

**REPORT OF THE
VIRGINIA RETIREMENT STUDY COMMISSION
TO
THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 31

**COMMONWEALTH OF VIRGINIA
Richmond
1980**

TABLE OF CONTENTS

	<i>Page</i>
Letter of transmittal.....	4
I. Introduction	
A. Commission Members and and Committee Assignments; Commission staff.....	4
B. General Assembly Charge to the Virginia Retirement Study Commission (VRSC).....	6
II. Findings and Recommendations	
A. Single vs. Separate State-Funded Systems.....	8
B. Oversight Responsibility and Administration.....	9
C. Creditable Service and Compensation..	12
D. Membership	
1. General Assembly.....	14
2. Hazardous Employment.....	15
3. College and University Faculty Systems (TIAA-CREF).....	16
E. Funding.....	18
F. Benefit Plan.....	19
G. Life Insurance.....	28
H. Miscellaneous.....	30
III. Appendices	
A. Brief History of Virginia State Retirement Systems.....	44
B. Studies of Retirement Provisions for Public Employees and Officers in Virginia.....	50
C. Legislation Recommended by the Virginia Retirement Study Commission.	52
D. Age Summary, JRS Members.....	108
E. TIAA-CREF.....	109
F. Report of Benefit and Plan Structure Committee to the Virginia Retire- ment Study Commission.....	119

G. Cost exhibit prepared by
Meidinger & Associates..... 128

**Report of the
Virginia Retirement Study Commission
to
The Governor and the General Assembly of Virginia
Richmond, Virginia
January, 1980**

To: Honorable John N. Dalton, Governor of Virginia
and
The General Assembly of Virginia

This report is transmitted pursuant to House Joint Resolution No. 257 of the 1979 Session of the General Assembly. In addition to its study of the matters set forth in the resolution, the Commission considered other resolutions and bills, concerning retirement matters, which were introduced but not passed during the 1978 and 1979 Sessions. The full description of Commission recommendations is stated in the body of the report; proposed bills to effect the recommendations, and related background materials, are provided in the appendices.

The Commission has been gratified by the thoughtful interest displayed in its work by many citizens, public employees and non-employees alike. Their interest was reflected by attendance at the meetings of the Commission and by proposals and comments. At the public hearing on December 28, 1979, approximately 500 persons were in attendance and 60 made oral or written statements.

Respectfully submitted,

Owen B. Pickett, Chairman

I. INTRODUCTION

A. Commission Members and Committee Assignments; Commission Staff

<u>Members</u> <u>From the House</u> <u>of Delegates</u>	<u>Committee Assignments</u>
Owen B. Pickett, Chairman	All committees, ex officio
L. Ray Ashworth	Actuarial Projections and Plan Uniformity
Richard M. Bagley	Benefits and Plan Structure
Vincent F. Callahan, Jr.	Actuarial Projections and Plan Uniformity
Archibald A. Campbell	Actuarial Projections and Plan Uniformity
<u>From the Senate</u>	
William B. Hopkins, Vice-Chairman	Insurance and Creditable Compensation
Adelard L. Brault	Actuarial Projections and Plan Uniformity, Chairman
William A. Truban	Benefits and Plan Structure
<u>At-Large, Appointed</u> <u>by the Governor</u>	
Matthew T. Blackwood	Benefits and Plan Structure,

Chairman

J. Smith Ferebee

Insurance and Creditable
Compensation, Chairman

Ex-officio members

Richard L. DeCair,
Executive Secretary*,
Virginia Municipal League

Benefits and Plan Structure

Mary Hatwood Futrell,
President*, Virginia
Education Association

Benefits and Plan Structure

George Long, Executive
Secretary, Virginia
Association of Counties

Insurance and Creditable
Compensation

J. David Shobe, Jr.,
President*, Virginia
Governmental Employees
Association

Actuarial Projections and Plan
Uniformity

Erwin H. Will, Jr.,
Chairman*, Board of
Trustees, Virginia
Supplemental Retirement
System

Benefits and Plan Structure

*When appointed. Commission membership continued after being succeeded in agency position.

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Staff

From the Division of Legislative Services

**E. M. Miller, Jr., Senior Attorney
John A. Garka, Economist
Jeanne S. Livsie, Secretary**

From the House Committee on Appropriations Staff

Andrew B. Fogarty, Director

From the Senate Finance Committee Staff

Paul W. Timmreck, Director

B. General Assembly Charge to the Virginia Retirement Study Commission (VRSC)

The Virginia Retirement Study Commission was created by House Joint Resolution No. 145 of the 1978 General Assembly, and continued by House Joint Resolution No. 257 of the 1979 General Assembly. As prescribed by the initial resolution, the Commission is composed of fifteen members: five from the House of Delegates; three from the Senate; two at-large, appointed by the Governor; the President of the Virginia Education Association; the President of the Virginia Governmental Employees Association; the Executive Secretary of the Virginia Municipal League; the Executive Secretary of the Virginia Association of Counties; and the Chairman of the Board of Trustees of the Virginia Supplemental Retirement System. The second resolution stipulated that there be no change in membership, except to replace a member who could not or would not continue to serve; there have been no replacements.

HOUSE JOINT RESOLUTION NO. 257

Continuing the Virginia Retirement Study Commission; allocation of funds therefor.

WHEREAS, the Virginia Retirement Study Commission was created by House Joint Resolution No. 145 of the nineteen hundred seventy-eight Session to study the retirement systems and to make a thorough examination of the combined benefits payable under Social Security and the respective retirement systems, and the alternative methods of achieving a combined benefit structure consistent with the benefit objectives as set forth in House Joint Resolution No. 145 and report their findings and recommendations to the General Assembly by December one, nineteen hundred seventy-eight; and

WHEREAS, the Virginia Retirement Study Commission has spent a year examining the complexity of the issues, gathering detailed statistical data and considering possible alternatives and modifications to the retirement systems; and

WHEREAS, the background and analysis portion of the study took longer than originally anticipated and the Commission realized that even if its final recommendations had been formulated prior to its December one, nineteen hundred seventy-eight reporting date there would not have been sufficient time to receive comments and hold the necessary public hearings prior to preparing legislation for consideration at the nineteen hundred seventy-nine Session; and

WHEREAS, the present Commission has gathered a great deal of expertise in the field and recognizes that a number of additional proposals should be evaluated in more detail, costed, and presented for public comment and consideration; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia Retirement Study Commission is hereby continued with the present members to study the combined benefits structure of the Virginia Supplemental Retirement System, the State Police Officers Retirement System, and the Judicial Retirement System, and the alternative methods of achieving a combined benefits structure consistent with the benefit objectives outlined in House Joint Resolution No. 145 of the nineteen hundred seventy-eight Session and report their findings and recommendations to the General Assembly. In the event any present member cannot or refuses to serve, his replacement shall be made in the manner of the original appointment.

All members of the Commission shall receive such compensation as set forth in § 14.1-18 of the Code of Virginia and shall be paid their necessary expenses incurred in the performance of their duties, for which there is hereby allocated from the general appropriation to the General Assembly a sum sufficient estimated at twenty-five thousand dollars.

The staff of the House Committee on Appropriations and the Division of Legislative Services shall provide such assistance as is necessary. In addition, all agencies of the State and the governing bodies and agencies of all political subdivisions of the State shall cooperate with and assist the Commission in its study.

The Commission shall report its findings and recommendations to the Governor and the General Assembly no later than December one, nineteen hundred seventy-nine.

HJR 145 (1978) required the Commission to "make a thorough examination of the combined benefits payable under Social Security and the respective retirement systems [Virginia Supplemental Retirement System (VSRS), Judicial Retirement System (JRS), and the State Police Officers Retirement System (SPORS)] and the alternative methods of achieving a combined benefit structure consistent with the benefit objectives recommended as set forth herein." These objectives called for structuring VSRS, JRS, and SPORS to provide for:

- (i) career service of thirty years with provisions for normal retirement at age sixty-five, except for members of SPORS, at age sixty;
- (ii) early retirement with regular benefits at age sixty after thirty years of service, except for members of SPORS, at age fifty-five;
- (iii) contributions to these systems on behalf of both the employer and the employee;
- (iv) benefits under the system to vest after five years of covered employment; and
- (v) benefits under such systems when combined with the Social Security benefit should provide a career employee at normal retirement with a retirement benefit of economic income generally equivalent to and not significantly in excess of such retired employee's economic income while employed immediately prior to retirement.

The first report of the Commission, published as House Document No. 21 (1979), included a recommendation that its work be continued. In response, the 1979 General Assembly passed House Joint Resolution No. 257.

There have been numerous legislative studies of retirement programs for public employees in Virginia; Appendix B of this report lists a number of such studies. The Commission invites special attention to the work of the Joint Subcommittee of the House Appropriations Committee and the Senate Finance Committee which met to carry out the provisions of House Joint Resolution No. 204 (1977).

The resolution expressed concern that the combined State and federal retirement benefits for certain VSRS retirees exceeded their pre-retirement income, and directed a study of VSRS benefits to determine whether amendments to VSRS are needed. Included in the joint subcommittee's report (House Document No. 25, 1978), were the benefit objectives incorporated in HJR 145 and HJR 257.

The joint subcommittee designated to make this study was essentially a continuation of the same group which recommended legislation passed by the 1977 General Assembly to initiate an early retirement program for members with actuarially determined benefits; to expand and liberalize options for purchase of prior service credit; to provide for annual rather than biennial cost of living adjustments; to increase employee proportion of representation on the VSRS Board; and to provide other improvements in the State retirement systems.

II. FINDINGS AND RECOMMENDATIONS

Recommended

A. Single vs. Separate State-funded Systems

Retain separate retirement systems for members of the judiciary and for State Police officers, in addition to the general system for other State employees, local school teachers and employees of participating local political jurisdictions.

The two separate systems were established following studies by the Virginia Advisory Legislative Council. (See House Document No. 16, 1948, *Retirement of State Police* , and House Document No. 22, 1970, *A Judicial Retirement System for Virginia* .)

The Commission considered that the unique characteristics inherent in judicial office and in sworn law-enforcement duty, constitute sufficient grounds for individual retirement systems designed to recognize these characteristics. Without the important benefit of a retirement system tailored to the requirements of their occupations, the Commonwealth may not be able to attract the caliber of judges and State Police officers in the future equal to the able cadre of men and women now serving Virginia.

Fiscal Impact : Not determined.

B. Oversight Responsibility and Administration

Recommended (Appendix C)

1. Medical Board Alternates

Amend § 51-111.26, Code of Virginia, to provide for appointment of three alternates by the Medical Board, subject to confirmation by the Board of Trustees; the alternates are to serve as substitutes on occasions when one or more regular Medical Board members cannot serve. (Proposed by the VSRS Board of Trustees.)

The Code section presently specifies a membership of three on the Medical Board. The function of the Medical Board is to pass upon all medical examinations, and to investigate all essential health and medical statements and certifications, related to administration of VSRS. The Commission has been informed by the Board of Trustees that a weekly meeting schedule has frequently precluded attendance by all three members of the Medical Board.

Fiscal Impact : None.

Recommended (Appendix C)

2. Indian Tribes

Amend § 51-111.2, Code of Virginia, to define the term “political subdivision” as including the Pamunkey and Mattaponi Indian tribes for purposes of Title 51, Chapter 3.1, “Federal Social Security for State and Local Employees,” thereby permitting employees of the tribes to participate in the Social Security program. (Proposed by the VSRS Board of Trustees.)

The Internal Revenue Service did not accept Social Security taxes recently submitted by the Pamunkey Indian tribe in behalf of its first paid employee, stating that the tribe is not a private employer but is a public entity. An informal opinion from the Office of the Attorney General to the VSRS, however, has held that the VSRS is without authority to administer such coverage under present State law (§ 51-111.3, Code of Virginia) concerning the Federal-State Agreement for extending the benefits of the Federal Old Age and Survivors Insurance System to State and certain other employees.

Fiscal Impact : None. Participating tribes will be responsible for employer contributions.

Recommended (Appendix C)

3. Penalty for Delinquent Reporting

Add a new section, § 51-111.47:1, to enable the Board to apply a penalty (eight percent per annum) for delinquent payment of employer contributions to the VSRS, paralleling the penalty provisions for delinquent Social Security reporting [§ 51-111.5(d)]. (Proposed by the VSRS Board of Trustees.)

The Board has stated that a number of problems identified by the Auditor of Public Accounts and the Joint Legislative Audit and Review Commission were related directly to the lack of timely reporting and remitting of contributions by some participating local political subdivisions.

Fiscal Impact : None.

Recommended (Appendix C)

4. Transfers of Employer Contributions

Amend § 51-111.50(c), Code of Virginia, to authorize monthly transfers of State employer

contributions to VSRS, SPORS and JRS; amend § 51-111.50(c) and delete § 51-111.50(d) to remove a conflict with § 51-111.47(i) with reference to Board certification to employer contributions. (Proposed by the VSRS Board of Trustees.)

Section 51-111.50(c) requires the Board and the Comptroller to effect transfers of State employer contributions at the beginning of each fiscal year. Prior to the 1978-80 biennium, those annual transfers were accomplished through two appropriations (one for State employees and one for public school teachers) of all employer contributions payable from the General Fund, and through VSRS notification to State agencies whose employer contributions were payable from appropriations of non-general funds. Among the adverse consequences of this practice, relative to the General Fund costs, were: a) the program appropriations and expenditures did not reflect the substantial employee benefit costs; b) in such programs, the present and future costs for actions (e.g., new positions, salary changes) were not a visible concern of the program managers; c) the employer contributions could exceed or fall short of the requirements based on actual payrolls. To correct these and other adverse consequences, the 1978 Appropriation Act effected a change whereby basic employee benefit costs are included in the appropriations for each State agency's programs, and the employer contributions of each State agency are based upon actual program payrolls.

Section 51-111.47(i) now requires the Board to certify employer contribution obligations as rates , that is, as percentages of covered compensation. However, subsections (c) and (d) of § 51-111.50 now require the Board to certify employer contributions as amounts , estimated prior to the beginning of each fiscal year.

Fiscal impact : Minimal.

Recommended (Appendix C)

5. Board of Trustees Per Diem Limit

Amend Section 51-111.18, Code of Virginia, to eliminate the \$1,200 annual limit on per diem payments to a member of the VSRS Board of Trustees.

Present law provides that each member of the Board of Trustees who is not a full-time government official or employee be paid \$50 as compensation for each day spent in the discharge of his duties; however, the aggregate compensation paid to a member may not exceed \$1,200 in any one year. The Board of Trustees has a regular schedule of two meeting days per month for its activities in administering the Virginia Supplemental Retirement System. Experience has demonstrated that the Board's responsibilities and the System's administration require additional meetings of the Board and of its committees. Proposed legislation will enable Board members to receive \$50 per day compensation payments for each day devoted to VSRS duties.

Fiscal Impact : Minimal.

Recommended (Appendix C)

6. Board of Trustees Membership Composition

Amend § 51-111.18, Code of Virginia, to add the State Comptroller to the Board of Trustees of the Virginia Supplemental Retirement System as a non-voting member.

Present law provides for a Board of Trustees comprised of seven members appointed by the Governor and confirmed by the General Assembly. The law also provides that "of such members one shall be an official within the executive branch of the State government, one a teacher, one a State employee, one an employee of a political subdivision participating in the retirement system, and the [three] others neither teachers nor government employees."

The Commission believes that the added oversight the Comptroller would provide would be helpful not only to the Commonwealth but also to the Board of Trustees. (A similar conclusion

was reached by the Joint Legislative Audit and Review Commission in its 1978 management review of VSRS.)

The Commission considered various proposals for increasing the size and modifying the composition of the Board but concluded that the present structure, with the single change noted above, is the most appropriate. Notice was taken of a Municipal Finance Officers Association report on Public Employee Retirement Administration which recommended a 5-7 voting member range as optimal, as well as a 1976 study undertaken for the Board of Trustees by the Martin E. Segal Co. which arrived at a similar conclusion.

Fiscal Impact : None.

Related Bills : HB 1251 (1979), HB 199 (1979), SB 786 (1979), SB 935 (1979).

C. Creditable Service and Compensation

Not Recommended

1. Weighting of creditable service for members of the JRS.

Under VSRS and SPORS, creditable service is equal to the number of years an active member has been employed. Under JRS, however, creditable service is derived by multiplying the number of years of active service by 3.5. For example, the retirement benefits for a judge who served six years before retiring would be computed on the basis of 21 (6 x 3.5) years of creditable service.

The weighted factor in JRS originally was established to recognize the relatively short period of active service by judges appointed to the bench only after an extended period in non-covered legal practice; at the same time, it was considered that, in accepting appointments to the bench, experienced attorneys surrender a beneficial level of actual or potential income.

It was suggested to the Commission that justification for the creditable service factor might no longer be needed if there were a decline in the average age of judges when appointed to the bench. However, Mr. Robert N. Baldwin, Executive Secretary to the Virginia Supreme Court, presented data on the average ages of general and district judges with various years of service. The data (see Appendix D) indicated that the average age at appointment for recently appointed judges is increasing rather than decreasing.

Following consideration of the data, the suggestion was withdrawn.

Fiscal Impact : Not determined.

Recommended (Appendix C)

2. General Assembly

Amend § 51-111.10(15), Code of Virginia, to define “creditable compensation” for members of the General Assembly as including only annual basic salary (§ 14.1-17.1) plus compensation received for attending legislative committee meetings outside sessions (§ 14.1-18).

“Creditable compensation” is the basis for deriving a retiree’s final average compensation (FAS); the FAS is a factor in computing retirement benefits. Under current law, the creditable compensation of members of the General Assembly is computed on the basis of the following:

1. Basic salary (§ 14.1-17.1)
2. Compensation of \$50/day for attending meetings of legislative committees outside of the Session. (§ 14.1-18.) Actual expenses related to the attendance at such meetings are paid separately and are not included in the computation of creditable compensation.
3. Office expense allowance of \$200.00/month. (§ 14.1-18.2.) This allowance is not paid for the months during the Session.
4. Per diem (\$44) for each day during the Session as reimbursement for expenses. (§ 14.1-18.1.) This amount is in lieu of payment for actual expenses.

Only payments which could conclusively and without doubt be termed “salary” should be used in determining creditable compensation. Inclusion of the annual amount paid to each legislator pursuant to § 14.1-17.1 requires no explanation. Inclusion of \$50/day payments for attending legislative meetings outside of the Session is justified as compensation which is fully taxable at both the State and federal levels for income tax purposes. Although all legislators must account for the office expense allowance as income and a number must include as income the per diem paid during the Session, the Commission is of the opinion that such sums should not be included in creditable compensation for computing retirement benefits.

Fiscal Impact : Not determined, but not deemed a significant reduction in employer cost.

Related Bills : HB 390 (1979), HB 741 (1978), SB 630 (1979).

Recommended (Appendix C)

3. Payment of Member Contributions by Employers.

Amend §§ 51-111.10 and 51-111.46, Code of Virginia, to define creditable compensation as including member contributions paid by an employer exercising an option to pay those contributions. (Proposed by the VSRS Board of Trustees.)

Under present law, employer-paid members' contributions are not placed in the members' contribution accounts. As a result, the amounts do not constitute member contributions for numerous purposes, and may not be withdrawn by an employee upon leaving service or at death.

The proposed legislation contemplates that employers would be permitted, not required, to pay member contributions on behalf of all their employees and place such contribution in the employee's account. The amounts paid by the employer would be treated as any other member contributions for State law purposes. Employees would be entitled to receive those contributions upon death or cessation of employment. The amounts picked up would still be treated as part of "creditable compensation" for purposes of determining an employee's retirement benefit. Such amounts would be excluded from the employee's federal gross income until the amounts are received.

The Commission recommends this modification but only on a basis that is optional to each employer and not automatic for every employer that elects to pay the employee contribution.

Fiscal Impact : For an employer adopting the option, there would be an increase cost unless the adoption were in lieu of providing a salary increase. In the latter instance, there would be a saving in FICA payroll taxes—and, for employees below the maximum Social Security salary base, a potential reduction in Social Security benefits.

Related Bills and Resolutions : HB 1140 (1978), HB 1560 (1979), HB 1740 (1979), HB 1778 (1979), SB 764 (1979), HJR 179 (1978).

D. Membership

No Action

1. General Assembly

Amend § 51-111.10(8), Code of Virginia, relative to members of the General Assembly, so as to exclude them from membership in VSRS or to provide for membership at their option.

Virginia legislators are now required to join the Virginia Supplemental Retirement System when they become members of the Virginia General Assembly. The retirement benefits are calculated on a similar basis to all other employees, that is, final average salary and length of service. The members pay the same contribution rate as all other members of VSRS. Final average salary means average annual creditable compensation during the thirty-six highest consecutive months.

The Commission first examined these topics historically to place the retirement system for members of the General Assembly in proper perspective.

Article IV, § 5, of the Virginia Constitution reads in part as follows:

The members of the General Assembly shall receive such salary and allowances as may be prescribed by law, but no increase in salary shall take effect for a given member until after the end of the term for which he was elected.

Table I shows that salaries for members of the General Assembly have remained low over the years. In addition, since increases in legislative salaries can be effective only for future sessions of the General Assembly, there has been a lag in the receipt of salary increases.

TABLE I

<u>Year</u>	<u>Salary</u>
1936*	\$ 720.00 for regular sessions 360.00 for extra sessions
1952	\$ 1,080.00 for regular sessions 540.00 for 30 days (pro-rated) for extra sessions
1972	\$ 5,475.00 annually
1980	\$ 8,000.00 annually

* Research began with Code of Virginia of 1936

Source: Division of Legislative Services

The other principal factor used in determining the final VSRS retirement benefit is the length of service. Obviously, the length of service of General Assembly members is difficult to predict and is a function of many variables. For all members of the 1978 Session, the average length of service for members of the House of Delegates was 7.9 years (assuming each completes the 1978 and 1979 terms). Four members will have served for over 20 years while 32 members will have served for four years or less. In the Virginia Senate, the average length of service was 9.1 years. Two members will have served for more than 20 years while ten will have served for four years or less.

