is also designed to provide for the retirement of persons who, in the absence of such a system, would continue on the payroll as hidden pensioners. As a general rule at age 65 an employee is on the decline and the system should provide for the orderly retirement in a decent economic status of older persons so as to open up the opportunity for advancement of the younger groups and eliminate dead wood. . ."

We concur in the substance of this statement and to this end have recommended that the General Assembly adopt a resolution urging all localities not presently enrolled to join the Virginia Supplemental Retirement System. A copy of a suggested resolution is attached as Appendix I to this report.

We believe with the adoption of such a resolution on the part of the General Assembly and a vigorous educational and promotional program among the localities not yet under the System that full coverage will be provided within a very few years.

Respectfully submitted,

CHARLES K. HUTCHENS, Chairman
EDWARD E. WILLEY, Vice-Chairman
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APPENDIX I

HOUSE JOINT RESOLUTION NO.

Concerning the retirement of local officers and employees.

Whereas, the General Assembly of Virginia, in recognition of its responsibility to provide for the dignified retirement of the employees and officers of the Commonwealth and its localities, amended the Virginia Supplemental Retirement Act to enable each county and city to cover their employees and officers under the State Retirement System by paying a proportionate share of the employer cost; and

Whereas, on July 1, 1963 there were sixty-four counties and twenty-four cities covered by the State Retirement System with two counties and ten cities having adopted locally administered retirement systems, leaving thirty counties and seven cities without substantial retirement coverage other than basic Social Security coverage; and

Whereas, the General Assembly of Virginia recognizes that to induce qualified individuals to make public service a career in a competitive economic setting, an adequate retirement plan is essential; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That each county or city not presently participating in the Supplemental Retirement System is urged to give study and consideration to the benefits available to the locality and its employees and officers under the Supplemental Retirement System so that coverage may be extended to all employees of local governments throughout the State; and

Be it further resolved, That the State Compensation Board, the Retirement Board, and the Director of the Virginia Supplemental Retirement System plan and undertake an educational and promotional program among the noncovered localities to encourage full participation in the Supplemental Retirement System; and

Be it further resolved, That the Clerk of the House of Delegates is directed to forward a suitable copy of this resolution to the governing body of each locality and the constitutional officers thereof, not presently participating in the State Retirement System.