Another way to examine the length of service of General Assembly members is to examine the average years of service for members that have left the General Assembly. Table II presents the average length of legislative service for members of each House who completed their last Session in the indicated years.

TABLE II

HOUSE OF DELEGATES

<u>Session</u>	<u>Average Service</u>
1976-77	9.8 years
1974-75	5.6 years
1972-73	8.8 years
1970-71	6.6 years

SENATE

<u>Session</u>	<u>Average Service</u>
1972-75	11.2 years
1968-71	14.9 years

* Prepared by the Division of Legislative Services

Source: Manual of the Senate and the House of Delegates, Virginia

Note: This table does not necessarily include all service credited to the retirement system.

Although averages hide the long periods that some members have served, the averages indicate that more members serve for relatively short periods of time rather than long periods.

Another way to place retirement benefits in perspective is to examine the benefits currently paid to former members of the General Assembly. At the present time, there are six former members of the Virginia General Assembly (three Senators and three Delegates) receiving VSRS benefits. Their total monthly benefits under VSRS are as follows:

1. \$ 28.68
2. \$ 57.34
3. \$190.26
4. \$ 86.01
5. \$186.36
6. \$ 95.81

Source: Virginia Supplemental Retirement System

It should be noted that in the case of No. 6, the total benefits are greater than indicated, based on previous employment with another employer affiliated with VSRS. After considering the advantages and disadvantages of excluding members of the General Assembly from VSRS, or providing for an optional election, the Commission took no position on this issue.

Not Recommended

2. Hazardous Employment

Expand the provisions of SPORS membership to additional categories of State and local employees occupying hazardous, or "risk", positions.

Proposals were received to extend SPORS coverage to two broad categories:

a. The top executive officer in counties, cities and towns.

b. State employees with law-enforcement duties in institutions of higher education, the State Corporation Commission and the Alcoholic Beverage Control Commission.

The representatives of the local employees pointed to their high employment "risk", as evidenced by relatively short tenure, and to their responsibilities as "chief law-enforcement officer" of the locality. It is the Commission's conclusion that SPORS benefits do not and should not encompass responsibilities which relate to the administrative enforcement of laws, generally, rather than direct enforcement of penal, traffic and highway laws. The purpose of a police officers benefit program is not to provide protection against occupational hazards related to tenure of appointment. Recognition of certain local employees' qualifications for membership in SPORS is reflected in the provisions of § 51-111.37, Code of Virginia, enabling localities to extend the SPORS benefits to any employee who falls within the following categories:

i. law-enforcement positions comparably hazardous to that of a State Police officer, including any sworn law-enforcement officer who has the duty to enforce the penal, traffic and highway laws of Virginia;

ii. full-time salaried fire-fighters.

The Commission recognized a closer parallel between State Police officers and other law-enforcement personnel in various State agencies. It concluded, however, that it was unable to arrive at a definition which would bring one more group of State employees into SPORS without excluding other groups with equally reasonable claims—at least reasonable in the view of their proponents. Based on testimony provided to the Commission's committee considering the matter, an additional 3,600 State employees in "risk" positions could have a possible claim to membership in SPORS if it were expanded beyond the current approximately 1,200 officers.

Fiscal Impact : For extension of membership to State employee groups, in excess of \$56 million in present value of future State contributions.

Related Bills : HB 1227 (1979) and HB 1390 (1979).

Legislative Action Not Required

3. College and University Faculty Systems (TIAA-CREF)

Section 51-111.28(a), Code of Virginia, as enacted in 1952, provides that: (1) any institution of higher education may establish a retirement plan covering all, or some, of its teaching, administrative or research employees; (2) such employees may elect to enter, remain in or leave such a plan; (3) such institution may make contributions for the benefit of employees participating in the plan.

The Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) provide retirement plans for employees in institutions of higher education. Among the Virginia State-supported institutions, only the University of Virginia employees regularly participate in these plans, in lieu of VSRS membership; employer contributions are paid from endowment funds of the University.*

An opinion dated October 10, 1979, rendered to the Secretary of Administration and Finance by the Attorney General, affirmed that an option now exists for this group of employees and that further legislation is not needed to permit action by individual institutions. Also, a report prepared for the Secretary of Administration and Finance generally recommends that funding be provided to support the options available. The opinion and the report are included in Appendix E.

The Commission does recommend that any contribution levels be determined after careful review by the actuary to determine if there is an additional cost and that any such contribution not exceed the contribution a) required, or which would be required, if such employer participated in VSRS, or b) a level that would result in increased contributions for the remaining VSRS participants.

Fiscal Impact : Minimal.

Related Resolution : SJR 180 (1979).

- * A small number of George Mason University employees continue to participate in an arrangement initiated when the institution was part of the University of Virginia and terminated as an on-going program when the affiliation was ended.

E. Funding

Recommended (Appendix C)

1. Investments

Amend, repeal and add to the Code of Virginia, with the objective of enhancing the ability of the Board to obtain maximum (prudent) investment return on the retirement funds for which it is trustee. (Proposed by the VSRS Board of Trustees.)

A number of widely-scattered sections of the Code of Virginia govern the investment of VSRS funds. Most of these sections, applicable to VSRS by reference, were not designed specifically for retirement fund investments. The proposed legislation codifies and clarifies, within Title 51, all statutory provisions; and, in the principal change, increases from 40% to 50% the maximum of total trust fund investments which may be held in common or preferred stocks. A section-by-section description of the recommended bill is included in Appendix C, following the bill draft.

Fiscal Impact : Not determined. It is anticipated that the codification, clarification and revisions (both the more liberal and the more conservative) will be beneficial for trust management.

Recommended (Appendix C)

2. Employer Contributions

Move deliberately and gradually to fund cost-of-living supplement, death benefit and disability benefit provisions of VSRS, SPORS and JRS on a (level-funding) basis consistent with the actuarial methods and assumptions used for funding primary benefits.

This is a reaffirmation of one of the Commission's 1979 recommendations. The purpose is two-fold: first, to provide an employer contribution rate (applied to payrolls) which would extend into the future so long as the actuarial assumptions remain constant; and, second, to reflect in current employer expenditures the full cost of employee benefits—that is, to cause each generation to pay the present costs of its future benefits. At the present time, only the current costs for the cost-of-living, death and disability payments—and not the accruing future obligations—are funded in the biennial appropriations.

According to estimates provided by the VSRS actuary, Meidinger and Associates, the employer contribution rate (applied to payroll amounts) required for the 1980-82 biennium is, under present policy and benefit provisions, 4.67% for State employees and 7.33% for teachers. Were full level-funding to be achieved in the same biennium with present benefit provisions, the respective rates would be 9.00% and 12.16%. These rates reflect a 4% inflation factor. Because of the magnitude of increased employer cost if a change were to be effected precipitously, the Commission recommends that the change be effected over three bienniums.

Fiscal Impact : See above.

F. Benefit Plan

Recommended

1. Economic Income.

Define the term "economic income" as net salary immediately prior to retirement and net retirement income (State and Social Security) immediately upon retirement, after deducting from the gross amount of each the income taxes (State and federal) and social security tax computed for a single employee.

This term has significance in effecting the following benefit objective, as posited by the 1978 General Assembly in 1978 (House Joint Resolution No. 145) for VSRS, SPORS and JRS: "benefits under such systems, when combined with the Social Security benefit should provide a career employee at normal retirement with a retirement benefit of economic income generally equivalent to and not significantly in excess of such retired employee's economic income while employed immediately prior to retirement."

More simply, although less precisely, this means that a person should not receive more income upon retiring than for working immediately before retirement. The Commission considered including other "costs of working" in the deductions from gross income, but was unable to agree on a proper evaluation of such costs for retirement system design purposes. Examples of such costs include employee contributions to the retirement system, expenses of commuting to work, and other personal costs associated with working.

In computing the federal income tax, the Commission used a Johnson and Higgins profile of estimated federal income tax liability, based on an IRS sample of income tax returns. For the Virginia individual income tax, itemized deductions were assumed for salaries of \$20,000 and over and the standard deduction was assumed for all other salaries. The estimates of the amount of itemized deductions were determined by using statistics published by the Department of Taxation for income tax returns filed in the tax year 1976 for various income categories.

The resulting net economic income estimates are presented in the table at the end of the section. For example, a gross salary of \$5,000 is estimated to be an "economic income" of \$4,357, which is 87.1% of the gross salary [91.7% of final average salary (FAS)]; a gross salary of \$15,000 is estimated to be an "economic income" of \$11,181, which is 74.5% of the gross salary (78.5% of FAS).

In Table III, assumptions for a single individual were used to calculate standard net economic income estimates. The Commission concluded that assumptions for a married couple for the calculation would be less accurate because of the possibility of a working spouse and therefore a change in tax liability, and also because of the complexities that result when estimating the couple's actual social security benefits. Generally, a married employee's benefit at age 65 with a spouse of the same age, including dependent Social Security, will be a higher percentage of after-tax pay than is the case for the single employee.

The Commission wishes to stress the similarity of these economic income estimates to the estimates provided by Milliman and Robertson, Consultants, and included in House Document No. 21 (1979 Session).

Milliman & Robertson concluded and the Commission found that the present combined Social Security and VSRS benefits provide a career employee (65 years of age and 30 years of service) with a retirement benefit that is substantially in excess of the stated benefit objectives. Milliman & Robertson's analysis of retirees showed that this excessiveness would become more pronounced in the future due to rapidly escalating Social Security benefits.

The definition of economic income, as well as its relationship to final average salary and gross salary, were further confirmed by two independent studies: one by Dr. Philip B. Sheldon of Virginia Polytechnic Institute and State University, and the other by the Virginia Education Association. The Commission believes that these estimates clearly show the general level of economic income before retirement. Relative to gross salaries in the \$5,000 to \$40,000 range, the

economic income, as defined by the Commission, varies in percentage from the high 80's to the low 60's. In relation to final average salaries in the \$4,750 to \$38,000 range, the percentages vary from the low 90's to the mid-60's.

TABLE III

- COMPUTATION OF ESTIMATED AVERAGE ECONOMIC INCOME IMMEDIATELY BEFORE RETIREMENT AS % OF GROSS SALARY AND OF FAS, FOR VARIOUS SALARY LEVELS, SINGLE INDIVIDUALS - USING DEDUCTIONS AGREED TO BY COMMITTEE AT JUNE 26, 1979 MEETING

Gross Salary in Final Year	\$ 5,000	\$ 10,000	\$ 15,000	\$ 20,000	\$ 25,000	\$ 30,000	\$ 35,000	\$ 40,000
Estimated Final Average Salary	4,750	9,500	14,250	19,000	23,750	28,500	33,250	38,000
Federal Income Tax	274	1,330	2,406	3,940	5,752	7,784	10,041	12,617
Social Security	306	613	920	1,226	1,404	1,404	1,404	1,404
Virginia Income Tax	63	265	493	723	967	1,212	1,456	1,700
Net Salary in Final Year	\$ 4,357	\$ 8,292	\$ 11,181	\$ 14,111	\$ 16,877	\$ 19,600	\$ 22,099	\$ 24,279
% of Gross	(87.1%)	(82.9%)	(74.5%)	(70.6%)	(67.5%)	(65.3%)	(63.1%)	(60.7%)
% of FAS	(91.7%)	(87.3%)	(78.5%)	(74.3%)	(71.1%)	(68.6%)	(66.5%)	(63.9%)

FAS = Averages 95% Times Final Average Salary

Recommended (Appendix C)

2. Benefit Revisions

a. Benefit Ceiling

Maintain the present VSRS benefit formula, but place on each future retiree's VSRS benefit at the time of retirement a ceiling, or maximum, so that the VSRS benefit, when added to the primary Social Security benefit, will not exceed 62.5% of final average salary (FAS) plus 50% of the primary Social Security benefit. This maximum parallels the Commission's goal of providing combined benefits under VSRS and Social Security which will "provide a career employee at normal retirement with a retirement benefit of economic income generally equivalent to and not significantly in excess of such retired employee's economic income while employed immediately prior to retirement."

A retiring employee whose contributions have exceeded the amount required to reach the ceiling benefit will receive at the time of retirement a lump sum equal to the excess employee contributions, with interest. The interest will be the actual interest earned by the VSRS Trust Fund for those years, as determined by the VSRS Board of Trustees, minus a reasonable charge for administrative expenses, also to be determined by the Board.

Table IV compares for various final year's salary levels and years of service, VSRS benefits under the present benefit plan and VSRS benefits under the present benefit plan with a ceiling; and, also provides estimated Social Security benefits. Table V provides the same information as a percentage of final average salary.

b. Early Retirement - "Rule of 90".

Liberalize early retirement, extending full benefits for an employee with a minimum age of 55 and a minimum length of service of 30 years, provided that age and service equal 90.

c. For any calculation prior to age 65, the Social Security benefit will be computed on an estimated basis, as if the employee remained in active employment until age 65 at his most recent salary.

d. Protected Benefit.

Assure for present members that VSRS benefits not be reduced below either of the following:

1. the percentage benefit accrued at the date of the system change. Example: a 50-year old employee with 30 years service and a salary of \$15,000 at the change date would be entitled to $30 \times .0165 \times$ final average salary (less \$1,200) at the date of retirement.

or

2. the full present plan benefit projected to age 65 at the salary in effect for the last plan year before the date of the system change. Example: a 50-year old employee with 30 years service and a salary of \$15,000 at the change date would be entitled to $45 \times .0165 \times (\$15,000 - \$1,200)$ at the date of retirement.

e. Effective Date.

The Commission recommends that its recommendations for the VSRS benefit plan revisions become effective on July 1, 1981.

Fiscal Impact : Employer contribution rates for the 1980-82 biennium, applicable to payroll amounts, under the present statutes and policies, are 4.67% for State employees and 7.33% for teachers. These rates would approximate, under the Commission recommendations for benefit revisions (but with immediate full level funding for cost-of-living supplements, death benefits and disability benefits), 6.68% and 8.58%, respectively. If the full funding cost component were effected over three bienniums, as the Commission recommends, the latter percentages for the 1980-82 biennium would approximate 4.92% and 7.03%, respectively. In later bienniums, the

additional level funding costs and the planned increase from 3% to 4% for inflation costing would raise these percentages.

Related Bills : HB 690 (1978), HB 1683 (1979), SB 677 (1979).

TABLE IV

COMPARISON OF PRESENT VSRS AND RECOMMENDED
PLAN BENEFITS WITH SOCIAL SECURITY BENEFIT
VARIOUS INCOMES AND YEARS OF SERVICE

FINAL YEAR'S SALARY	(FAS)	SOCIAL SECURITY BENEFIT	PRESENT VSRS PLAN					
			20 Years		30 Years		40 Years	
			(a)	(b)	(a)	(b)	(a)	(b)
\$ 8,000	(7,600)	\$ 3,700	\$2,280	(5,980)	\$ 3,420	(7,120)	\$ 4,560	(8,260)
15,000	(14,250)	5,741	4,306	(10,047)	6,460	(12,201)	8,613	(14,354)
20,000	(19,000)	6,373	5,874	(12,247)	8,811	(15,184)	11,748	(18,121)
30,000	(28,500)	6,431	9,009	(15,440)	13,513	(19,944)	18,018	(24,449)
VSRS PLAN WITH RECOMMENDED CEILING								
			(a)	(b)	(a)	(b)	(a)	(b)
\$ 8,000	(7,600)	\$ 3,700	\$2,280	(5,980)	\$ 2,900	(6,600)	\$ 2,900	(6,600)
15,000	(14,250)	5,741	4,306	(10,047)	6,036	(11,777)	6,036	(11,777)
20,000	(19,000)	6,373	5,874	(12,247)	8,688	(15,061)	8,688	(15,061)
30,000	(28,500)	6,431	9,009	(15,440)	13,513	(19,944)	14,597	(21,028)

(a) VSRS benefit.

(b) Combined VSRS and Social Security benefits.

TABLE V

COMPARISON OF PRESENT VSRS AND RECOMMENDED
PLAN BENEFITS WITH SOCIAL SECURITY BENEFIT
AS A PERCENTAGE OF FINAL AVERAGE SALARY,
VARIOUS SALARIES AND YEARS OF SERVICE

Final Year's Salary	(FAS)	Social Security Benefit	PRESENT VSRS PLAN					
			20 Years		30 Years		40 Years	
			(a)	(b)	(a)	(b)	(a)	(b)
25			30.0%	(78.7)	45.0%	(93.7)	60.0%	(108.7)
			30.2%	(70.5)	45.3%	(85.6)	60.4%	(100.7)
\$ 8,000	(7,600)	48.7%	30.9%	(64.5)	46.4%	(79.9)	61.8%	(95.4)
15,000	(14,250)	40.3	31.6%	(54.2)	47.4%	(70.0)	63.2%	(85.8)
20,000	(19,000)	33.5						
30,000	(28,500)	22.6						
			VSRS PLAN WITH RECOMMENDED CEILING					
			(a)	(b)	(a)	(b)	(a)	(b)
			30.0%	(78.7)	38.1%	(86.8)	38.1%	(86.8)
			30.2%	(70.5)	42.3%	(82.6)	42.3%	(82.6)
\$ 8,000	(7,600)	48.7%	30.9%	(64.5)	45.7%	(79.3)	45.7%	(79.3)
15,000	(14,250)	40.3	31.6%	(54.2)	47.4%	(70.0)	51.2%	(73.8)
20,000	(19,000)	33.5						
30,000	(28,500)	22.6						

(a) VSRS benefit.

(b) Combined VSRS and Social Security benefits.

Recommended (Appendix C)

3. Cost-of-Living Supplements

Amend Section 51-174.1, Code of Virginia, to provide the same cost-of-living (post-retirement) supplements for Assistant Attorneys General and Clerks of the House of Delegates or Senate retired under a predecessor system as for retirees under VSRS, SPORS, and JRS; and to ratify such supplements previously made. (Proposed by the VSRS Board of Trustees.)

When the present Judicial Retirement System was created, effective July 2, 1970, by Chapter 779 (1970), a group of systems covering judge and the employees in question were abolished. These employees, numbering about five, were not given membership in the new JRS or in VSRS; their retirement rights were preserved only by a proviso in the 1970 Act. The statutes providing a cost-of-living (post-retirement) supplement to all other retirees appear to have overlooked this small group. All but one of the group retired and half of them have died. The Board has stated it has recently discovered that, nevertheless, the supplement has been or is being paid to such retirees for the reason that they were not previously recognized as having been omitted from the statutes providing for the benefit.

Fiscal Impact : Minimal, considering the very small number of persons affected.

Recommended (Appendix C)

4. Compulsory Retirement

Amend § 51-111.54, Code of Virginia, to delete the present general authority for compulsory retirement of a State employee or teacher at any age from sixty-five to seventy. Also, to provide for two exceptions to this deletion: a) when age is a bona fide occupational qualification reasonably necessary in the normal operation of the particular employer, e.g., game wardens; and b) until July 1, 1982, employees of institutions of higher education if under unlimited tenure. (Proposed by the VSRS Board of Trustees).

The proposed legislation will bring the Code of Virginia provisions relative to retirement age in conformance with the Federal Age Discrimination in Employment Act.

Fiscal Impact : Minimal. Although longer creditable service would increase the retirement allowance paid to an employee benefiting from the change, the payments would be made over a shorter period of time and investment earnings would accrue during a longer period.

Recommended (Appendix C)

5. Survivor Option

Amend § 51-111.60, Code of Virginia, to permit a retiree who had elected a survivor option at the time of retirement to revoke such election subsequently with the acquiescence of the contingent annuitant. (Proposed by the VSRS Board of Trustees).

It has been demonstrated that the economic circumstances of a retired person or of the contingent annuitant can, at times, change in such a way that the survivor will be adequately provided for by some other means not subject to anticipation at the time of retirement. If the option election cannot be revoked, the retiree is prevented from exercising the wisest estate planning. This amendment would in those instances provide a measure of flexibility. Adverse selection against the retirement fund would be counteracted by the requirement of a favorable health declaration and the consent of the contingent annuitant.

Fiscal Impact : Minimal.

Recommended (Appendix C)

6. Calculation of Social Security Option, VSRS Retirement Prior to Age 65

Amend § 51-111.60 (2) (3), Code of Virginia, to provide that a flat dollar amount will become the basis for the increased and decreased benefits payable rather than the anticipated primary Social Security benefit. (Proposed by the VSRS Board of Trustees.)

Under present law VSRS is required to use “anticipated” Social Security payments in calculating the Social Security option for VSRS members who retire before age 65. The complexities of the Social Security benefit formula cause serious problems in obtaining this figure. By permitting the use of a computed flat dollar amount approximating the actual benefit in processing the option, the amendment will eliminate the necessity of having an elaborate computer program just for determination of the Social Security benefit at age 65.

Fiscal Impact : Minimal for benefit costs.

Recommended (Appendix C)

7. Survivor Option, When VSRS Member Dies Before Retirement

Amend §§ 51-111.16 and 51-111.60, Code of Virginia, to provide that if a member selects a survivor option and dies prior to the effective date of retirement, the application will be honored and the contingent will be paid the annuity from the date of death of the member. (Proposed by the VSRS Board of Trustees.)

Present law voids beneficiary elections if the member dies prior to date of retirement.

Fiscal Impact : None.

Related Bill : SB312 (1978)

Recommended (Appendix C)

8. Coordination with Workmen’s Compensation

Add § 51-111.59:1, Code of Virginia, to clarify provisions relative to reduction of disability retirement benefits by the amount of any payments under the Virginia Workmen’s Compensation Act. (Proposed by the VSRS Board of Trustees.)

Present law requires that disability retirement benefits be reduced by any payments under the Virginia Workmen’s Compensation Act. Quite frequently injured parties accept lump-sum settlements in lieu of Workmen’s Compensation payments. This amendment would provide the authority to reduce the retirement benefits by an amount equal to the amount the member would have received under the Virginia Workmen’s Compensation Act until such time as the regular payments would have equaled the amount of settlement.

Fiscal Impact : None.

G. Life Insurance

Recommended (Appendix C)

1. Coverage for Retirees Who Defer Retirement Allowance

Amend §§ 51-111.16 and 51-111.67:4, Code of Virginia, to provide continuation of group life (only) insurance to those persons who terminate employment after becoming eligible for an immediate annuity but who choose to defer retirement until some later date. (Proposed by the VSRS Board of Trustees.)

Presently such persons are not insured. The Code provides for insurance only for active employees and for those subsequently retired on an annuity. The presumption is that the State, as former employer, has no obligation to the individual during the interim period, that chances are he has another employer during such time upon who such obligation, if any, should fall.

The proposed legislation would acknowledge that such persons should not be denied insurance coverage to which they would otherwise have been entitled, merely because they chose to defer their retirement allowance.

Fiscal Impact : Indeterminable, until experience is developed, but the near term effect likely would be to reduce somewhat the rate at which the surplus in the Advance Premium Deposit account is presently increasing.

Related Bill : HB393 (1978).

Not Recommended

2. Coverage for Employees Who Retire on Deferred Annuity

Amend Code of Virginia to permit members who have thirty or more years of service credit to retain group life insurance coverage at the time they begin receiving a deferred annuity. (Proposed by the VSRS Board of Trustees.)

Present law does not provide group life insurance coverage to any person retired on a deferred annuity. The rationale for the current restriction, which limits the liability of the employer, is that such a person may not have been an employee under the program for many years and, also, well may have similar insurance by a more recent employer.

The proposed legislation would alter this rationale to hold that a person with thirty years of service credit should be entitled to the life insurance coverage whenever he does retire in spite of the fact that he terminated employment prior to attaining early retirement age.

However, the Commission concludes that the proposal would violate "the rule of 90" and would benefit long-term employees terminating early. This result would be in opposition to a retirement system purpose of encouraging employees, especially those who are experienced and career-oriented, to remain in State service.

Fiscal Impact : VSRS stated in support of its proposal that: a) it has no statistics concerning the number or amount of such claims which could be expected; b) the near term effect likely would be to reduce somewhat the rate at which the surplus in the Advance Premium Deposit account is presently increasing; and, c) the ultimate cost of this proposal could be determined only in light of the claims experience over a period of years.

Recommended (Appendix C)

3. Coverage Upon Retirement

Amend §§ 51-111.16 and 51-111.67:4, Code of Virginia, to require five years of creditable service

before extending group life insurance coverage upon retirement. (Proposed by the VSRS Board of Trustees.)

Under present law it is possible, under limited circumstances, for a person to become insured under the group life insurance plan and retire shortly thereafter and thereby obtain life insurance at very small cost to the individual. While the plan might not suffer unduly because of such cases which might arise in the normal course of events, the condition is subject to abuse.

Fiscal Impact : Indeterminable, but related to the amount of abuse which would be prevented.

Recommended (Appendix C)

4. Option to Increase Coverage

Amend §§ 51-111.16, 51-111.67:1 and 51-111.67:4 and add § 51-111.67:12, Code of Virginia, to permit active members to purchase an additional amount of insurance coverage equal to present coverage. (Proposed by the VSRS Board of Trustees.)

VSRS reports frequent requests for expansion of the insurance coverage for life and accidental death, and dismemberment, with the added coverage cost paid by the employee. There is evidence of considerable employee interest, notwithstanding indications that cost to the individual would be higher. The proposed legislation is enabling in nature so the Board of Trustees may proceed with preliminary studies, determine premium structure, fill in essential details, and, when deemed appropriate, enter into the necessary contract.

Fiscal Impact : None in premium cost. Two additional clerical positions, chargeable to premium income, may be required.

H. Miscellaneous

Recommended (Appendix C)

1. Designation of Consumer Price Index

Amend § 51-111.60:1, Code of Virginia, to designate the Consumer Price Index-U (Urban Consumers) as the index for computing cost-of-living supplements to retirement benefits. (Proposed by the VSRS Board of Trustees.)

The present Code provision refers to the United States Average Consumer Price Index (CPI) for all items. However, the U. S. Department of Labor now issues two indices, the second identified as "W (Urban Wage Earners and Clerical Workers)."

Fiscal Impact : None.

Recommended (Appendix C)

2. Restoration of Inadvertent Deletion of Code Provision

Replace a Title 51, Code of Virginia, reference (deleted in 1978) to pensions for certain widows and maiden daughters of Confederate veterans, and continue the current Appropriation Act limit of eligibility to those on the pension roll maintained by the Comptroller on or before July 1, 1977. (Proposed by the VSRS Board of Trustees.)

Because of an incorrect assumption that there were no eligible beneficiaries in the pension category, a repeal of the Code of Virginia (Title 51, Chapter 1) reference to it was included in H. B. 1119 (1978) - enacted as Chapter 841 (1978). However, Item 506, 1978 Appropriation Act, included for the category \$174,125 for each year of 1978-80 Biennium; in the first year of the Biennium, \$96,650 was expended. The recipients numbered two widows and 214 maiden daughters in December, 1979. The Attorney General has ruled (Opinion, April 10, 1978) that the appropriation item is valid; a clarifying amendment to the item was made in the 1979 Appropriation Act.

Fiscal Impact : None. (The Department of Welfare budget includes \$76,800 for 1980-81 and \$69,100 for 1981-82.)

No Action

3. Assignment of Interest Earned on Insurance Contributions

Amend § 2.1-185, Code of Virginia, providing that interest earned by the State employee and employer contributions for group life insurance be credited by the State Treasurer to a special account for the purpose of purchasing group life and accident insurance policies. (Proposed by the VSRS Board of Trustees.)

At the present time, premiums for State employee coverage collected each pay period are paid into the State treasury. Until subsequent payment is made (usually monthly) to the insurance carrier, the interest earned by such funds is credited as revenue to the General Fund of the Commonwealth.

The Commission concludes that this is a question of State fiscal practice, rather than of retirement program, and is a matter more appropriately referred to General Assembly committees concerned with fiscal practices.

Fiscal Impact : None.

Recommended (Appendix C)

4. "Double-Dipping"

Amend § 51-151(c) and 51-168(e), Code of Virginia, to conform SPORS and JRS to VSRS in prohibition of drawing retirement allowances from more than one of these systems (or their predecessors). (Proposed by the VSRS Board of Trustees.)

Prior to 1978, Section 51-111.55(f), Code of Virginia, prohibited the beneficiary of a service retirement allowance in VSRS (or a predecessor system) from receiving that allowance while employed in a position covered by Title 51 (excepting Social Security), *if* the State contributed any of the employer costs for the position. Section 51-111.55(f) was amended by Chapter 841 (1978) to extend the prohibition to instances in which the State does not make such a contribution. However, due to an oversight, the extended prohibition was not applied to similar beneficiaries of the State Police Retirement System or the Judicial Retirement System.

Fiscal Impact : None.

Recommended (Appendix C)

5. Eligibility for Retirement System Membership in Local System

Amend § 51-114, Code of Virginia, to delete an eligibility requirement of ten years' service for local employees in certain locally-established retirement systems. Arlington County is the only locality affected.

The Commission was informed that the deletion is necessary to conform to actual practice, and to eliminate possible ambiguity of interpretation.

Fiscal Impact : None.

Related Bill : HB 1470 (1979).

The Commission recommends that the attached legislation (Appendix C) be enacted by the 1980 Session to implement the recommendations of the Commission.

Respectfully submitted,

Owen B. Pickett, Chairman
William B. Hopkins, Vice-Chairman*
L. Ray Ashworth*
Richard M. Bagley
Matthew T. Blackwood**
Adelard L. Brault*
Vincent F. Callahan, Jr.*
Archibald A. Campbell**
Richard L. DeCair
J. Smith Ferebee
Mary Hatwood Futrell*
George Long
J. David Shobe, Jr.**
William A. Truban
Erwin H. Will, Jr.**

* See attached dissenting statement

** See attached supplemental statement

STATEMENT

Although we agree with the findings and conclusions of the Commission in terms of excessiveness of VSRS benefits in relation to final average salary, the benefit objectives which would provide a career employee with a take-home retirement pay which does not exceed pre-retirement take-home pay, and the desire to liberalize early retirement to provide early retirement at age 55 with 35 years of service, we cannot support the final recommendation of the Commission.

We believe that the Commonwealth and its present employees have entered into a moral, if not legal, agreement and are entitled to retire under the present VSRS benefit formula. Any change like the recommended cap would violate the commitment made to present members. The changes that are necessary in VSRS benefits should be applicable to new employees only.

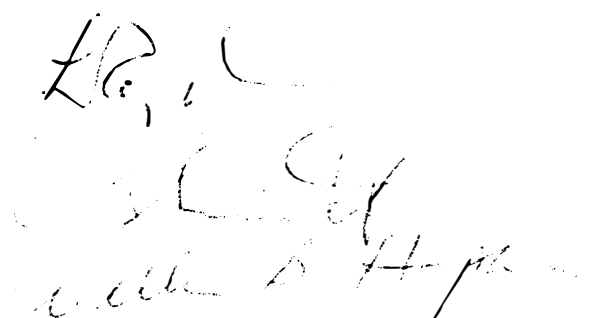
We recommend Plan A - the only alternative considered by the Commission which keeps present employees under the present VSRS benefit formula and provides an entirely new plan for new employees. Under this alternative an entirely new retirement benefit plan would be started for new employees with lower benefits but also with no employee contribution. The benefits would compare favorably with the retirement benefits of other major employers in Virginia. It would require no employee contribution, thus increasing an employee's take-home pay by 5%. Present employees would be given the option of remaining under the present plan or switching to the new plan. If an employee switched, they would receive credit for all prior years of service as well as receiving back in a lump sum all previous employee contributions, with interest.

We recommend the General Assembly adopt Plan A to accomplish the reforms that are necessary in the retirement system. We believe any other alternative would violate the trust of the members and the integrity of the system.

Del. L. Ray Ashworth

Sen. Adelard L. Brault

Sen. William B. Hopkins

Handwritten signatures of the three individuals listed to the left. The signatures are written in cursive and are positioned to the right of the printed names.

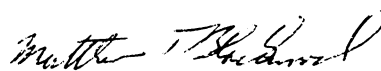
A Statement to be attached to
The Report of The Virginia Retirement Study Commission
dated January 1980

From Commission Member, Matthew T. Blackwood

As a member of the Commission and Chairman of the Benefits and Plan Structure Committee of the Commission, I concur with the report as drafted. There were several very important considerations that influenced my conclusion as to the best means of bringing the plan benefits back into line.

- 1) A pension plan is a plan for the orderly retirement of long-service employees. Changing circumstances both within the control of the employer and beyond the control of the employer (such as actions of the federal government, inflation, etc.), will from time to time necessitate changes in the plan to conform to the original goals. It seems important that employees and employers understand this fact with regard to pension and other employee benefit plans as well as they do with regard to cash compensation. If it is reasonable to adjust cash compensation to changing circumstances, then it is just as reasonable to adjust pension plans.
- 2) A ceiling on combined pension plan and Social Security benefits or a reduction in future benefit accruals are suitable means of accomplishing the correction of an overgenerous pension system, and either is workable. However, it seems important that the correction be applied to those currently on the payroll as well as to those employed in the future with regard to future service and future pay increases. To protect present employees' benefits, the Commission's proposal would guaranty the current formula on current pay as a minimum benefit, and also the actual percentage benefit accrued applied to the final average salary.
- 3) House Joint Resolution 145 called for contributions by both employees and employer. A recent survey conducted by Louis Harris & Associates has indicated a general willingness by employees to contribute to pension plans if it will provide them with adequate benefits. The comments from employees of the System and their representatives brought to the Benefits and Plan Structure Committee indicated a preference of employees for a contributory system. Accordingly, it seems appropriate to continue employee contributions to the System.
- 4) Social Security has become a major part of an individual's retirement system, paid for by his employer and himself. It seems both appropriate and good sound fiscal sense to consider the Social Security benefits as part of the overall pension scheme for an individual, and thus the pension plan should be integrated in some manner with Social Security. This has been accomplished in the cap as proposed.

As a citizen and taxpayer of the Commonwealth of Virginia, I strongly support the recommendations of the Commission.



M. T. Blackwood



COMMONWEALTH OF VIRGINIA
HOUSE OF DELEGATES
RICHMOND

VINCENT F. CALLAHAN, JR.
1631 OLD DOMINION DRIVE
MCLEAN, VIRGINIA 22101

January 22, 1980

COMMITTEE ASSIGNMENTS:
PRIVILEGES AND ELECTIONS
APPROPRIATIONS
CORPORATIONS, INSURANCE AND BANKING
CLAIMS

14TH DISTRICT
AIRFAX COUNTY, THAT
PORTION LYING IN THE
5TH CONGRESSIONAL
DISTRICT, AND THE CITIES
OF FAIRFAX AND FALLE
RURCH

Statement of Delegate Vincent F. Callahan, Jr.

I concur with the general intention and proposals of this report, but dissent from recommendations which would reduce anticipated benefits for those employees currently enrolled in the Virginia Supplemental Retirement System.

Even though the recommended legislation would not reduce employee retirement benefits below what is accrued at the date of a system change, it would have the effect of reducing anticipated benefits for those employees remaining in active service and in my view be a violation of assumed conditions of employment for these employees.

Options were before the Study Commission which would have enabled employees to continue in the present system and provide a new plan for new employees or those current employees who desired to convert.

In my opinion such a recommendation would have met the Commission's legislative mandate and also retained the integrity of the system and trust of its members.

Respectfully submitted,

Vincent F. Callahan, Jr.

VFC:jpd

SUPPLEMENTAL STATEMENT TO REPORT OF VIRGINIA
RETIREMENT STUDY COMMISSION

I concur in the report of the Study Commission, but wish to add one thing by way of supplement. I feel that members of the General Assembly should not belong to the VSRS. I realize that a number of members have paid into the system for quite a few years, and, consequently, they should be given the choice of withdrawing their contributions or leaving their contributions in and having a "frozen" vested contribution to which they would not further contribute nor would the state, but which fund would continue to participate in the income of the System.

Most members of the General Assembly, certainly those who are self-employed actually lose money by participating. One who belongs to VSRS cannot have an IRA (Individual Retirement Account). If a member of the Assembly were to contribute \$1,500 to an IRA annually and if that member were in the 40% tax bracket, he would have a tax benefit of \$600, whereas at the present time, he is paying \$400 to VSRS and gets no tax benefit.

That \$400 subject to the 40% tax amounts to \$160 tax, making a total tax cost to the legislator of \$760 per year to belong to the VSRS rather than to have an IRA.

Those Members who participate in company plans or Keogh are not so penalized and can belong to VSRS as well as to their company or Keogh Plan.

It is submitted that if most members of the General Assembly realized the cost to them, they would not be so interested in participating in VSRS. Finally, I do not think it is fair that members who

- 2 -

are quasi part-time should be eligible when other part-time state employees are not.

Respectfully,


Archibald A. Campbell

JANUARY 22, 1980

STATEMENT OF MARY H. FUTRELL

I DO NOT CONCUR WITH THE REPORT OF THE VIRGINIA RETIREMENT STUDY COMMISSION FOR THE FOLLOWING REASONS:

1. THE REPORT RECOMMENDS A CAPPED PLAN WHICH WOULD REDUCE FUTURE BENEFIT ACCRUALS OF PRESENT VSRS MEMBERS.

IT IS THE POSITION OF THE VIRGINIA EDUCATION ASSOCIATION THAT THE COMMONWEALTH OF VIRGINIA SHOULD MAINTAIN THE PRESENT VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM FOR PRESENT MEMBERS WITHOUT ANY CHANGES. PAST ACCRUALS OF PRESENT MEMBERS ARE PROTECTED BY STATUTE BUT THE COMMONWEALTH ALSO HAS A MORAL AND ETHICAL OBLIGATION TO PROVIDE PROMISED BENEFITS WHICH PRESENT EMPLOYEES THOUGHT THEY WERE GOING TO RECEIVE IN THE FUTURE. VSRS IS REGARDED AS A LONG-TERM COMMITMENT ON WHICH TEACHERS FORMED EXPECTATIONS WHEN THEY WERE EMPLOYED. THEY EXPECT TO RECEIVE ANTICIPATED RETIREMENT BENEFITS WHICH THEY WERE PROMISED WHEN THEY ENTERED PUBLIC EMPLOYMENT. FOR THE COMMONWEALTH TO DO OTHERWISE CONSTITUTES A BREACH OF FAITH.

2. THE REPORT MAKES RECOMMENDATIONS ONLY FOR PLACING A CAP OR CEILING ON THE BENEFITS RECEIVED BY MEMBERS OF VSRS.

THE RESOLUTION CALLS FOR STRUCTURING THE VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM, THE JUDICIAL RETIREMENT SYSTEM, AND THE STATE POLICE OFFICERS RETIREMENT SYSTEM TO CONFORM TO THE BENEFIT OBJECTIVE. STATEMENTS HAVE BEEN MADE THAT IT IS NOT SOUND PUBLIC POLICY FOR THE COMMONWEALTH TO HAVE RETIREMENT PLANS WHERE RETIREMENT PAY OF EMPLOYEES CAN EXCEED WORKING PAY. IF IT IS NOT SOUND PUBLIC POLICY FOR VSRS, THEN NEITHER IS IT SOUND PUBLIC POLICY FOR JRS AND SPORS. TO MAKE A RECOMMENDATION FOR A CAP

ON VSRS BENEFITS AND NOT MAKE RECOMMENDATIONS FOR CHANGES IN THE OTHER TWO SYSTEMS CONSTITUTES A DOUBLE STANDARD.

3. THE DRAFT REPORT DOES NOT ACCURATELY STATE THE BENEFIT PLAN PROVISION AS AMENDED.

THE AMENDMENT STATED THAT COMBINED BENEFITS FROM VSRS AND SOCIAL SECURITY COULD NOT EXCEED 62.5% OF FINAL AVERAGE SALARY PLUS 50% OF THE PRIMARY INSURANCE AMOUNT FROM SOCIAL SECURITY EARNED WHILE A MEMBER OF VSRS.

VIRGINIA RETIREMENT STUDY COMMISSION

Statement of J. David Shobe, Jr.

In addition to the recommendations in this report, there are four areas which should be given consideration when any legislation is proposed to change the Virginia Supplemental Retirement System.

- 1) I am concerned about those who retire at the lower salary scales not being able to meet their economic needs on VSRS benefits in view of the application of a maximum benefit plan. Therefore, it is urged that there be established a base amount below which the maximum benefit formula would not apply. Such a base would afford the retiree an economic equivalency at least consistent with an acceptable level of minimal benefits under normal retirement. The base should be periodically adjusted as economic conditions change.
- 2) The maximum benefit should be tested against the average of the highest 36 consecutive months of salary or the salary level during the year immediately prior to retirement, whichever is greater.
- 3) Any plan should exclude Social Security benefits earned by an employee while he was not a member of the Virginia Supplemental Retirement System.
- 4) More frequent adjustments to the cost of living provisions for retirees should be provided.

JDS/rbt

January 25, 1980

Mr. John A. Garka
Economist
Commonwealth of Virginia
Division of Legislative Services
Post Office Box 3-AG
Richmond, Virginia 23208

Dear John:

I support Plan A. This plan is basically the proposal I initiated. I recommend this plan because:

1. Members would have the choice of remaining in the present system unchanged or electing to enter a new non-contributory plan. If they chose the new plan, their past contributions would be refunded.

2. A less generous but non-contributory new plan for new hires (after July 1, 1981) corrects the problem of excessive retirement benefits and is competitive with private industry.

3. Within a reasonable length of time it would save money for both the employer and employee.

4. It would solve the problem of integration with Social Security.

5. The plan is uncomplicated and can be understood by the membership.

6. It is "fair," both to present and future employees.

The main negative that I have heard expressed is that there would be two separate plans for employees and this could cause confusion and misunderstanding. While this is true, the problem can be ameliorated by an educational program prior to implementation. Certainly any change in the present system will cause some confusion and mis-

Mr. John A. Garka
January 25, 1980
Page 2

understanding. I do not believe Plan A will create any more of a problem than either of the other two plans the committee had under consideration.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Erwin H. Will, Jr.", written in a cursive style.

Erwin H. Will, Jr.

EHWjr:jyb

APPENDIX A

A History of Public Retirement Systems in Virginia, 1908-1980*

*VRS staff members prepared this report using Senate and House Documents, actuarial reports and histories of Virginia public retirement systems written by Julian H. Hill, Jr. and by Charles H. Smith, then Director, VRS.

I. INTRODUCTION

In 1908, an act of the Virginia General Assembly created the Retired Teachers' Fund, one of the first State-wide compulsory teacher pension plans in the nation. It was a pioneer effort, provided meager benefits, served teachers only, and was poorly funded. However, this act laid the groundwork for the present public employee retirement program, which provides for State employees, local and public school teachers and many employees of local political subdivisions.

Under the retirement law of 1908, a teacher could retire:

- after twenty-five years of service; or
- after twenty years of service for disability.

When eligible, teachers applied to the State Board of Education for retirement. The names, ages and quarterly pensions of teachers whose pensions were approved were placed on the Retired Teachers' list. Law required that this list be published annually in the "Virginia Journal of Education" or in some other paper selected by it.

Retired teachers were entitled to receive annual benefits equaling one-half average final salary, with a maximum annuity of \$500. However, the law also provided that pension payments would be reduced on a prorata basis when sufficient funds were not available. In 1912 and 1915, pensions were reduced 30 percent and 60 percent, respectively. As the funding basis for the pension plan weakened, reductions were increased.

The funding plan required that teachers contribute one percent of their annual salary to the Retired Teachers' Fund. A retiree's pension was reduced by 30 percent during the first year of retirement and the amount of reduction was deposited in an endowment fund.

Interest from the endowment fund, teacher contributions and State appropriations were used to pay pensions. As the endowment grew, interest from the fund increased, from \$200 in 1909 to a peak of \$10,742 in 1927. Then, fund assets were used to pay pensions, and interest decreased. Finally, in 1930, the entire endowment of \$278,000 was appropriated to pay pensions. In the years that followed, State appropriations and teacher contributions were used to fund reduced pension payments.

When the retirement law of 1908 was repealed in 1942, there were approximately 1300 teachers on the retirement list. Fewer than 10 percent of the retirees received a pension of \$500; 80 percent received amounts varying from \$50 to \$400

In 1942, the Virginia Retirement System (VRS) replaced the Retired Teachers' Fund. Funded on an actuarial basis, the new system was jointly contributory and compulsory for new entrants. Both State employees and teachers were eligible for VRS benefits. In 1944, political subdivisions were allowed to bring their full-time employees and officers under VRS coverage. State employees and teachers were granted credit for service rendered in years before the VRS existed. Teachers retired under the old plan received the full benefits guaranteed by that plan and teachers who contributed to the old plan and had not retired were guaranteed benefits no lower than they would have received under the old plan.

VRS MEMBER CONTRIBUTIONS

Separate accounts were set up for teachers and State employees. Within each of these two accounts were member and employer accounts. Members contributed on a "savings bank basis" a percentage of salary based on age at entrance into membership, computed to provide a minimum service retirement one-half of the service retirement allowance on account of membership service. Contribution rates varied by age and sex from a low of 4.57 percent for 17 year old men to a high of 7.48 percent for 64 year old women. A member could elect to limit the retirement contribution to a maximum of 5 percent of salary, with a corresponding reduction in the benefit paid upon retirement.

VRS RETIREMENT ELIGIBILITY

Under VRS, a member could retire and receive a benefit:

- at age 65 either upon request of the member *or* the employer; or
- before age 65 with 20 years of creditable service, if permanently incapacitated.

Pensions could be paid for the full amount or the member could elect one of three survivor options and receive a reduced benefit. After working at least two years, a member could obtain a refund of contributions upon withdrawal from service.

VRS EMPLOYER CONTRIBUTIONS

Employer contributions were maintained in two accounts, the "normal contribution account" and the "accrued liability account".

The "normal contribution account" held funds needed to finance present and future system liabilities except for the cost of service rendered prior to establishment of the system. The "accrued liability account" held funds due on account of service rendered prior to establishment of the system. This was to be a temporary account which would be discontinued as soon as the amount in the State annuity account was equal to the value of the total liability of the account less the present value of the normal contributions to be received at the normal rate then in force.

VRS AMENDMENTS

Improved VRS benefits were legislated in 1950: (amended provisions)

1. An increase in the State annuity upon service retirement from 1/160 to 1/140 of annual final compensation for each year of membership and from 1/80 to 1/70 benefit rate for each year of prior service.
2. An increase in the State annuity upon disability retirement, from a benefit rate of 1/90 to 1/80 for each year of total credited service.
3. An increase in the maximum annual earnable compensation considered for retirement fund purposes, from \$2,000 to \$3,600.
4. An increase in members' contributions, from a 1/160 to a 1/140 benefit rate (members in service on July 1, 1950 to pay such rates at their then attained ages).

II. THE JUDICIAL RETIREMENT SYSTEM

As early as 1914, Justices of the Supreme Court of Appeals were entitled to receive pensions. Benefits equal to 2/3 annual compensation were payable at age 70 with 10 years of service. These pensions were paid directly and totally from State appropriations.

A judicial retirement system was created in 1942 to supplant the unfunded program and to provide benefits for justices of the Supreme Court of Appeals and other courts of record, members of the State Corporation Commission and members of the Industrial Commission. System members contributed a maximum of 3 percent of salary for at least 12 years and, upon attaining age 65, were entitled to retire on 3/4 salary. Members of this system were brought under the social security

program in January, 1956.

Eventually, two other judicial systems were established outside the jurisdiction of the VSRS Board of Trustees.

In 1952, the Clerk of the Senate and the Clerk of the House of Delegates were covered by a special system which allowed retirement at age 70 after 20 years of State service at 3/4 of final salary. In addition, members of the system received social security benefits.

In 1954, judges of county courts not of record were covered by a separate system. They could retire at age 70, with 15 years of service for service retirement or 10 years for disability retirement. The social security benefit was offset against the retirement benefit.

The three systems, which provided varying benefits were replaced in 1970 by a single system. Administered by the VSRS Board of Trustees, the Judicial Retirement System (JRS) was established for the justices, judges and members of the two Commissions. The Clerks of the Senate and the House of Delegates were included under the VSRS.

Members of the repealed judicial systems are guaranteed their benefits under those system. While the current system provides for benefits equal to 75 percent of average final compensation, members of the repealed systems are entitled to benefits equaling 75 percent of final compensation, provided they meet the requirements for retirement under the repealed system.

Judicial system members receive weighted service credit 3.5 times their actual years of service and are otherwise entitled to the same benefits as VSRS members. It is also possible for persons in the covered positions to join the JRS after the age of 60.

III. THE STATE POLICE OFFICERS RETIREMENT SYSTEM

State police officers were eligible for membership in the Virginia Retirement System (VRS); however, when the system was formed in 1942, most of the officers rejected membership. Because of the strenuous nature of police work, the VRS age requirement was considered impractical for police officers.

In 1950, the General Assembly created the State Police Officers Retirement System (SPORS), a jointly contributory retirement system administered by the VRS Board of Trustees. The original plan provided for retirement at age 55 with 25 years of service and compulsory retirement at age 65. Both costs and benefits of the SPORS program were slightly higher than those of the VRS.

Major amendments were made in 1954 and, in 1955, SPORS members were covered under the Social Security Act.

In July, 1966, legislative changes brought SPORS benefits and contributions into line with those of the Virginia Supplemental Retirement System. However, SPORS provides for normal retirement at age of 60, with mandatory retirement upon the later of (1) attainment of age 60, or (2) completion with 30 years of service. SPORS service retirees are entitled to an additional allowance of \$250 per month from the date of retirement until age 65, provided, if employed after June 30, 1974, they have 20 or more years of credited service.

IV. THE VIRGINIA SUPPLEMENTAL RETIREMENT SYSTEM

In 1952, Virginia became the first state to secure coverage for public employees under the Old Age and Survivors provisions of the Social Security Act. Under the federal law, social security coverage could not be extended to public employees covered by existing retirement systems. The General Assembly repealed the Virginia Retirement Act effective February 1, 1952 and enacted enabling legislation to provide authority for executing the Federal-State Social Security Agreement on February 16, 1952. The General Assembly also created, on March 1, 1952, the present Virginia Supplemental Retirement System (VSRS), a general system "supplementing" basic social security coverage.

Since its creation, the VSRS has evolved into a complex organization with greatly expanded membership, benefits and responsibilities. In December, 1979, the VSRS served over 35,000 retirees in all of the systems, 215,000 active VSRS members, almost 2,000 active SPORS members, and over 250 active JRS members.

Employees working in 207 State agencies, 148 local school divisions and more than 409 political subdivisions are covered by the VSRS. Separate accounts are maintained for each of the political subdivisions and, in a sense, each is a separate retirement system with the VSRS.

In 1952, the VSRS trust fund assets were valued at \$55 million. The trust fund now is valued at more than \$1.6 billion. The System paid more than \$116,003,090 in retirement benefits, received more than \$246,780,000 in employer and employee contributions, and refunded \$27,138,000 in 1979.

The VSRS Board of Trustees is comprised on one teacher, one State employee, one employee of a VSRS participating political subdivision, a State executive branch official and three other non-government members. The responsibilities of the Board encompass the VSRS, the SPORS, the JRS, the Group Life insurance program and the Federal-State Agreement for OASDHI coverage for State and local public employees.

The Director is the chief administrative officer of the Board. Under VSRS, a vested employee may retire:

- at age 55 with a reduction for early retirement;
- at age 60 with 30 years of service;
- at age 65 with no reduction; or
- at any age for disability

When eligible for retirement, members may apply to the VSRS, selecting a basic benefit or one of four benefit options. Retirement payments are made monthly.

VSRS benefits have been expanded substantially beyond those provided in 1952. In 1952, separate benefit formulas were applied for service and disability retirement:

Service Retirement	1% average final compensation	X	years of creditable service
Disability Retirement Prior to Age 65	1-1/4% average final compensation	X	years of creditable service

Three formula increases were enacted between 1966 and 1973. These increases were included in the benefit formula for future retirees and were given on a percentage basis to persons already retired:

July, 1966	22.2%
July, 1970	9.1%
July, 1973	10.0%

Benefits were further increased in 1974 when the number of years used to calculate average final salary was reduced from five to three years. The existing formula was modified to provide more equal benefits to retirees in different salary ranges.

Since 1974, two formulas have been used to calculate retiree benefits. Formula A is used when average final salary (AFS) is less than \$13,200; Formula B is used when AFS is \$13,200 or greater.

Formula A = AFS X 1.5% X number
benefit of years of
credited service

Formula B = AFS - \$1200 X 1.65% X
benefit number of years of
credited service

Vesting requirements have been liberalized since the inception of VSRS. Until 1952, the VSRS vesting period was 15 years. In 1966, it was reduced to 10 years, and in 1970, it was reduced to the present requirement of 5 years.

Interest credited to member accounts was increased from 2 percent to 4 percent in 1970. Upon termination from covered employment, members may withdraw all their funds and accumulated interest from the system.

With the increases in benefits, the General Assembly has legislated adjustments in employer and employee rates.

VSRS EMPLOYER RATE

When social security coverage was provided as the retirement base in 1952, the employer rates for the VSRS were reduced. The VSRS rate was dropped from 11.03 percent to 3.95 percent for teachers and from 5.46 percent to 2.48 percent for State employees. The social security contribution rate then was 1.50 percent. Unless changed by the 1980 General Assembly, effective July 1, 1980, employer rates for teachers and State employees will be 7.33 percent and 4.67 percent, respectively. The social security rate will be 6.13 percent, effective January 1, 1980.

VSRS EMPLOYEE RATE

Employee rates were dropped from 5 percent to 4 percent with the inception of social security coverage. In July, 1960, the employee rate was increased to 4-1/2 percent and in July, 1966, it was increased to 5-1/2 percent. All these rates applied to all but \$1200 of annual salary. In September, 1974, the rate was reduced from 5 percent applied to all of annual salary.

BENEFIT MAXIMUMS

As it improves benefits and increased contribution rates, the General Assembly also began to set limits on benefits. In 1972, the first maximum limit was set at the sum of 90 percent of the first five thousand dollars of average final compensation and 75 percent of the average final salary above \$5000. This limit was repealed in 1974 before becoming effective in favor of the existing limit. The sum of one-half social security and VSRS benefits cannot exceed 100 percent of average final salary.

COST OF LIVING ADJUSTMENTS

Beginning in 1970, retirees received biennial cost of living adjustments for the full amount of any increase in the Consumer Price Index. The law was changed in 1976, effective in 1978, allowing for annual cost of living increases with a 5 percent ceiling.

GROUP LIFE INSURANCE

The General Assembly expanded benefits available to public employees by creating the Group Life Insurance Program on July 1, 1960. Coverage was based on salary rounded to the next highest thousand. Coverage reduced upon retirement.

In July, 1962, Group Life Insurance coverage became compulsory for all full time salaried employees after that date if they had not attained age 60 at the time of employment. However, employees of political subdivisions coming under coverage can waive coverage if they are in employment when the entity comes under coverage.

Because customer reserve increased significantly, the General Assembly was able to double coverage in 1970 for all active employees with a limit of \$30,000 of salary. In 1975, this salary

limitation was removed.

There is currently about \$5-1/2 billion of insurance coverage in force. Nearly \$17.6 million in life insurance benefits were paid in 1977-78. For the same year, the VSRS collected \$23 million in premiums.

CONCLUSION

Since 1938, the Virginia General Assembly has published 19 reports concerning retirement systems. These efforts demonstrate the Commonwealth's continued commitment to provide adequate retirement system coverage for its public employees.

APPENDIX B

Studies of Retirement Provisions For Public Employees and Officers in Virginia

A. Legislative Studies

1. *Proposed Retirement System for Employees of the State of Virginia* (Senate Document No. 8, 1938) Commission on Old Age Assistance.
2. *Retirement of State Employees and Public School Teachers* (Senate Document No. 8, 1942) Virginia Advisory Legislative Council.
3. *Retirement of State Police* (House Document No. 16, 1948) Virginia Advisory Legislative Council.
4. *Retirement of Local Officers and Employees* (Senate Document No. 14, 1948) Virginia Advisory Legislative Council.
5. *Amendments to Virginia Retirement Act of 1942* (House Document No. 4, 1960) Commission to Study the Virginia Retirement Act.
6. *Social Security Coverage for Government Employees, Disability and Retirement Benefits for Teachers and State Employees* (Senate Document No. 6, 1952) Virginia Advisory Legislative Council.
7. *Retirement and Workmen's Compensation Coverage for Local Officers and Employees* (House Document No. 3, 1958) Virginia Advisory Legislative Council.
8. *Retirement Age and Sick Leave Accumulation for Teachers and State Employees* (House Document No. 20, 1957) Virginia Advisory Legislative Council.
9. *Retirement and Sick Leave for State Employees and Teachers* (House Document No. 8, 1960) Virginia Advisory Legislative Council.
10. *Retirement of Constitutional Officers and Employees* (Senate Document No. 3, 1964) Virginia Advisory Legislative Council.
11. *History and Fiscal Abstract of the Commonwealth's Provision for the Retirement of State Employees and Teachers* (Richmond, 1963) Director of the Virginia Supplemental Retirement System.
12. *Retirement Systems for Teachers, State and Local Employees and State Police* (Senate Document No. 11, 1965).
13. *Retirement Systems for Judges, Commissioners and Clerks* (House Document No. 16, 1968).
14. *Proposals to Improve the State's Retirement Programs* (House Document No. 16, 1970).
15. *A Judicial Retirement System for Virginia* (House Document No. 22, 1970) Virginia Advisory Legislative Council.
16. *Special Retirement Programs for the Commonwealth's Institutions of Higher Education* (House Document No. 8, 1971) Virginia Advisory Legislative Council.
17. *Management Review: Virginia Supplemental Retirement System* (1978 Joint Legislative Audit and Review Commission)
18. *Report of the Joint Subcommittee of House Appropriations Committee and Senate Finance Committee to Study Retirement Benefits* (House Document No. 25, 1978).
19. *Report of the Virginia Retirement Study Commission* (House Document No. 21, 1979).

B. Other

1. *The Retirement of Public Employees in Virginia* (Institute for Research in the Social Sciences, University of Virginia, 1934) Rowland A. Egger.
2. *The Virginia Retirement System* (Unpublished thesis, University of Richmond) Julian H. Hill, Jr.

APPENDIX C.

**Legislation Recommended by the
Virginia Retirement Study Commission**

Report Section Number	Code of Virginia Sections	Bill Draft Identification
II B1	§ 51-111.26	LD0029385
II B2	§ 51-111.2	LD0054385
II B3	§ 51-111.47:1	LD1497385
II B4	§ 51-111.50	LD0033385
II B5	§ 51-111.18	LD0298222
II B6	§ 51-111.18	LD1264385
II C2	§ 51-111.10	LD1151385
II C3	§§ 51-111.10, 51-111.46	LD1262385
II E1	§§ 2.1-328, 51-111.24, 51-111.24:1 through 51-111.24:8 51-111.52:2, 51-111.52:4, 51-111.52:5	LD0830385
II E2	§§ 51-111.47 51-111.55	JL0000069
II F2a	§§ 51-111.47 51-111.55	JL0000069
II F3	§ 51-174.1	LD0036385
II F4	§ 51-111.54 51-111.67:2 51-111.67:4 51-111.67:5	LD1645385
II F5	§ 51-111.60	LD1152385
II F6	§ 51-111.60	LD0200222
II F7	§§ 51-111.16, 51-111.60	LD1167385
II F8	§ 51-111.59:1	LD0119385
II G1	§§ 51-111.16, 51-111.67:4.	LD1156385

II G3	§§ 51-111.16, 51-111.67:4	LD1157385
II G4	§§ 51-111.16, 51-111.67:1, 51-111.67:4, 51-111.67:12.1	LD1162385
II H1	§ 51-111.60:1	LD0031385
II H2	§ 51-2.1	LD0038385
II H4	§§ 51-151, 51-168	LD0028385
II H5	§ 51-114	LD2056385

A BILL to amend and reenact § 51-111.26 of the Code of Virginia, providing for substitutes when members of the Virginia Supplemental Retirement System Medical Board are unable to serve.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.26 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.26. Medical Board.—The Board shall appoint a Medical Board of three physicians not eligible to participate in the retirement system. Each such physician shall be appointed for a term of four years to commence at the expiration of the term of his predecessor in office, except that an appointment to fill a vacancy shall be for the unexpired term. *The Medical Board shall appoint three physicians, subject to confirmation by the Board, who may be called upon from time to time to serve as substitutes when a member or members of the Medical Board cannot serve in their official capacity.* The Board may remove members of the Medical Board *and substitutes thereof* at its pleasure and fix their compensation.

The Medical Board shall pass upon all medical examinations required by this chapter or required in connection with the abolished system, shall investigate all essential health and medical statements and certificates by or on behalf of a member in connection with disability retirement, and shall report in writing to the Board its conclusions and recommendations upon all matters referred to it.

A BILL to amend and reenact § 51-111.2 of the Code of Virginia, which sets out definitions under which State and local employees are subject to federal social security so that certain Indian tribes be considered political subdivisions thereunder.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.2 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.2. Definitions.—For the purposes of this chapter:

(a) The term “wages” means all remuneration for employment as defined herein, including the cash value of all remuneration paid in any medium other than cash, except that such terms shall not include that part of such remuneration which, even if it were paid for “employment” within the meaning of the Federal Insurance Contributions Act, would not constitute “wages” within the meaning of that act.

(b) The term “employment” means any service performed by an employee in the employ of the State, or any political subdivision thereof, for such employer, whether it be regular or temporary, part-time or full-time, employment, except service which in the absence of an agreement entered into under this chapter would constitute “employment” as defined in Title II of the Social Security Act, or service performed in the employ of a school, college, or university if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, or service of an emergency nature or service which under the Social Security Act may not be included in an agreement by the State and the federal agency entered into under this chapter.

(c) The term “employee” includes an officer of the State, or of one of its political subdivisions.

(d) The term “teacher” means any person who is regularly employed on a salary basis as a professional or clerical employee of a county, city or other local public school board.

(e) The term “State employee” means any person who is employed in the service of, and whose compensation is payable, in whole or in part, by the Commonwealth or any department, institution or agency thereof, and shall include trial justices, the Auditor of Public Accounts, the Director of the Division of ~~Statutory Research and Drafting~~ *Legislative Services*, the Clerk of the House of Delegates, and the Clerk of the Senate, but not (1) any officer elected by popular vote, and (2) a county or city treasurer, commissioner of the revenue, Commonwealth’s attorney, clerk of court, sheriff, sergeant or constable, and a deputy or employee of any such officer.

(f) The term “local employee” means any employee of a political subdivision, and shall include a “special employee” which means a county or city treasurer, commissioner of the revenue, Commonwealth’s attorney, clerk of court, sheriff, sergeant or constable and a deputy or employee of any such officer.

(g) The term “State agency” means the Board of Trustees of the Virginia Retirement System.

(h) The term “federal agency” means in each case such federal officer, department, or agency as is charged on behalf of the federal government, by or under the applicable federal law, with the particular federal functions referred to in this chapter in connection with such term.

(i) The term “political subdivision” includes an instrumentality of the State, or one or more of its political subdivisions, or of the State and one or more of its political subdivisions, but only if such instrumentality is a juristic entity which is legally separate and distinct from the State or a political subdivision and only if its employees are not by virtue of their relation to such juristic entity employees of the State or a political subdivision. *For the purposes of this chapter, the term “political subdivision” shall also include the Pamunkey and Mattaponi Indian tribes.*

(j) The term “applicable federal law” refers to such provisions of federal law, including federal regulations and requirements issued pursuant thereto as provide for extending the benefits of Title II

of the Social Security Act to employees of states and their political subdivisions.

(k) The term "Social Security Act" means the act of Congress approved August fourteenth, one thousand nine hundred thirty-five, chapter five hundred thirty-one, forty-nine Statutes six hundred twenty, officially cited as the "Social Security Act," as such act has been and may from time to time be amended.

(l) The term "Federal Insurance Contributions Act" means subchapter A of Chapter 9 of the Internal Revenue Code of 1939 and subchapters A and B of Chapter 21 of the Federal Internal Revenue Code of 1954, as such codes have been and may from time to time be amended; and the term "employee tax" means the tax imposed by § 1400 of such Code of 1939 and § 3101 of such Code of 1954.

A BILL to amend the Code of Virginia by adding in Article 6 of Chapter 3.2 of Title 51 a section numbered 51-111.47:1 providing interest charges to employers failing to make payment of contributions by due date.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Article 6 of Chapter 3.2 of Title 51 a section numbered 51-111.47:1 as follows:

§ 51-111.47:1. Failure to make payment of contributions.—Any employer who fails to file a required report and pay the contributions required thereby within the time limitations prescribed pursuant to the provisions of this chapter or rule or regulation of the Board shall be subject to an interest penalty of eight per centum per annum computed on the basis of the payment due. The Board may waive all or a part of such interest charge if good cause is shown. Any such delinquent payments and interest may be recovered by action in a court of competent jurisdiction against the employer liable therefor or may, at the request of the Board, be deducted by the Treasurer, upon warrant of the Comptroller, from any non earmarked moneys distributable to such employer by any department or agency of the Commonwealth.

A BILL to amend and reenact § 51-111.50 of the Code of Virginia, relating to the retirement allowance account of the Virginia Supplemental Retirement System.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.50 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.50. Retirement allowance account.—(a) The retirement allowance account shall be the account to which shall be credited all employer contributions, all amounts transferred from the members' contribution account and all income from the invested assets of the retirement system; from this account shall be paid all benefits under the retirement system, other than refunds of members' accumulated contributions in the event of termination of membership prior to retirement, and administrative expenses of the retirement system except to the extent that such expenses are otherwise paid.

(b) The amount of the interest allowances provided for in § 51-111.49 shall be transferred each year from the retirement allowance account to the members' contribution account.

(c) ~~The Board shall certify the total of such amounts so ascertained and appropriated for each year of the biennium to the Comptroller on or before the beginning of each fiscal year; whereupon the Comptroller at the beginning of each fiscal year, shall transfer the amount so certified to the retirement allowance account. At the beginning of each fiscal year any amounts determined by the Board to be payable out of any special funds under subsection (h) of § 51-111.47 shall be transferred by the Comptroller from such special funds to the retirement allowance account. The records of the retirement allowance account shall be maintained so that the portion thereof that is applicable to each respective employer contribution shall at all times be ascertained.~~

(d) ~~On or before the first day of May in each year the Board shall certify to each employer other than the State, the amount which will become due from such employer on account of contributions under this chapter during the fiscal year beginning July first of each such year. Every such employer shall make provisions for the payment of such amounts, which shall be paid as the Board may determine by warrants of the employer transmitted and payable to the State Treasurer. All moneys collected on such warrants shall be credited to the retirement allowance account. The Treasurer shall transmit to the Comptroller and to the Board a record of all moneys so collected.~~

A BILL to amend and reenact § 51-111.18 of the Code of Virginia, removing the maximum annual compensation limitation for members of the Board of Trustees of the Virginia Supplemental Retirement System.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.18 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.18. Members of Board; powers of former retirement system.—The Board shall consist of seven members to be appointed by the Governor, subject to confirmation by the General Assembly. Of such members one shall be an official within the executive branch of the State government, one a teacher, one a State employee, one an employee of a political subdivision participating in the retirement system, and the others neither teachers nor State employees nor otherwise in the employ of any government. Members shall be appointed by the Governor for a term of four years. Every appointment to fill a vacancy shall be for the unexpired term. No member other than the executive branch official shall be eligible to serve for or during more than two successive four-year terms; but after the expiration of the remainder of an unexpired term to which appointed, two additional four-year terms may be served by such a member if appointed thereto. The Governor may suspend or remove any member for malfeasance, misfeasance, incompetency, misconduct, neglect of duty or conflict of interest. The Board shall be vested with the powers and duties of the Board of Trustees of the abolished system to the extent such powers and duties were created or continued by the act abolishing the said system, or by other legislation; thereupon the Board of Trustees of the abolished system shall be terminated.

Each member of the Board who is not a full-time officer or employee of any government shall receive as his compensation fifty dollars per day for each day actually spent in the discharge of his duties ; ~~but no such member shall receive as compensation in the aggregate more than one thousand two hundred dollars in any one year~~ . Members shall be reimbursed for the expenses incurred by them in the performance of their duties.

A BILL to amend and reenact § 51-111.18 of the Code of Virginia, to include the Comptroller as a nonvoting member of the Board of the Virginia Supplemental Retirement System.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.18 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.18. Members of Board; powers of former retirement system.—The Board shall consist of ~~seven~~ *eight* members to be appointed by the Governor, subject to confirmation by the General Assembly. Of such members one shall be an official within the executive branch of the State government, one a teacher, one a State employee, one an employee of a political subdivision participating in the retirement system, and ~~the three~~ *three* others neither teachers nor State employees nor otherwise in the employ of any government. *The Comptroller shall be a nonvoting member of the Board.* Members shall be appointed by the Governor for a term of four years. Every appointment to fill a vacancy shall be for the unexpired term. No member other than the executive branch official shall be eligible to serve for or during more than two successive four-year terms; but after the expiration of the remainder of an unexpired term to which appointed, two additional four-year terms may be served by such a member if appointed thereto. The Governor may suspend or remove any member for malfeasance, misfeasance, incompetency, misconduct, neglect of duty or conflict of interest. The Board shall be vested with the powers and duties of the Board of Trustees of the abolished system to the extent such powers and duties were created or continued by the act abolishing the said system, or by other legislation; thereupon the Board of Trustees of the abolished system shall be terminated.

Each member of the Board who is not a full-time officer or employee of any government shall receive as his compensation fifty dollars per day for each day actually spent in the discharge of his duties, but no such member shall receive as compensation in the aggregate more than one thousand two hundred dollars in any one year. Members shall be reimbursed for the expenses incurred by them in the performance of their duties.

A BILL to amend and reenact § 51-111.10 of the Code of Virginia, defining certain terms used in the Virginia Supplemental Retirement Act.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.10 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.10. Definitions.—As used in this chapter unless a different meaning is plainly required by the context:

(1) “Retirement system” means the Virginia Supplemental Retirement System provided for in § 51-111.11;

(2) “Board” means the board of trustees as provided by § 51-111.17;

(3) “Medical Board” means the board of physicians as provided by § 51-111.26;

(4) “Teacher” means any person who is regularly employed full time on a salary basis as a professional or clerical employee of a county, city or other local public school board or of a corporation participating in the retirement system as provided by Article 4.1 (§ 51-111.38:1 et seq.);

(5) “State employee” means any person who is regularly employed full time on a salary basis, whose tenure is not restricted as to temporary or provisional appointment, in the service of, and whose compensation is payable, not oftener than biweekly, in whole or in part, by the Commonwealth or any department, institution or agency thereof; “State employee” shall not include the following: (a) any officer elected by vote of the General Assembly or either house thereof, with the exception of the Auditor of Public Accounts, the Director of the Division of Legislative Services, and the clerks of the State Senate and House of Delegates; (b) any local officer as defined in paragraph (21) of this section; (c) any employee of a political subdivision of the Commonwealth; (d) any State police officer of the Department of State Police; (e) any Executive Secretary of the Supreme Court assuming such position between December one, nineteen hundred seventy-five and January thirty-one, nineteen hundred seventy-six; or (f) any magistrate, with the exception of those magistrates certified to be serving on a regular full-time basis by the Committee on District Courts pursuant to § 14.1-44.2:1;

(6) “Employee” means any teacher, State employee, officer or employee of a locality participating in the retirement system as provided in Article 4 (§ 51-111.31 et seq.), or any employee of a corporation participating in the retirement system as provided in Article 4.1 (§ 51-111.38:1 et seq.);

(7) “Employer” means Commonwealth, in the case of a State employee, the local public school board in the case of a public school teacher, or the locality, or corporation participating in the retirement system as provided in Articles 4 (§ 51-111.31 et seq.) and 4.1 (§ 51-111.38:1 et seq.);

(8) “Member” means any person included in the membership of the retirement system as provided in § 51-111.27 or elsewhere in this chapter; such term shall include any member of the General Assembly serving in such capacity on January one, nineteen hundred seventy-two, regardless of age;

(9) “Service” means service as an employee;

(10) “Prior service” means service as an employee rendered prior to the date of establishment of the retirement system for which credit is allowable under §§ 51-111.39 to 51-111.41:1, 51-111.63 and 51-111.64 or service as an employee for such periods as provided in § 51-111.32, or service as a clerk or employee of a district court for which credit is allowed under § 51-111.10:1;

(11) “Membership service” means service as an employee rendered while a contributing member of the retirement system except as provided in §§ 51-111.41:1, 51-111.45, 51-111.57, 51-111.63 and 51-111.64;

(12) "Creditable service" means prior service plus membership service for which credit is allowable under this chapter;

(13) "Beneficiary" means any person entitled to receive benefits under this chapter;

(14) "Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the members' contribution account, together with interest credited on such amounts and also any other amounts he shall have contributed or transferred thereto including interest credited thereon as provided in §§ 51-111.41:1 and 51-111.49;

(15) "Creditable compensation" means the full compensation payable annually to an employee working the full working time for his covered position. In cases where compensation includes maintenance or other perquisites, the Board shall fix the value of that part of the compensation not paid in money; provided that for the purposes of this chapter ~~remuneration~~ *salary* received by members of the General Assembly ; ~~including all amounts paid to such members in the year nineteen hundred seventy seven, and subsequent calendar years as per diem and monthly expense allowances pursuant to §§ 14.1-17.1 and 14.1-18~~ shall be deemed creditable compensation;

(16) "Average final compensation" means the average annual creditable compensation of a member during his thirty-six highest consecutive months of creditable service, excluding the creditable compensation assumed to have been received for purposes of purchasing service under the provisions of §§ 51-111.41:1 or 51-111.41:4, or during the entire period of his creditable service if less than thirty-six months; provided, however, that if an employee receives increases in compensation in the last four years of service, not related to promotion, which exceed the average increase received by other employees of the same employer holding comparable positions, or which, in case there are no comparable positions, exceed the average percentage increase received by all other employees of the same employer, it shall deduct such excess in computing average final compensation if the Board finds after consideration of all circumstances that the primary purpose of such salary increase was given solely to increase the retirement benefit of such employees;

(17) "Retirement allowance" means the retirement payments to which a member is entitled as provided in this chapter;

(18) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such actuarial tables as are adopted by the Board;

(19) "Normal retirement date" means a member's sixty-fifth birthday;

(20) "Abolished system" means the Virginia Retirement Act, §§ 51-30 to 51-111, repealed by chapter 1 of the Acts of Assembly of 1952 as of February one, nineteen hundred fifty-two;

(21) "Local officer" means the treasurer, commissioner of the revenue, Commonwealth's attorney, clerk of a circuit court, sheriff, or constable, of any county or city, or his deputy or employee; and

(22) "Primary social security benefit" means, with respect to any member, the primary insurance amount to which the member is entitled, for old age or disability, as the case may be, pursuant to the provisions of the federal Social Security Act as in effect at his date of retirement, under the provisions of this chapter except as otherwise specifically provided; provided, however, in any case in which the amount of a member's primary old age social security benefit at a date subsequent to such member's date of retirement is pertinent to the computation of benefits under this chapter other than under § 51-111.60:4, the amount of such social security benefit shall be computed as of the date of retirement of the member under the assumption that thereafter the member would have no earnings that would be considered as "wages" for the purposes of the federal Social Security Act.

A BILL to amend and reenact §§ 51-111.10 and 51-111.46 of the Code of Virginia, defining certain terms in the Virginia Supplemental Retirement Act and specifying the composition of member contributions.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.10 and 51-111.46 of the Code of Virginia are amended and reenacted as follows:

§ 51-111.10. Definitions.—As used in this chapter unless a different meaning is plainly required by the context:

(1) “Retirement system” means the Virginia Supplemental Retirement System provided for in § 51-111.11;

(2) “Board” means the board of trustees as provided by § 51-111.17;

(3) “Medical Board” means the board of physicians as provided by § 51-111.26;

(4) “Teacher” means any person who is regularly employed full time on a salary basis as a professional or clerical employee of a county, city or other local public school board or of a corporation participating in the retirement system as provided by article 4.1 (§ 51-111.38:1 et seq.);

(5) “State employee” means any person who is regularly employed full time on a salary basis, whose tenure is not restricted as to temporary or provisional appointment, in the service of, and whose compensation is payable, not oftener than biweekly, in whole or in part, by the Commonwealth or any department, institution or agency thereof; “State employee” shall not include the following: (a) any officer elected by vote of the General Assembly or either house thereof, with the exception of the Auditor of Public Accounts, the Director of the Division of Legislative Services, and the clerks of the State Senate and House of Delegates; (b) any local officer as defined in paragraph (21) of this section; (c) any employee of a political subdivision of the Commonwealth; (d) any State police officer of the Department of State Police; (e) any Executive Secretary of the Supreme Court assuming such position between December one, nineteen hundred seventy-five and January thirty-one, nineteen hundred seventy-six; or (f) any magistrate, with the exception of those magistrates certified to be serving on a regular full-time basis by the Committee on District Courts pursuant to § 14.1-44.2:1;

(6) “Employee” means any teacher, State employee, officer or employee of a locality participating in the retirement system as provided in article 4 (§ 51-111.31 et seq.), or any employee of a corporation participating in the retirement system as provided in article 4.1 (§ 51-111.38:1 et seq.);

(7) “Employer” means Commonwealth, in the case of a State employee, the local public school board in the case of a public school teacher, or the locality, or corporation participating in the retirement system as provided in articles 4 (§ 51-111.31 et seq.) and 4.1 (§ 51-111.38:1 et seq.);

(8) “Member” means any person included in the membership of the retirement system as provided in § 51-111.27 or elsewhere in this chapter; such term shall include any member of the General Assembly serving in such capacity on January one, nineteen hundred seventy-two, regardless of age;

(9) “Service” means service as an employee;

(10) “Prior service” means service as an employee rendered prior to the date of establishment of the retirement system for which credit is allowable under §§ 51-111.39 to 51-111.41:1, 51-111.63 and 51-111.64 or service as an employee for such periods as provided in § 51-111.32, or service as a clerk or employee of a district court for which credit is allowed under § 51-111.10:1;

(11) “Membership service” means service as an employee rendered while a contributing member of the retirement system except as provided in §§ 51-111.41:1, 51-111.45, 51-111.57, 51-111.63

and 51-111.64;

(12) "Creditable service" means prior service plus membership service for which credit is allowable under this chapter;

(13) "Beneficiary" means any person entitled to receive benefits under this chapter;

(14) "Accumulated contributions" means the sum of all amounts deducted from the compensation of a member and credited to his individual account in the members' contribution account, together with interest credited on such amounts and also any other amounts he shall have contributed or transferred thereto including interest credited thereon as provided in §§ 51-111.41:1 and 51-111.49;

(15) "Creditable compensation" means the full compensation payable annually to an employee working the full working time for his covered position *including any member contributions paid and assumed by an employer pursuant to § 51-111.46 (h)*. In cases where compensation includes maintenance or other perquisites, the Board shall fix the value of that part of the compensation not paid in money; provided that for the purposes of this chapter remuneration received by members of the General Assembly, including all amounts paid to such members in the year nineteen hundred seventy-seven, and subsequent calendar years as per diem and monthly expense allowances shall be deemed creditable compensation;

(16) "Average final compensation" means the average annual creditable compensation of a member during his thirty-six highest consecutive months of creditable service, excluding the creditable compensation assumed to have been received for purposes of purchasing service under the provisions of §§ 51-111.41:1 or 51-111.41:4, or during the entire period of his creditable service if less than thirty-six months; provided, however, that if an employee receives increases in compensation in the last four years of service, not related to promotion, which exceed the average increase received by other employees of the same employer holding comparable positions, or which, in case there are no comparable positions, exceed the average percentage increase received by all other employees of the same employer, it shall deduct such excess in computing average final compensation if the Board finds after consideration of all circumstances that the primary purpose of such salary increase was given solely to increase the retirement benefit of such employees;

(17) "Retirement allowance" means the retirement payments to which a member is entitled as provided in this chapter;

(18) "Actuarial equivalent" means a benefit of equal value when computed upon the basis of such actuarial tables as are adopted by the Board;

(19) "Normal retirement date" means a member's sixty-fifth birthday;

(20) "Abolished system" means the Virginia Retirement Act, §§ 51-30 to 51-111, repealed by chapter 1 of the Acts of Assembly of 1952 as of February one, nineteen hundred fifty-two;

(21) "Local officer" means the treasurer, commissioner of the revenue, Commonwealth's attorney, clerk of a circuit court, sheriff, or constable, of any county or city, or his deputy or employee; and

(22) "Primary social security benefit" means, with respect to any member, the primary insurance amount to which the member is entitled, for old age or disability, as the case may be, pursuant to the provisions of the federal Social Security Act as in effect at his date of retirement, under the provisions of this chapter except as otherwise specifically provided; provided, however, in any case in which the amount of a member's primary old age social security benefit at a date subsequent to such member's date of retirement is pertinent to the computation of benefits under this chapter other than under § 51-111.60:4, the amount of such social security benefit shall be computed as of the date of retirement of the member under the assumption that thereafter the member would have no earnings that would be considered as "wages" for the purposes of the federal Social Security Act.

§ 51-111.46. Member contributions.—(a) Each member shall contribute for each pay period for which he receives compensation prior to September one, nineteen hundred seventy-four, five and one-half per centum of his creditable compensation minus twelve hundred dollars and thereafter five

per centum of his creditable compensation.

(b) The Comptroller, in the case of all State employees paid by warrants on the State Treasurer, or, in the case of any other State employee, the department, institution or agency by which the salary is paid, or the employer in the case of teachers and other employees shall cause to be deducted from the salary of each member for each and every payroll period subsequent to the date of establishment of the retirement system, the contribution payable by such member as provided in this chapter, but in no case shall any deduction be made from the compensation of a member after his normal retirement date if such member elects not to contribute.

(c) In determining the creditable compensation of a member in a payroll period, whether semimonthly or monthly, the Board may consider the rate of compensation payable to such member on the date of entry or removal of name from payroll as having been received throughout the month if service for the month is creditable. If service for the month is not creditable, the Board may consider any compensation payable during the month as not being creditable compensation.

(d) The deductions provided for herein shall be made notwithstanding that the minimum compensation provided by law for any member shall be reduced thereby. Every member shall be deemed to consent and agree to the deductions made as provided herein; and payment of salary or compensation less such deductions shall be a full and complete discharge of all claims for services rendered by such person during the period covered by such payment, except as to any benefits provided by this chapter.

(e) Notwithstanding any other provisions of this section, no deduction shall be made from any member's compensation if the employer's contribution required hereunder is in default.

(f) Any member who was a former member of the abolished system and who transferred his accumulated contributions to the retirement system as provided in § 51-111.41 and who has not withdrawn such contributions may at the time of filing his notice of retirement deposit in his account in the members' contribution account by a single payment such amount as will increase his total retirement allowance to an amount not greater than the largest amount obtainable under the applicable provisions of subsection (e) of § 51-111.55.

(g) The Board may modify the method of collecting the contributions of members so that the employers, departments, institutions and agencies required to remit to the State Treasurer as provided in subsection (b) of this section may retain the amounts deducted by them from members' salaries and have a corresponding amount deducted from State funds otherwise payable to them.

~~(h) Notwithstanding the provisions of this section, any employer may, after June thirty, nineteen hundred seventy six, elect to pay an equivalent amount in lieu of all member contributions required of its employees hereunder. Such payments shall be credited to the retirement allowance account and shall not be considered member contributions for purposes of §§ 51-111.58, 51-111.58:1, 51-111.59, 51-111.62 and 51-111.64; nor shall they be considered wages for purposes of Chapter 3-1 (§ 51-111-1 et seq.) of this title, nor shall they be considered to be compensation for purposes of chapter 3-2 (§ 51-111.9 et seq.) of this title. Any employer may by action of its governing body elect to assume and pay all the member contributions otherwise required of its employees under this chapter for a period of time determined by such governing body. Such member contributions shall be computed and paid as otherwise provided by this chapter, and shall be made in addition to all other obligations imposed on the employer pursuant to this chapter. Such contributions shall be credited to the members' contribution account, and shall constitute member contributions for purposes of this chapter.~~

A BILL to amend and reenact §§ 2.1-328 and 51-111.24 of the Code of Virginia; to further amend the Code of Virginia by adding sections numbered 51-111.24:1 through 51-111.24:8; and to repeal §§ 51-111.52:2, 51-111.52:4, and 51-111.52:5 of the Code of Virginia, the amended, added and repealed sections relating to investments of the Virginia Supplemental Retirement System.

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.1-328 and 51-111.24 of the Code of Virginia are amended and reenacted and that the Code of Virginia is further amended by adding sections numbered 51-111.24:1 through 51-111.24:8 as follows:

§ 2.1-328. Legal investments for other public funds.—The Commonwealth, all public officers, municipal corporations, political subdivisions and all public bodies of the Commonwealth may properly and legally invest any and all moneys or other funds belonging to them or within their control other than sinking funds in securities that are legal investments for fiduciaries under the provisions of clauses (1), (2), (3), (4), (5) and (24) of § 26-40 of the Code of Virginia, but this section shall not apply to retirement funds to be invested pursuant to § ~~51-76~~ §§ 51-111.24 through 51-111.24:8 .

§ 51-111.24. Board as trustee of funds; investments; liability for losses.—(a) The Board shall be the trustee of the several funds created by this chapter and of those resulting from the abolition of the Virginia Retirement System, and shall have full power to invest and reinvest such funds, subject to the limitation that no investment shall be made except, upon the exercise of bona fide discretion, in securities permitted for the investment of reserves of domestic life insurance companies, and common and preferred stocks, limited to forty per centum of total trust fund investments based on cost, such as fiduciaries may invest in under the statutory and common law of the State by this chapter . The Board may also, in its discretion, invest such trust funds in first deeds of trust on residential real property limited to twenty per centum of total trust fund investments based on cost. Subject to such limitations, the Board shall have full power to hold, purchase, sell , *except as limited by § 2.1-187 of the Code of Virginia* , assign, transfer or dispose of, any of the securities or investments in which any of the funds created herein have been invested, as well as of the proceeds of such investments and any moneys belonging to such funds. The Board may also, in its discretion, invest such trust funds in bonds, notes and other evidences of debt of the school boards of the several counties, cities and towns of the State held in the Literary Fund evidencing loans made from such Literary Fund by the State Board of Education pursuant to the provisions of §§ 22-101 to 22-113 and the State Board of Education is hereby authorized to assign such bonds, notes and other evidences of debt to the Board whenever the Board desires to invest any of such trust funds therein and the State Board of Education consents thereto; and when such bonds, notes or other evidences of debt are so acquired by the Board the same may not be sold or otherwise disposed of except to a State governmental agency.

(b) [Repealed.]

(c) The Board shall have power to borrow money from time to time in such amounts as may be necessary to discharge current obligations under this chapter whenever in its judgment by so doing it would be more advantageous than by selling securities held by the retirement system. Any debt so incurred may be evidenced by notes duly authorized by resolution of the Board, but in no case is the due date of any note, notes or other evidence of debt to be beyond the end of the biennium succeeding the biennium in which such debt is incurred. Securities held by the retirement system may be hypothecated by the Board as security for the payment of any debt incurred under this section.

(d) The Board is specifically authorized, subject to and in conformity with the provisions of chapter 6 (§ 15.1-228 et seq.) of Title 15.1 of the Code of Virginia, as amended, to contract with the school boards of the several counties and cities to lend them money belonging to the several funds administered by the Board and in hand for investment, for capital projects for school purposes in such counties and cities. *The Board is further authorized to invest in bonds issued by the Virginia Education Loan Authority in conformity with the provisions of Chapter 4.3 (§ 23-38.30 et seq.) of Title 23 of the Code of Virginia.*

(e) The Board upon appropriate resolution may loan or invest not more than the aggregate of five per centum of total trust fund investments based on cost and described in ~~subsection (a) of this section~~ *chapter* in obligations not otherwise permitted under this ~~section~~ *chapter* . In the event an obligation is determined subsequent to acquisition to be qualified as an investment under ~~subsection (a) of this section~~ *this chapter other than under this subsection* , the Board may consider the investment as held under ~~the such other~~ applicable provisions of ~~subsection (a) of this section~~ *this chapter* and such investment shall no longer be considered as having been made under this subsection.

(f) The Board shall have the power, with the approval of the Governor, to invest in real estate to be held as a nonrevenue producing asset and used by the retirement system for administrative offices.

(g) The Board shall have the power, on request of the Governor or the General Assembly, to make investments in real estate in accordance with §§ ~~51-111.52:4~~ *51-111.24:6* and ~~51-111.52:5~~ *51-111.24:7* of the Code of Virginia. Total investment in such property under the authority of this paragraph shall not exceed one hundred million dollars.

(h) No member of the Board shall be personally liable for losses suffered by the retirement system on investments made under the authority of this ~~section~~ *chapter* .

§ 51-111.24:1. Certain investments specifically authorized.—The Board is specifically authorized to invest in the following securities and other investments, which are and shall be considered lawful investments:

1. United States obligations.—The Board may invest its trust funds in bonds, notes, warrants and other securities which are direct obligations of the United States of America, or any agency or instrumentality thereof, or for which the full faith and credit of the United States of America, or any agency or instrumentality thereof, is pledged for the payment of principal and interest.

2. Canadian obligations.—The Board may invest not more than ten per centum of its trust funds in the bonds, notes, warrants or other securities of the Dominion of Canada or of any province thereof, or of any municipality in the Dominion of Canada having a population of at least one hundred thousand, or in any bonds fully guaranteed as to payment of principal and interest by the Dominion of Canada or any province thereof, if such bonds are payable both as to principal and interest in lawful money of the United States or of the Dominion of Canada, if they are rated "A" by at least two nationally recognized rating agencies, and if within the seven years immediately preceding the date of the proposed investment there has been no default on the part of the issuing governmental unit in the payment of principal or interest of any of its bonds or other securities.

3. Securities of International Bank.—The Board may invest not more than five per centum of its trust funds in obligations issued, assumed or guaranteed by the International Bank for Reconstruction and Development,

4. Securities of Inter-American Development Bank.—The Board may invest not more than five per centum of its trust funds in obligations issued, assumed or guaranteed by the Inter-American Development Bank.

5. Obligations of Asian Development Bank.—The Board may invest not more than five per centum of its trust funds in obligations issued, assumed or guaranteed by the Asian Development Bank.

6. Transportation equipment trust certificates.—The Board may invest not more than ten per centum of its trust funds in adequately secured equipment trust certificates or other adequately secured instruments evidencing an interest in transportation equipment wholly or partly within the United States, and a right to receive determined portions of rental, purchase or other fixed obligatory payments for the use or purchase of such transportation equipment.

7. Securities of corporations.—The Board may invest its trust funds in interest-bearing bonds or other evidences of indebtedness of any solvent company, which is incorporated under the laws of the United States or any state thereof, or the Dominion of Canada or any province thereof, if:

a. Such corporation has not during any time within seven years next preceding such investment defaulted in the payment of interest on such bonds; and

b. For each of the seven fiscal years preceding such investment the net annual income of such corporation, before interest charges but after taxes, excluding United States and State corporate income taxes, and after deducting proper charges for replacements, depreciation and obsolescence, has been at least two times the total annual interest charges, or in the case of the issuance of new bonds, such net annual income for the seven years preceding such investment has been at least two times the pro forma annual total interest; and

c. Such bonds are payable both as to principal and interest in lawful money of the United States.

8. Notes and bonds of the Virginia Housing Development Authority.—The Board may invest its trust funds in notes and bonds issued by the Virginia Housing Development Authority in conformity with the provisions of Chapter 1.2 of Title 36 of the Code of Virginia.

9. Investments that cease to be eligible may be retained.—Investments made under the provisions of this chapter, if in conformity with the requirements of such chapter at the time such investments were made, may be retained even though they cease to be eligible for purchase under the provisions of such chapter, unless the exercise of reasonable care requires the sale or other disposition of such investments.

§ 51-111.24:2. Standard of judgment and care required; authorized investments.—Except with respect to the securities described in this chapter, in acquiring, investing, reinvesting, exchanging, retaining, selling and managing property for the benefit of the fund, the Board shall exercise the judgment of care under the circumstances then prevailing, which men of prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. Within the limitations of the foregoing standard, the Board is authorized to acquire and retain every kind of property and every kind of investment, specifically including but not by way of limitation, debentures and other corporate obligations, and common or preferred stocks limited to fifty per centum of total trust fund investments based on cost, and securities of any open-end or closed-end management type investment company or investment trust registered under the Federal Investment Company Act of 1940, as amended, which men of prudence, discretion and intelligence acquire or retain for their own account; and within the limitations of the foregoing standard, the Board may retain property properly acquired, without limitation as to time and without regard to its suitability for original purchase.

§ 51-111.24:3. Investment of trust funds in prime quality commercial paper.—The Board may properly and legally invest not more than thirty-five per centum of those trust funds designated for investment in securities with maturities of less than two years in prime quality commercial paper, with a maturity of two hundred seventy days or less, of issuing corporations organized under the laws of the United States, or of any state thereof including paper issued by banks and bank holding companies. “Prime quality” shall be as rated by the Moody’s Investors Service, Inc., within its NCO/Moody’s ratings of prime 1 or prime 2 or by Standard & Poor’s Inc., within its ratings of A-1 or A-2, or by Fitch Investors Service within its ratings of F-1 and F-2, or by their corporate successors; provided, however, that at the time of any such investment:

1. The issuer, or parent company in the case of paper issued by finance subsidiaries, excluding banks, bank holding companies and companies engaged in the business of furnishing public electricity or telephone service, has a ratio of current assets to current liabilities, including that portion of long-term debt maturing within one year, of at least one and one half to one; except that, if the issuer or parent company has total assets of at least two hundred fifty million dollars, such ratio is at least one and one fourth to one; and

2. The issuing corporation has a net worth of at least fifty million dollars; and

3. The net income of the issuing corporation has averaged at least three million dollars per year for the previous five years; and

4. All existing senior bonded indebtedness of the issuer is rated “AA” or better by at least two

of either Moody's Investors Service, Inc., Standard & Poor's Inc., or Fitch Investors Service.

The Board shall select and approve, with such other restrictions as it may deem advisable, the commercial paper of issuing corporations which are otherwise qualified under this section and no investment shall be made unless such commercial paper has been approved by the Board and such approval has not been withdrawn as of the date of the investment.

§ 51-111.24:4. Deposit of public funds not an investment; authorized deposits.—The Board may authorize the deposit of trust funds in interest-bearing time deposits and certificates of deposit of national banks located within this State and of banks organized pursuant to Chapter 2 (§ 6.1-3 et seq.) of Title 6.1 and of savings and loan associations which are under State supervision, and of federal associations located in this State and organized under the laws of the United States and under federal supervision; provided that such deposit shall not be considered investment of such trust funds for the purposes of this chapter. Deposit of such funds in demand and time deposits and in certificates of deposits of national banks located within this State and of banks organized pursuant to Chapter 2 of Title 6.1 is hereby authorized, provided that such deposits are secured as provided by law, and further provided that no such deposit shall be made for any one period in excess of one year. Deposit of such trust funds in savings accounts and certificates of savings and loan associations which are under State supervision, and of federal associations located in this State and organized under the laws of the United States and under federal supervision is hereby authorized; provided that such deposits shall not exceed the amount insured by the Federal Savings and Loan Insurance Corporation, a corporation created pursuant to an act of Congress of the United States, approved June twenty-seven, nineteen hundred thirty-four, and known as the National Housing Act, and amendments thereto, unless such deposits in excess of the amount insured shall be fully collateralized by eligible collateral as defined in § 2.1-360 (e) of this Code; and further provided, that no such deposit shall be made for any one period in excess of one year.

§ 51-111.24:5. Investment in certain port facilities.—A. Whenever the Governor shall be of the opinion that there is a need for additional port facilities and has received an opinion that such need exists from the Virginia Port Authority, he may, with the concurrence of the Authority, approve a suitable site or sites owned by the Commonwealth, the Authority or any local port authority created by the General Assembly on which a port facility may be constructed or addition or additions may be made to an existing facility, and the Governor or Authority or local port authority may, without rent and for a period not to exceed ninety-nine years, lease such site or sites to the Virginia Supplemental Retirement System, hereinafter referred to as the System. Any such lease may be made subject and subordinate to any pledge, lien, encumbrance or contractual obligation then in force, respecting the site or sites thus leased, securing bonds issued by the Authority or local port authority.

B. The System is authorized to construct on such site or sites that may be leased to it, in conformity with plans and specifications approved by the Authority, one or more port facilities or addition or additions thereto. The amount that may be invested by the System for that purpose shall not exceed fifteen million dollars.

C. The Authority or local port authority shall pay to the System from any funds lawfully made available therefor, including revenues derived from the respective facility or facilities and appropriations from time to time made by the General Assembly, an annual rental in an amount to be determined by the Board, such rental to be fixed and adjusted in respect to the total investment of the System in such facility or facilities so as to provide a rental income to the System sufficient to restore to it the total investment in such facility or facilities within a period not exceeding twenty years from the time such facility or facilities are completed and are suitable for occupancy, and also to provide to the System annual interest charges at the prevailing rate of interest on the unpaid balance of the total investment of the System in such facility or facilities as such unpaid balance shall appear from time to time.

D. "Total investment," as used in this section, shall include loss of income to the System upon construction costs incurred during the erection of such facility or facilities. Whenever the System has recovered the amount of its total investment in such facility or facilities and the interest thereon, the lease for such site or sites shall thereupon terminate and the real estate and the improvements thereon shall thereupon revert to and be the property of the Commonwealth, Authority or local port authority, free from the provisions of such lease.

E. The Board shall not at any time be responsible for the maintenance and operation of such facility or facilities that it may construct under the provisions of this section.

F. The Authority, or any local port authority with the approval of the Authority, and the Board are authorized to enter into contractual arrangements for financing additional port facilities upon such terms and conditions as are mutually satisfactory, and pursuant thereto the System and the Authority, or any such local port authority, may agree as to the construction, ownership or leasing of any such facilities by the system or the Authority, or any such local port authority, or any combination thereof, and said Authority, or any such local port authority may issue its bonds under applicable law to pay the cost of any part of such facilities.

§ 51-111.24:6. Investment in sites and buildings for occupancy by State agencies.—A. Whenever the Governor shall be of the opinion that there is a need for additional space for the use of agencies of the State, he may, with the approval of the Virginia Public Buildings Commission, select a suitable site or sites, whether improved or unimproved and, on behalf of the Commonwealth, request the Board to purchase such site or sites, if not owned by the Commonwealth, including buildings and improvements thereon, for lease to the Commonwealth. If such site is owned by the Commonwealth, the Governor may, on behalf of the Commonwealth, lease such site or sites without rent and for a period not to exceed ninety-nine years to the retirement system.

B. The Board is authorized to purchase such site or sites, if not owned by the Commonwealth, including buildings and improvements thereon, and also to construct thereon, in conformity with plans and specifications approved by the Division of Engineering and Buildings, one or more buildings for the use and occupancy of such State agencies as the Governor may select as set forth herein and under the same terms and conditions an addition or additions or improvements may be made to an existing building or buildings situated thereon. The amount that may be invested by the retirement system for such purpose shall not exceed the amount specified in subsection (g) of § 51-111.24.

C. The Division of Engineering and Buildings, out of appropriations made to it for such purpose, shall pay to the retirement system an annual rental in an amount to be determined by the Board, such rental to be fixed and adjusted in respect to the total investment of the retirement system in such site or sites and improvements thereon so as to provide a rental income to the retirement system sufficient to restore to it the total investment in such property within a period not exceeding twenty years from the time such site or sites are first made available for occupancy by State agencies, and also to provide to the retirement system annual interest charges at the prevailing rate of interest on the unpaid balance of the total investment of the Board in such property as such unpaid balance shall appear from time to time.

D. "Total investment," as used in this section, and subsection (g) of § 51-111.24, shall include loss of income to the retirement system upon construction costs incurred during the improvement of such site or sites or buildings situated thereon. Whenever the retirement system has recovered the amount of its total investment in such property, and the interest thereon, the lease for such site or sites shall thereupon terminate and the title to the real estate and the improvements thereon shall thereupon pass to and vest in the Commonwealth, free from provisions of such lease.

E. The Board shall not at any time be responsible for the maintenance and operation of such building or buildings that it may purchase or construct under the provisions of this section.

§ 51-111.24:7. Investment in sites and buildings for use of General Assembly and State agencies.—A. Whenever a majority of the members of the Committees on Rules of the House of Delegates and the Senate, acting in concert, shall be of the opinion that there is a need for additional space for the use of the General Assembly or agencies of the State, such Committees may select a suitable site or sites, whether improved or unimproved, and with the approval of the General Assembly as evidenced by a joint resolution thereof, may, on behalf of the Commonwealth, request the Board to purchase such site or sites, including buildings and improvements thereon, if any, for lease to the Commonwealth, or to finance improvements thereto, or may seek such other means of acquiring or improving such site or sites, including the financing thereof, all as the same may be authorized by the aforesaid joint resolution.

B. With the acquisition of any such site or sites, including buildings and improvements thereon,

if any, the Committees on Rules of the House of Delegates and of the Senate may cause to be constructed thereon one or more buildings for the use and occupancy of the General Assembly or such State agencies as such Committees may select and under the same terms and conditions, any additions or improvements may be made, and furniture and furnishings supplied, to an existing building or buildings situated thereon. Such funds as may be required preliminary to acquisition of, construction on, or alteration in real property for which expenditures are to be made, may be authorized pursuant to this section subject to the provisions of the resolution referred to in paragraph A. of this section. The amount that may be invested by the Virginia Supplemental Retirement System or such other source of financing as may be selected for any such purpose shall not exceed such amount as is specified in such resolution.

C. If the financing as provided in the foregoing be made through arrangement with the Board, then the Division of Engineering and Buildings, out of the appropriations made to it for such purpose, shall pay to the Board an annual rental in an amount to be determined by the retirement system, such rental to be fixed and adjusted in respect to the total investment of the retirement system in such site or sites and improvements thereon so as to provide a rental income to the Board sufficient to restore to it the total investment in such property within a period not exceeding twenty years from the time such site or sites are first made available for occupancy by the General Assembly or State agencies, and also to provide to the retirement system the annual interest charges at the prevailing rate of interest on the unpaid balance of the total investment of the retirement system in such property as such unpaid balance shall appear from time to time. If financing shall be arranged through other sources, the Division of Engineering and Buildings, out of appropriations made to it for such purpose, shall repay any such obligations incurred in accordance with their terms and conditions as all of the provisions of this subsection shall be approved in the resolution referred to in paragraph A. of this section.

D. If the financing as provided in the foregoing shall be made through arrangement with the Board then total investment, as used in this section, in addition to expenditures required by paragraph B. hereof, shall include loss of income to the retirement system upon construction costs incurred during the improvement of such site or sites or buildings situated thereon. Whenever the retirement system has recovered the amount of its total investment in such property, and the interest thereon, the lease for any such property or sites shall thereupon terminate and the title, if not already vested in the Commonwealth, to the real estate and the improvements thereon shall thereupon pass to and vest in the Commonwealth, free from the provisions of such lease. The Board shall not at any time be responsible for the maintenance and operation of such building or buildings that it may purchase or construct under the provisions of this section.

E. The Committees on Rules of the House of Delegates and the Senate shall be charged with the responsibility for signing all agreements for facilities for the legislature and other State agencies and shall seek the advice of the Division of Engineering and Buildings in the preparation and implementation of such agreements. The Speaker of the House of Delegates and the President pro tempore of the Senate shall sign all documents and carry out all of the policies approved jointly by such Committees and they shall be charged with the general supervision of the legislative facilities under the direction of such Committees.

F. Notwithstanding any other provision of law, whenever any site or property is purchased or improved by the Virginia Supplemental Retirement System pursuant to § 51-111.24:6 and such site or property is thereafter taken for the use of the General Assembly, the investment of the Virginia Supplemental Retirement System in such site or property shall in all respects be governed by this section and not by § 51-111.24:6.

G. This section shall apply also, mutatis mutandis, to construction of new or improvement of existing buildings for legislative use in the event that title to any real estate involved is previously vested in the Commonwealth or the Virginia Supplemental Retirement System, regardless whether the funds therefor have been heretofore or are hereafter expended.

§ 51-111.24:8. Investment provisions exclusive.—Notwithstanding any other provision of law, investment of trust funds by the Board shall be governed exclusively by §§ 51-111.24 through 51-111.24:7.

2. That §§ 51-111.52:2, 51-111.52:4, and 51-111.52:5 of the Code of Virginia are repealed; provided, however, that all investments made under the authority of §§ 51-111.52:2, 51-111.52:4, and 51-111.52:5

are and shall remain lawful investments and shall be governed by the provisions of §§ 51-111.24:5, 51-111.24:6, and 51-111.24:7, respectively.

A BILL to amend and reenact §§ 51-111.47 and 51-111.55 of the Code of Virginia, relating generally to the Virginia Supplemental Retirement Act.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.47 and 51-111.55 of the Code of Virginia are amended and reenacted as follows:

§ 51-111.47. Employer contributions.—(a) The objective with respect to employer contributions under the retirement system shall be that in the absence of amendments to the system the total annual contribution for each employer, expressed as a percentage of the annual membership payroll, will remain relatively level from year to year. To this end, each employer shall contribute an amount equal to the sum of the “normal contribution,” the “accrued liability contribution,” if any, and the “supplementary contribution,” if any.

(b) The normal contribution for any employer for any period shall be determined as a percentage, equal to the normal contribution rate of the total covered compensation for such period of the members employed by such employer in such period.

(c) The normal contribution rate for any employer shall be determined as the percentage represented by the ratio of (i) the annual normal cost to provide the benefits, other than post-retirement supplements as provided for in § 51-111.60:1, of the retirement system with respect to members employed by such employer, computed in accordance with recognized actuarial principles on the basis of methods and assumptions approved by the Board, in excess of the part thereof provided by such members' contributions, to (ii) the total annual compensation of such members. The normal contribution rate for each employer shall be determined after each valuation and remain in effect until a new valuation is made.

(d) The accrued liability contribution for any employer for any period shall be determined as a percentage, equal to the accrued liability contribution rate, of the total compensation for such period of the members employed by such employer in such period.

(e) The accrued liability contribution rate for any employer shall be a percentage of the total annual compensation of the members employed by such employer, determined so that a continuation of annual contributions by the employer at the same percentage of total annual compensation over a period of forty years will be sufficient to amortize the unfunded accrued liability with respect to such employer, all computed in accordance with recognized actuarial principles on the basis of methods and assumptions approved by the Board. The accrued liability contribution rate for each employer shall be determined after each valuation and shall remain in effect until a new valuation is made.

(f) The unfunded accrued liability with respect to any employer as of any valuation date shall be determined, in accordance with recognized actuarial principles on the basis of methods and assumptions approved by the Board, as the excess of (i) the then present value of the benefits, other than post-retirement supplements as provided for in § 51-111.60:1, to be provided under the retirement system in the future with respect to members employed by such employer and to former members formerly employed by such employer over (ii) the sum of the assets of the retirement system then currently on hand in the members' contribution account with respect to such members and in the employer's retirement allowance account, plus the then present value of the stipulated contributions to be made in the future by such members, plus the then present value of the normal contributions expected to be made in the future by the employer.

(g) The supplementary contribution for any employer for any period shall be determined as a percentage, equal to the supplementary contribution rate, of the total compensation for such period of the members employed by such employer in such period.

(h) The supplementary contribution rate for any employer shall be determined as the percentage represented by the ratio of (i) the average annual amount of post-retirement supplements as provided for in § 51-111.60:1 which it is anticipated will become payable during the period to which the rate will be applicable with respect to former members formerly employed by such employer to

the extent that such benefits are not included in the calculation under paragraphs (c) and (f) , to (ii) the total annual compensation of the members employed by such employer. The supplementary contribution rate for each employer shall be determined after each valuation and shall remain in effect until a new valuation is made.

(i) The Board shall certify to the Comptroller with respect to the contributions to be made by the State, and to each employer contributor other than the State with respect to the contributions to be made by such employer, the applicable normal contribution rate, accrued liability contribution rate and supplementary contribution rate, and any changes made therein from time to time.

(j) If, for any employer contributor, the contributions for any year determined as otherwise provided in this chapter would, in the absence of this provision, be insufficient, when combined with the amount of the retirement allowance account then applicable to such employer, to provide the benefits payable from such account during such year, the employer contribution for such year shall be increased to the extent necessary to overcome such insufficiency.

(k) The appropriation bill which is submitted to the General Assembly by the Governor prior to each regular session that begins in an even-numbered year shall include the contributions which will become due and payable to the retirement allowance account from the State treasury during the biennium next following, based on the contribution rates certified by the Board pursuant to subsection (i) of this section that are applicable to the State as an employer and the anticipated compensation during such biennium of the members of the retirement system on behalf of whom the State is the employer contributor.

(l) In the case of all teachers whose compensation is paid exclusively out of funds derived from local revenues and appropriations from the general fund of the State treasury, and in the case of all State employees whose compensation is paid exclusively by the State out of the general fund of the State treasury, the State shall be the sole contributor, and all such contributions shall be paid out of the general fund. In the case of any teacher whose compensation is paid out of funds derived in whole or in part from any special fund, or from a contributor other than the State or some political subdivision thereof, then in any year, there shall be paid out of the general fund only such proportion of the contributions on behalf of such employee as that part of such employee's compensation paid out of local revenues and funds derived from the general fund for that year bears to his total compensation for that year, and the remainder of such contributions shall be paid out of such special fund or by such other contributor in proportion to that part of the employee's compensation derived therefrom. In the case of a State employee whose compensation is paid in whole or in part out of any special fund, or by any contributor other than the State, then contributions on behalf of such employee in any year shall be paid out of such special fund, or by such other contributor, in proportion to that part of the employee's compensation derived therefrom for that year. The governing body of each county, city and town is hereby authorized to make such appropriations from the funds of such county, city or town as shall be necessary to pay its proportionate share of contributions on account of every State employee whose compensation is paid in part by such county, city or town.

(m) It shall be the policy of the Commonwealth to proceed as rapidly as possible toward a funding of the post-retirement supplements on an actuarially determined level basis, such basis to be achieved by no later than June thirty, nineteen hundred eighty-six. Once that level is reached, the supplements provided for in § 51-111.60:1 will be included in the normal costs calculation of paragraph (c) and the unfunded accrued liability calculation of paragraph (f).

§ 51-111.55. Service retirement allowance.—(a) Retirement allowance. - Upon retirement as provided in § 51-111.53, on or after July one, nineteen hundred ~~seventy eight~~ *eighty-one* , a member shall receive an annual retirement allowance, payable monthly to him for life, subject to the provisions of subsections (f) and (g) of this section, determined in accordance with paragraph (1) or (2), whichever is applicable, and paragraph (3), if applicable:

(1) Normal retirement under § 51-111.53 (a). - An allowance equal to (A) 1.5 per centum of his average final compensation multiplied by his number of years of creditable service, or (B) 1.65 per centum of his average final compensation minus twelve hundred dollars multiplied by his number of years of creditable service, whichever is larger, subject to the provisions of subsection (c) of this section.

(2) Early retirement under § 51-111.53 (b). - An allowance which shall be determined in the same manner as for retirement at his normal retirement date with years of creditable service and average final compensation being determined as of the date of his actual retirement; provided, that if the member either: (A) ~~has not attained his sixtieth birthday~~ *thirty or more years of creditable service* at his date of retirement *but the sum of the number of his completed full years of creditable service plus his attained age in years at his preceding birthday is less than ninety*, or (B) has less than thirty years of service at such date, the amount of the retirement allowance so determined shall be reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date ~~on or after his sixtieth birthday~~ *on which he would have completed a total of his number of years of creditable service would have been thirty years of creditable service or more and the sum of his number of completed full years of creditable service plus his attained age in years at his preceding birthday would have been equal to ninety or more* had he been continuously in service from his date of retirement until such first date.

(3) Additional allowance. - In addition to the allowance payable under paragraph (1) or paragraph (2) of this section, a member shall receive an additional allowance which shall be the actuarial equivalent, for his attained age at time of retirement, of the excess, if any, of his accumulated contributions transferred from the abolished system to the retirement system, including interest credited since such transfer to the date of retirement, over the amount obtained by accumulating at the rate of two per centum compounded annually, annual amounts equal to four per centum of his annual creditable compensation at the date of abolition of the Virginia Retirement System for a period equal to his period of membership in the abolished system and with interest credited at two per centum annually from the date of such transfer to the date of retirement.

(b) [Repealed.]

(c) Normal retirement guarantee. - Subject to the provisions of subsection (e) of this section, the retirement allowance payable upon normal retirement to a former member of the abolished system who transferred his accumulated contributions to the retirement system as provided in § 51-111.41 and who has not withdrawn such contributions prior to retirement shall not be less than the excess, if any, of the service retirement allowance to which the member would have been entitled under the provisions of the abolished system if he had continued contributions in the amount in effect at the date of abolition of such system or, in the case of a member with thirty or more years of creditable service, the larger of such allowance or the minimum retirement allowance excluding post-retirement supplements of the type provided for in § 51-111.60:1, but including increases provided by the General Assembly of Virginia, payable to former members of the abolished system who retired from service with ~~thirty~~, or more years of creditable service under the provisions of the retirement acts in effect prior to March one, nineteen hundred fifty-two, over one half of the annual primary social security benefits under the federal Social Security Act to which the member becomes entitled at his retirement date.

(d) Early retirement guarantee. - Subject to the provisions of subsection (e) of this section, the retirement allowance payable upon early retirement to a former member of the abolished system who transferred his accumulated contributions to the retirement system as provided in § 51-111.41 and who has not withdrawn such contributions prior to retirement, and who would have qualified prior to normal retirement for a service retirement allowance under the abolished system, shall, prior to the member's sixty-fifth birthday, not be less than the service retirement allowance that would have been payable under the provisions of the abolished system, nor after the member's sixty-fifth birthday shall it be less than the excess, if any, of the larger of such allowance or the minimum retirement allowance, excluding post-retirement supplements of the type provided for in § 51-111.60:1, but including increases provided by the General Assembly of Virginia, payable to former members of the abolished system who retired from service under the provisions of the retirement acts in effect prior to March one, nineteen hundred fifty-two, over one-half of the annual primary social security benefits under the federal Social Security Act to which the member becomes entitled at his sixty-fifth birthday, or to which he would have become entitled at such birthday except for having elected to have his social security benefits commence at an earlier date.

(e) Determination of retirement allowance. - For the purposes of subsections (c), (d) and (g) of this section, the retirement allowance shall be determined on the assumption that the retirement allowance is payable to the member alone and that no optional retirement allowance as provided in § 51-111.60 is elected.

(f) Beneficiary serving in position covered by this chapter. - Should a beneficiary of a service retirement allowance under this chapter or the abolished system be at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than chapter 3.1 (§ 51-111.1 et seq.) of this title, his retirement allowance shall cease while so employed.

(g) Maximum retirement allowance. - ~~On and after July one, nineteen hundred seventy-four~~ *The foregoing subsections of this section to the contrary notwithstanding*, no member shall receive a retirement allowance payable ~~hereunder under the provisions of his section~~ which, when added to one half of the primary social security benefit (*computed on an estimated basis and for calculation for any member prior to reaching age sixty-five, computed on an estimated basis, as if the employee remained in active employment until age sixty-five at such member's most recent salary*) to which he is or would be entitled at his sixty-fifth birthday under federal law, will be in excess of *sixty-two and five-tenths per centum* of his average final compensation. In no event, however, shall ~~benefits payable for service credited prior to July one, nineteen hundred seventy-four, be less than the benefits that would have been payable had they been calculated under the benefit formula in effect immediately prior to July one, nineteen hundred seventy-four~~ *the application of this subsection have the effect of reducing the member's retirement allowance below the larger of (i) the retirement allowance that would have been payable in the absence of this subsection but based only on the creditable service of the member rendered prior to July one nineteen hundred eighty-one, or (ii) the retirement allowance that would have been payable in the absence of this subsection had the member's creditable compensation for each period of his credited service rendered after June thirty, nineteen hundred eighty-one been at the same annual rate as in effect on such date.*

(h) Contribution refund.—*Any member whose retirement allowance hereunder is reduced through the application of subsection (g) of this section shall receive at his date of retirement, in addition to the retirement allowance provided in this article, a single payment out of his accumulated contributions. The amount of such payment shall be the sum of (i) that portion of such member's total contributions without interest determined by applying a factor equal to a fraction wherein the numerator is the benefit provided by § 51-111.55(a) less the benefit resulting from the application of § 51-111.55(g) and the denominator is the benefit provided by § 51-111.55(a), and (ii) interest on such refundable contributions determined as if interest had been credited at a rate for each fiscal year since the date each refundable contribution was made determined by the Board to approximate the actual investment yield, less (iii) a reasonable amount as estimated by the Board to equal the cost of administration of such account.*

2. That the provisions of this act shall be effective on and after July one, nineteen hundred eighty-one.

A BILL to amend and reenact § 51-174.1 of the Code of Virginia, providing post-retirement supplements for Assistant Attorneys General, certain Clerks and for the beneficiaries of any such persons.

Be it enacted by the General Assembly of Virginia:

1. That § 51-174.1 of the Code of Virginia is amended and reenacted as follows:

§ 51-174.1. Post-retirement supplements.—In addition to the allowances payable under §§ 51-168, 51-170, 51-171 and 51-173 of this chapter, post-retirement supplements shall be payable in accordance with the provisions of § 51-111.60:1; provided, however, that the amounts of post-retirement supplements shall be determined initially as of July one, nineteen hundred seventy-four; and provided, further, that the supplements shall be payable to judges , *Assistant Attorneys General and Clerks of the Senate and House of Delegates, and to the beneficiaries of any such persons*, retired under the provisions of any of the previous systems as they may have existed immediately prior to July one, nineteen hundred seventy or pursuant to the third enactment of Chapter 779, 1970 Acts of Assembly .

2. That an emergency exists and this act is in force from its passage and shall apply to all persons added by this amendment who retired on or after July one, nineteen hundred seventy or are beneficiaries of such persons so retiring on or after such date.

A BILL to amend and reenact §§ 51-111.54, 51-111.67:2, 51-111.67:4 and 51-111.67:5 of the Code of Virginia, eliminating the sixty-five year old mandatory retirement age requirement under the Virginia Supplemental Retirement Act and providing exceptions thereto and conforming the provisions for group insurance to such changes.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.54, 51-111.67:2, 51-111.67:4 and 51-111.67:5 of the Code of Virginia are amended and reenacted as follows:

§ 51-111.54. Retirement on attaining seventy years of age.— *A.* Any State employee or teacher, both as defined in § 51-111.10, who attains seventy years of age shall be retired forthwith; ~~provided that the employer may provide for the compulsory retirement of his employees at any age from sixty-five to seventy; and~~ provided that, upon the request of his employer in the case of a teacher, or the head of the department, institution or agency by which he is employed, in the case of a State employee, he may remain in service not longer than the last day of the fiscal year during which he attains seventy years of age; and provided further, that this section shall not apply to any State employee (a) who is appointed by the Governor or appointed by the Attorney General as an assistant Attorney General; or elected by the joint vote of the two houses of the General Assembly for the term of four years; or who is a physician employed by the Department of Mental Health and Mental Retardation, if his retention in service is approved by the Commissioner of Mental Health and Mental Retardation, or (b) who is the clerk or deputy clerk of a court or (c) who is a member of the General Assembly or other State officer elected by the people. Notwithstanding the foregoing provisions, the Governor may, in his discretion, in the case of a State employee appointed by him who has attained the age of seventy years, retain him in service as a consultant if in the opinion of the Governor he has by reason of long service and experience become specially fitted to perform duties essential to the administration of the affairs of the State. The salary of any such consultant shall be fixed by the Governor.

B. Notwithstanding the provisions of subsection A., the employer of any State employee serving under a contract of unlimited tenure or similar arrangement at an institution of higher education, including any employee who has elected not to participate in the retirement system under § 51-111.28, may provide for the compulsory retirement of such employee at any age from sixty-five to seventy until July one, nineteen hundred eighty-two; provided further, that any employer and if the Commonwealth, any agency thereof, may provide for compulsory retirement prior to age seventy when age is a bona fide occupational qualification reasonably necessary to the normal operation of the particular business.

§ 51-111.67:2. Eligible employees and officers.—Elected and appointed employees who are eligible to participate in the group insurance provided for by this article are the following, provided if first employed or reemployed after ~~June twenty-seventh~~ *January one*, nineteen hundred ~~sixty~~ *seventy-nine*, age ~~sixty~~ *seventy* has not been attained:

- (1) Teachers, as defined § 51-111.10 subject to the provisions of paragraph (4) of this section.
- (2) State employees, as defined in § 51-111.10, and in addition thereto any member of the State Police Officers Retirement or Judicial Retirement Systems established in chapters 6 (§ 51-143 et seq.) and 7 (§ 51-160 et seq.) of this title.
- (3) (a) Regular full-time employees of a political subdivision participating in the Virginia Supplemental Retirement System as provided in article 4 (§ 51-111.31 et seq.), chapter 3.2 of Title 51 of the Code of Virginia, and any act amendatory thereof or replacing such statute; provided that any such subdivision may, at any time prior to the effective date of the first group insurance authorized under this article, decline to participate therein, in which event the employees of such political subdivision shall not be deemed eligible for insurance under this article; provided, further, that any such political subdivision so declining to participate therein may, at any time during the two-year period next succeeding the effective date of such first group insurance, elect to participate therein, in which event such employees of such political subdivision shall thereafter become eligible to participate in such group insurance; on and after the expiration of the two-year period next

succeeding the effective date of such first group insurance, the election of any political subdivision so declining to participate therein to thereafter participate shall be subject to the approval of the Board and such employees of such political subdivision shall become eligible to participate in such group insurance on and after the date of such approval by the Board.

(b) Regular full-time employees of a political subdivision first participating in the Virginia Supplemental Retirement System as provided in article 4 (§ 51-111.31 et seq.), chapter 3.2 of Title 51 of the Code of Virginia, after June thirtieth, nineteen hundred sixty-two, may, subject to Board approval participate in the group insurance provided for in this article to the same extent that would have been permitted if the group had been eligible to participate prior to July one, nineteen hundred sixty-two, provided that only employees of such political subdivision who have not attained age ~~sixty~~ *seventy* shall be eligible to participate; and provided further, that seventy-five per centum of such employees eligible to participate in the group insurance program become covered on the effective date of coverage. Limitation of waiver of group life insurance as provided in § 51-111.67:6 shall be in effect for all employees after the effective date of coverage.

(c) Regular full-time employees of a local school board who participate in the pension plan of a local government which provides life insurance for its employees under this chapter.

(4) Regular full-time employees of an educational corporation participating in the Virginia Supplemental Retirement System as provided in article 4.1 (§ 51-111.38:1 et seq.), chapter 3.2 of Title 51 of the Code of Virginia, may, subject to Board approval, participate in the group insurance provided for in this article to the same extent that would have been permitted if the group had been eligible to participate prior to July one, nineteen hundred sixty-two; provided that only employees of such educational corporation who have not attained age ~~sixty~~ *seventy* shall be eligible to participate; and provided further, that seventy-five per centum of such employees eligible to participate in the group insurance program become covered on the effective date of coverage. Limitation of waiver of group life insurance as provided in § 51-111.67:6 shall be in effect for all employees after the effective date of coverage.

§ 51-111.67:4. Amounts of life and accident insurance for each employee; termination of insurance.—(a) Each employee to whom this article applies shall, subject to the terms and conditions thereof, be eligible to be insured for an amount of group life insurance plus an amount of group accidental death and dismemberment insurance each amount equal to twice the amount of his annual compensation, provided that (i) the annual compensation of an employee after having attained age ~~sixty five~~ *seventy* shall, for the purposes of this section, be deemed to be the same amount as his annual compensation upon attaining age ~~sixty five~~ *seventy*; and provided, further, that (ii) where an employee's annual compensation is not an even multiple of one thousand dollars such annual compensation for purposes of this section shall be considered to be the next higher one thousand dollars; and provided further, that (iii) the annual compensation of a member of the General Assembly shall for purposes of this section be his creditable compensation for his last full calendar year of service or his salary under § 14.1-17.1, whichever is greater; and provided further, that (iv) annual compensation for each employee retired for service on an immediate annuity or because of disability on an immediate annuity shall be determined by the Board in accordance with the provisions of § 51-111.10 (16) as used to determine such employee's average final compensation.

With respect to any employee who is reemployed and insured in accordance with the provisions of this article, the foregoing otherwise applicable amount of group life insurance shall be reduced by the amount of insurance provided by any policy of insurance issued under the conversion privilege of any policy issued pursuant to the provisions of this article.

Subject to the conditions and limitations of the policy or policies purchased by the Board under this article, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount Payable
For loss of life	Full amount determined in accordance with the provisions of this section
Loss of one hand or of one foot or loss of sight of one eye	One-half of the amount determined in accordance with the provisions of this section

Loss of two or more such members

Full amount determined in accordance with the provisions of this section.

For any one accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the maximum amount of group accidental death and dismemberment insurance determined in accordance with the applicable schedule or benefit formula of this section.

(b) The amounts of life and accidental death and dismemberment insurance on an employee who remains employed after age sixty-five shall be in the amount set forth in paragraph (a) of this section reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age ~~sixty five~~ *seventy*; but such reduction shall not decrease the amount of insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(c) The amount of life insurance on each employee who, after ~~February~~ *January* one, nineteen hundred ~~seventy one~~ *seventy-nine*, retires (i) for service on an immediate annuity shall be in the amount set forth in paragraph (a) of this section at such employee's age ~~sixty five~~ *seventy* or other lesser age if so retired prior to age ~~sixty five~~ *seventy*, reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age ~~sixty five~~ *seventy* or other lesser age if so retired prior to age ~~sixty five~~ *seventy*, or (ii) because of disability on an immediate annuity shall be in the amount set forth in paragraph (a) of this section on the date the employee last rendered service reduced by an amount equal to two per centum thereof for each full calendar month following the date such employee attains age sixty-five, except if the employee by statute or Board regulation has, pursuant to subsection (f) of this section, been construed to be in service to the beginning of the next school year, the reduction, whether for age or for retirement on an immediate annuity for service or because of disability, shall not apply until the beginning of such next school year. But such reduction shall not decrease the amount of life insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(d) All accidental death and dismemberment insurance on an employee shall cease upon the earliest of (i) his separation from service, (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay as the case may be, or (iv) his retirement.

(e) Except in case of retirement on an immediate annuity for service or disability, all life insurance on an employee shall cease upon the earliest of (i) his separation from service, or (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, or, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay, as the case may be, subject, in any such case, to a temporary extension of such life insurance for thirty-one days and to the right of the employee exercisable within such thirty-one days to convert his life insurance into an individual policy of life insurance (without disability or other supplementary benefits) in any one of the forms, except term insurance, then customarily issued by the insuring company, in an amount not exceeding the amount of his life insurance under such group insurance policy at the time of cessation thereof, without evidence of insurability and at the premium applicable to the class of risk to which he belongs and to the form and amount of such individual policy at his then attained age, provided application therefor and payment of the first premium thereon shall be made to the issuing company within such thirty-one days.

The amount of life insurance on each insured employee who retired subsequent to June twenty-five, nineteen hundred seventy, but prior to February one, nineteen hundred seventy-one, shall be the larger of (1) an amount determined in accordance with the provisions of this article as it existed on the effective date of his retirement, or of (2) an amount determined in accordance with the present provisions of this article as if it had been in effect on the effective date of his retirement and also, if retirement occurred after attaining age sixty-five, at the time he attained age

sixty-five.

The amount of life insurance on each insured employee who retired prior to ~~June twenty six~~ *January one*, nineteen hundred ~~seventy~~ *seventy-nine*, shall be determined under the provisions of this article as it existed on the effective date of *such employee's* retirement.

(f) Each employee of a State institution of higher education or of a local school board who remains in the service of such institution of higher education or local school board until the completion of the school year and who makes contributions required to provide insurance coverage under this article until service normally will be resumed the beginning of the next school year shall, for insurance purposes, be deemed to be in service as an employee through the period to which the payments apply; if during such period such employee is retired for service or disability or attains age ~~sixty five~~ *seventy*, contributions made by the employee, § 51-111.67:5 notwithstanding, shall be accepted and retained as proper.

(g) The preceding provisions of this section and the provisions of § 51-111.67:5 to the contrary notwithstanding, the group life insurance of any member who after attaining age fifty-five retires from service, on an immediate annuity provided by a local retirement system recognized by the Board, will be continued, provided such local retirement system pays the cost necessary to continue such life insurance for all such members so retiring. The amount of such life insurance so continued shall be determined in accordance with subsection (a) of this section until the date on which such member first becomes eligible for an annuity under the Virginia Supplemental Retirement System; on and after that date, provided the member is retired on an annuity under the Virginia Supplemental Retirement System, the amount of such life insurance shall be determined in accordance with subsection (c) of this section as if the member had retired on such date on an immediate annuity.

§ 51-111.67:5. Employee contributions.—Each employee so insured shall contribute to the cost of such life insurance and accidental death and dismemberment insurance an amount to be determined, and within the time specified, by the Board but not to exceed the rate of seventy cents per month for each thousand dollars of such employee's annual compensation, provided that where the amount of annual compensation is not an even multiple of one thousand dollars, annual compensation for the purposes of this section shall be considered to be the next higher one thousand dollars; provided, however, that employees retired for service or disability ~~and employees in service who have attained age sixty five~~ shall not be required to contribute to the cost of their life insurance except as otherwise provided in § 51-111.67:4 (f); and further provided that if an employee is separated from the service of any State institution of higher education or of any local school board prior to completing a school year the premiums paid shall be accepted and retained as proper to date of separation. Nothing contained in this section shall be construed to prohibit any employer from making the contributions required herein for his employees, in whole or in part.

2. That an emergency exists and this act is in force from its passage.

A BILL to amend and reenact § 51-111.60 of the Code of Virginia, providing optional benefits under the Virginia Supplemental Retirement Act.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.60 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.60. Optional benefits.—(a) Each member shall have the right at any time, not subsequent to the later of the effective date of the member's retirement or the date of written notification to the Board of the retirement of the member, to elect to have his retirement allowance payable under one of the options set forth in this section in lieu of the retirement allowance otherwise payable to him upon retirement under any of the provisions of this chapter. The amount of any such optional retirement allowance shall be the actuarial equivalent of the amount of such retirement allowance otherwise payable to him. The member shall make such an election by written request to the Board and such an election shall be subject to the approval of the Board.

(1) Straight life option. - A member may elect to receive an increased retirement allowance in lieu of any death benefits as provided in § 51-111.59.

(2) Joint and last-survivor option. - A member may elect to receive a decreased retirement allowance during his lifetime and have such retirement allowance (or one half thereof if so designated) continued after his death to another person during the lifetime of such person; provided, however, that if the member's retirement is for disability, the election of the retirement allowance to be continued after the member's death shall be limited to one half of the decreased retirement allowance received by the member during his lifetime. In case of such an election death benefits that might otherwise be provided under § 51-111.59 shall not be payable upon the death of the member. This option may not be elected by a member if the social security option of paragraph (a) (3) hereof has previously been elected, nor may it be elected if the other person to whom the allowance is to be continued after the death of the member is not the spouse of the member and the actuarially computed present value of the payments expected to be made to the member is less than one half of the actuarially computed combined present value of the total payments expected to be made to the member and such other person.

(3) Social security option. - If a member retires from service prior to age sixty-five, he may elect to receive an increased retirement allowance up to age sixty-five and a decreased retirement allowance thereafter, thereby providing a more nearly level retirement allowance when such decreased retirement allowance is added to his anticipated primary benefits under the federal Social Security Act. The election of this option shall automatically revoke any previous election under the joint and last-survivor option of paragraph (a) (2) hereof.

(4) Other options. - Some other benefits may be paid either to the member or to such person or persons as he shall elect; provided, however, that the actuarially computed expected duration of the payment of any such benefits shall not exceed the actuarially computed life expectancy of the member and his spouse, if any, and the actuarially computed present value of the payments expected to be made to the member shall be greater than one half of the actuarially computed combined present value of the total payments expected to be made to the member and such other person or persons.

(b) The election by a member of any one of the options stated in this section shall be null and void if the member dies prior to retirement, and the election of a member of the option stated in paragraph (a) (2) hereof shall be null and void if the designated person dies before the member's retirement.

(c) A member who has elected any one of the options stated in this section may, at any time prior to the later of the effective date of the member's retirement or the date of written notification to the Board of retirement of the member, revoke such an election by written notification to the Board.

(d) Notwithstanding any provisions of subsections (a) and (b) of this section to the contrary, a

retired member who has elected the option provided under paragraph (2) of subsection (a) of this section, may, ~~in the event his contingent annuitant predeceases him or a final decree of divorce of the retired member from the contingent annuitant has been entered, and upon his so notifying the Board~~ *by written notification to the Board, revoke such election and*, elect to receive from time of notification either the retirement allowance to which he would have been entitled had no option been elected initially or an allowance actuarially equivalent thereto under a joint and last-survivor option with a different contingent annuitant ; *provided that either (i) the original contingent annuitant has died, or (ii) a final decree of divorce of the retired member from the original contingent annuitant has been entered, or (iii) the written consent of the original contingent annuitant, together with evidence satisfactory to the Board of the good health of the original contingent annuitant, is submitted with the notification* . If the provisions of this subsection are invoked by a retired member on the basis of the member's having been divorced from his contingent annuitant, ~~he must prove to the satisfaction of the Board that the divorce dissolved the marriage of the parties; provided, however, that if and~~ the marriage had been of a duration of twenty years or more, the provisions of this subsection shall not be applicable ~~in the case of the divorce of the member~~ until the death or remarriage of the former spouse *unless such spouse consents in writing to the revocation of the option prior to such death or remarriage* .

A BILL to amend and reenact § 51-111.60 of the Code of Virginia, providing certain optional benefits under the Virginia Supplemental Retirement Act.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.60 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.60. Optional benefits.—(a) Each member shall have the right at any time, not subsequent to the later of the effective date of the member's retirement or the date of written notification to the Board of the retirement of the member, to elect to have his retirement allowance payable under one of the options set forth in this section in lieu of the retirement allowance otherwise payable to him upon retirement under any of the provisions of this chapter. The amount of any such optional retirement allowance shall be the actuarial equivalent of the amount of such retirement allowance otherwise payable to him. The member shall make such an election by written request to the Board and such an election shall be subject to the approval of the Board.

(1) Straight life option. - A member may elect to receive an increased retirement allowance in lieu of any death benefits as provided in § 51-111.59.

(2) Joint and last-survivor option. - A member may elect to receive a decreased retirement allowance during his lifetime and have such retirement allowance (or one half thereof if so designated) continued after his death to another person during the lifetime of such person; provided, however, that if the member's retirement is for disability, the election of the retirement allowance to be continued after the member's death shall be limited to one half of the decreased retirement allowance received by the member during his lifetime. In case of such an election death benefits that might otherwise be provided under § 51-111.59 shall not be payable upon the death of the member. This option may not be elected by a member if the social security option of paragraph (a) (3) hereof has previously been elected, nor may it be elected if the other person to whom the allowance is to be continued after the death of the member is not the spouse of the member and the actuarially computed present value of the payments expected to be made to the member is less than one half of the actuarially computed combined present value of the total payments expected to be made to the member and such other person.

(3) Social security option. - If a member retires from service prior to age sixty-five, he may elect to receive an increased retirement allowance up to age sixty-five and a decreased retirement allowance thereafter, thereby providing a more nearly level retirement allowance when such decreased retirement allowance is added to his anticipated primary benefits under the federal Social Security Act. *In determining the amount of such retirement allowance under this option before the electing retiree reaches the age of sixty-five, the Board may use an estimate of the member's anticipated social security benefit for computing the amount of such retirement allowance.* The election of this option shall automatically revoke any previous election under the joint and last-survivor option of paragraph (a) (2) hereof.

(4) Other options. - Some other benefits may be paid either to the member or to such person or persons as he shall elect; provided, however, that the actuarially computed expected duration of the payment of any such benefits shall not exceed the actuarially computed life expectancy of the member and his spouse, if any, and the actuarially computed present value of the payments expected to be made to the member shall be greater than one half of the actuarially computed combined present value of the total payments expected to be made to the member and such other person or persons.

(b) The election by a member of any one of the options stated in this section shall be null and void if the member dies prior to retirement, and the election of a member of the option stated in paragraph (a) (2) hereof shall be null and void if the designated person dies before the member's retirement.

(c) A member who has elected any one of the options stated in this section may, at any time prior to the later of the effective date of the member's retirement or the date of written notification to the Board of retirement of the member, revoke such an election by written notification to the

Board.

(d) Notwithstanding any provisions of subsections (a) and (b) of this section to the contrary, a retired member who has elected the option provided under paragraph (2) of subsection (a) of this section, may, in the event his contingent annuitant predeceases him or a final decree of divorce of the retired member from the contingent annuitant has been entered, and upon his so notifying the Board, elect to receive from time of notification either the retirement allowance to which he would have been entitled had no option been elected initially or an allowance actuarially equivalent thereto under a joint and last-survivor option with a different contingent annuitant. If the provisions of this subsection are invoked by a retired member on the basis of the member's having been divorced from his contingent annuitant, he must prove to the satisfaction of the Board that the divorce dissolved the marriage of the parties; provided, however, that if the marriage had been of a duration of twenty years or more, the provisions of this subsection shall not be applicable in the case of the divorce of the member until the death or remarriage of the former spouse.

A BILL to amend and reenact §§ 51-111.16 and 51-111.60 of the Code of Virginia, relating to optional benefits under the Virginia Supplemental Retirement Act.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.16 and 51-111.60 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.16. Alteration, amendment or repeal.—(a) The General Assembly reserves the right to alter, amend or repeal any provision of this chapter or any application thereof to any person; provided, however, that the amount of benefits, to the extent provided under subsection (c) of this section, which at the time of any such alteration, amendment or repeal shall have accrued for the members or beneficiaries shall not be affected thereby, and provided, further, that no provision of this chapter shall be altered or amended unless and until the General Assembly has been provided with an actuarial statement as to the immediate and long-term effect that the implementation of such alteration or amendment would have on the State's contribution requirements under § 51-111.47. Unless otherwise specifically stated, legislation which effects a change in the amount of a retirement benefit other than a post-retirement supplement, under this chapter or Chapter 6 (§ 51-143 et seq.) or 7 (§ 51-160 et seq.) of this title shall be construed to affect only the benefits of those persons who ~~retire~~ *qualify for an annuity* on or after the effective date of such legislation.

(b) If the General Assembly repeals the provisions of this chapter, the Board shall continue to administer the retirement system in accordance with the provisions of this chapter for the sole benefit of the then members, any beneficiaries then receiving retirement allowances, and any future persons entitled to receive benefits in accordance with subsection (a) (2) of § 51-111.60 who are designated by any of said members.

(c) In the event of repeal as provided in subsection (b) of this section the assets of the retirement system shall be allocated by the Board in an equitable manner to provide benefits for the persons stated in subsection (b) of this section in accordance with the provisions of this chapter but based on years of creditable service and average final compensation as of the date of repeal and in the following order:

(1) For the benefit of then members to the extent of their individual account in the members' contribution account. If any funds remain, then

(2) For the benefit of then beneficiaries and persons already designated by former members who are then beneficiaries in accordance with subsection (a) (2) of § 51-111.60, to the extent of the then actuarial value of their retirement allowances. If any funds remain, then

(3) For the benefit of members, and persons, if any, designated by them in accordance with subsection (a) (2) of § 51-111.60, to the extent, not provided under (1) above, of the then actuarial value of their accrued future retirement allowances. The allocation under this paragraph (3) shall be the basis of the oldest ages first method.

In the event the assets at such date of repeal are insufficient to provide all of the benefits of (1) and/or (2) above, then the employer will contribute to the assets from time to time, as and when required, the amount necessary to make up such insufficiency.

(d) The allocation of assets of the retirement system provided for in subsection (c) of this section shall be carried out through the payment by the Board of the benefits provided for in this section as they become due, or by the transfer of such assets to any retirement system replacing this retirement system provided that such vesting of benefits as provided by this section shall be fully maintained under such new retirement system. Any funds remaining in the assets of this retirement system after all of the vested benefits provided by this section have been paid shall revert to the general funds.

(e) Any allocation of assets made in accordance with the provisions of this section shall be final and binding on all persons entitled to benefits under said provisions.

§ 51-111.60. Optional benefits.—(a) Each member shall have the right at any time, not subsequent to the later of the effective date of the member's retirement or the date of written notification to the Board of the retirement of the member, to elect to have his retirement allowance payable under one of the options set forth in this section in lieu of the retirement allowance otherwise payable to him upon retirement under any of the provisions of this chapter. The amount of any such optional retirement allowance shall be the actuarial equivalent of the amount of such retirement allowance otherwise payable to him. The member shall make such an election by written request to the Board and such an election shall be subject to the approval of the Board.

(1) Straight life option. - A member may elect to receive an increased retirement allowance in lieu of any death benefits as provided in § 51-111.59.

(2) Joint and last-survivor option. - A member may elect to receive a decreased retirement allowance during his lifetime and have such retirement allowance (or one half thereof if so designated) continued after his death to another person during the lifetime of such person; provided, however, that if the member's retirement is for disability, the election of the retirement allowance to be continued after the member's death shall be limited to one half of the decreased retirement allowance received by the member during his lifetime. In case of such an election death benefits that might otherwise be provided under § 51-111.58:1 (a) and § 51-111.59 shall not be payable upon the death of the member. This option may not be elected by a member if the social security option of paragraph (a) (3) hereof has previously been elected, nor may it be elected if the other person to whom the allowance is to be continued after the death of the member is not the spouse of the member and the actuarially computed present value of the payments expected to be made to the member is less than one half of the actuarially computed combined present value of the total payments expected to be made to the member and such other person.

(3) Social security option. - If a member retires from service prior to age sixty-five, he may elect to receive an increased retirement allowance up to age sixty-five and a decreased retirement allowance thereafter, thereby providing a more nearly level retirement allowance when such decreased retirement allowance is added to his anticipated primary benefits under the federal Social Security Act. The election of this option shall automatically revoke any previous election under the joint and last-survivor option of paragraph (a) (2) hereof.

(4) Other options. - Some other benefits may be paid either to the member or to such person or persons as he shall elect; provided, however, that the actuarially computed expected duration of the payment of any such benefits shall not exceed the actuarially computed life expectancy of the member and his spouse, if any, and the actuarially computed present value of the payments expected to be made to the member shall be greater than one half of the actuarially computed combined present value of the total payments expected to be made to the member and such other person or persons.

(b) The election by a member of any one of the options stated in this section, *except the option stated in paragraph (a) (2)*, shall be null and void if the member dies prior to retirement; ~~and~~. The election of a member of the option stated in paragraph (a) (2) hereof shall be null and void if the designated person dies before the member's retirement.

(c) A member who has elected any one of the options stated in this section may, at any time prior to the later of the effective date of the member's retirement or the date of written notification to the Board of retirement of the member, revoke such an election by written notification to the Board.

(d) Notwithstanding any provisions of subsections (a) and (b) of this section to the contrary, a retired member who has elected the option provided under paragraph (2) of subsection (a) of this section, may, in the event his contingent annuitant predeceases him or a final decree of divorce of the retired member from the contingent annuitant has been entered, and upon his so notifying the Board, elect to receive from time of notification either the retirement allowance to which he would have been entitled had no option been elected initially or an allowance actuarially equivalent thereto under a joint and last-survivor option with a different contingent annuitant. If the provisions of this subsection are invoked by a retired member on the basis of the member's having been divorced from his contingent annuitant, he must prove to the satisfaction of the Board that the divorce dissolved the marriage of the parties; provided, however, that if the marriage had been of a duration of twenty years or more, the provisions of this subsection shall not be applicable in the

case of the divorce of the member until the death or remarriage of the former spouse.

A BILL to amend the Code of Virginia by adding a section numbered 51-111.59:1, reducing certain benefits when a lump-sum settlement accepted in lieu of periodic Workmen's Compensation benefits.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding a section numbered 51-111.59:1 as follows:

§ 51-111.59:1. Acceptance of lump-sum settlement in lieu of periodic payments under Workmen's Compensation.—The retirement allowance (i) of any member retiring under a disability pursuant to § 51-111.57 or (ii) of any widow or minor child eligible to receive a benefit pursuant to § 51-111.58:1 (c), who elects to receive a lump-sum settlement in lieu of periodic payments for disability or death compensable under the Virginia Workmen's Compensation Act, shall cease or be reduced, as the case may be, each month for a period of months determined by dividing the Workmen's Compensation benefit which such person would have received had the lump-sum settlement not been consummated, into the settlement actually accepted by the member, widow or child.

A BILL to amend and reenact §§ 51-111.16 and 51-111.67:4 of the Code of Virginia, relating to alteration of the Virginia Supplemental Retirement Act and amounts of life and accident insurance payable under public employees group insurance.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.16 and 51-111.67:4 of the Code of Virginia are amended and reenacted as follows:

§ 51-111.16. Alteration, amendment or repeal.—(a) The General Assembly reserves the right to alter, amend or repeal any provision of this chapter or any application thereof to any person; provided, however, that the amount of benefits, to the extent provided under subsection (c) of this section, which at the time of any such alteration, amendment or repeal shall have accrued for the members or beneficiaries shall not be affected thereby, and provided, further, that no provision of this chapter shall be altered or amended unless and until the General Assembly has been provided with an actuarial statement as to the immediate and long-term effect that the implementation of such alteration or amendment would have on the State's contribution requirements under § 51-111.47. Unless otherwise specifically stated, legislation which effects a change in the amount of a retirement benefit other than a post-retirement supplement, under this chapter or Chapter 6 (§ 51-143 et seq.) or 7 (§ 51-160 et seq.) of this title shall be construed to affect only the benefits of those persons who ~~retire~~ *qualify for an annuity* on or after the effective date of such legislation.

(b) If the General Assembly repeals the provisions of this chapter, the Board shall continue to administer the retirement system in accordance with the provisions of this chapter for the sole benefit of the then members, any beneficiaries then receiving retirement allowances, and any future persons entitled to receive benefits in accordance with subsection (a) (2) of § 51-111.60 who are designated by any of said members.

(c) In the event of repeal as provided in subsection (b) of this section the assets of the retirement system shall be allocated by the Board in an equitable manner to provide benefits for the persons stated in subsection (b) of this section in accordance with the provisions of this chapter but based on years of creditable service and average final compensation as of the date of repeal and in the following order:

(1) For the benefit of then members to the extent of their individual account in the members' contribution account. If any funds remain, then

(2) For the benefit of then beneficiaries and persons already designated by former members who are then beneficiaries in accordance with subsection (a) (2) of § 51-111.60, to the extent of the then actuarial value of their retirement allowances. If any funds remain, then

(3) For the benefit of members, and persons, if any, designated by them in accordance with subsection (a) (2) of § 51-111.60, to the extent, not provided under (1) above, of the then actuarial value of their accrued future retirement allowances. The allocation under this paragraph (3) shall be the basis of the oldest ages first method.

In the event the assets at such date of repeal are insufficient to provide all of the benefits of (1) and/or (2) above, then the employer will contribute to the assets from time to time, as and when required, the amount necessary to make up such insufficiency.

(d) The allocation of assets of the retirement system provided for in subsection (c) of this section shall be carried out through the payment by the Board of the benefits provided for in this section as they become due, or by the transfer of such assets to any retirement system replacing this retirement system provided that such vesting of benefits as provided by this section shall be fully maintained under such new retirement system. Any funds remaining in the assets of this retirement system after all of the vested benefits provided by this section have been paid shall revert to the general funds.

(e) Any allocation of assets made in accordance with the provisions of this section shall be final and binding on all persons entitled to benefits under said provisions.

§ 51-111.67:4. Amounts of life and accident insurance for each employee; termination of insurance.—(a) Each employee to whom this article applies shall, subject to the terms and conditions thereof, be eligible to be insured for an amount of group life insurance plus an amount of group accidental death and dismemberment insurance each amount equal to twice the amount of his annual compensation, provided that (i) the annual compensation of an employee after having attained age sixty-five shall, for the purposes of this section, be deemed to be the same amount as his annual compensation upon attaining age sixty-five; and provided, further, that (ii) where an employee's annual compensation is not an even multiple of one thousand dollars such annual compensation for purposes of this section shall be considered to be the next higher one thousand dollars; and provided further, that (iii) the annual compensation of a member of the General Assembly shall for purposes of this section be his creditable compensation for his last full calendar year of service or his salary under § 14.1-17.1, whichever is greater; and provided further, that (iv) annual compensation for each employee retired for service on an immediate annuity or because of disability on an immediate annuity shall be determined by the Board in accordance with the provisions of § 51-111.10 (16) as used to determine such employee's average final compensation.

With respect to any employee who is reemployed and insured in accordance with the provisions of this article, the foregoing otherwise applicable amount of group life insurance shall be reduced by the amount of insurance provided by any policy of insurance issued under the conversion privilege of any policy issued pursuant to the provisions of this article.

Subject to the conditions and limitations of the policy or policies purchased by the Board under this article, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount Payable
For loss of life	Full amount determined in accordance with the provisions of this section
Loss of one hand or of one foot or loss of sight of one eye	One-half of the amount determined in accordance with the provisions of this section
Loss of two or more such members	Full amount determined in accordance with the provisions of this section.

For any one accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the maximum amount of group accidental death and dismemberment insurance determined in accordance with the applicable schedule or benefit formula of this section.

(b) The amounts of life and accidental death and dismemberment insurance on an employee who remains employed after age sixty-five shall be in the amount set forth in paragraph (a) of this section reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age sixty-five; but such reduction shall not decrease the amount of insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(c) The amount of life insurance on each employee who, after ~~February one, nineteen hundred seventy-one~~ *June thirty, nineteen hundred eighty*, retires (i) for service on an immediate annuity or who elects to postpone the receipt of his retirement allowance to some date other than such employee's last day of service shall be in the amount set forth in paragraph (a) of this section at such employee's age sixty-five or other lesser age if so ~~retired~~ *terminated* prior to age sixty-five, reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age sixty-five or other lesser age if so ~~retired~~ *terminated* prior to age sixty-five, or (ii) because of disability on an immediate annuity shall be in the amount set forth in paragraph (a) of this section on the date the employee last rendered service reduced by an amount equal to two per centum thereof for each full calendar month following the date such employee attains age sixty-five, except if the employee by statute or Board regulation has, pursuant to subsection (f) of this section, been construed to be in service to the beginning of the next school year, the reduction, whether for age or for retirement on an ~~immediate~~ annuity for service or

because of disability, shall not apply until the beginning of such next school year. But such reduction shall not decrease the amount of life insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(d) All accidental death and dismemberment insurance on an employee shall cease upon the earliest of (i) his separation from service, (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay as the case may be, or (iv) his retirement.

(e) Except in case of retirement on an immediate annuity for service or disability as provided in subsection (c) , all life insurance on an employee shall cease upon the earliest of (i) his separation from service, or (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, or, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay, as the case may be, subject, in any such case, to a temporary extension of such life insurance for thirty-one days and to the right of the employee exercisable within such thirty-one days to convert his life insurance into an individual policy of life insurance (without disability or other supplementary benefits) in any one of the forms, except term insurance, then customarily issued by the insuring company, in an amount not exceeding the amount of his life insurance under such group insurance policy at the time of cessation thereof, without evidence of insurability and at the premium applicable to the class of risk to which he belongs and to the form and amount of such individual policy at his then attained age, provided application therefor and payment of the first premium thereon shall be made to the issuing company within such thirty-one days.

The amount of life insurance on each insured employee who retired subsequent to June twenty five, nineteen hundred seventy, but prior to February one, nineteen hundred seventy one, shall be the larger of (1) an amount determined in accordance with the provisions of this article as it existed on the effective date of his retirement, or of (2) an amount determined in accordance with the present provisions of this article as if it had been in effect on the effective date of his retirement and also, if retirement occurred after attaining age sixty five, at the time he attained age sixty five prior to July one, nineteen hundred eighty, shall be determined under the provisions of this article as it existed on the date of retirement .

The amount of life insurance on each insured employee who retired prior to June twenty-six, nineteen hundred seventy, shall be determined under the provisions of this article as it existed on the effective date of retirement.

(f) Each employee of a State institution of higher education or of a local school board who remains in the service of such institution of higher education or local school board until the completion of the school year and who makes contributions required to provide insurance coverage under this article until service normally will be resumed the beginning of the next school year shall, for insurance purposes, be deemed to be in service as an employee through the period to which the payments apply; if during such period such employee is retired for service or disability or attains age sixty-five, contributions made by the employee, § 51-111.67:5 notwithstanding, shall be accepted and retained as proper.

(g) The preceding provisions of this section and the provisions of § 51-111.67:5 to the contrary notwithstanding, the group life insurance of any member who after attaining age fifty-five retires from service, on an immediate annuity provided by a local retirement system recognized by the Board, will be continued, provided such local retirement system pays the cost necessary to continue such life insurance for all such members so retiring. The amount of such life insurance so continued shall be determined in accordance with subsection (a) of this section until the date on which such member first becomes eligible for an annuity under the Virginia Supplemental Retirement System; on and after that date, provided the member is retired on an annuity under the Virginia Supplemental Retirement System, the amount of such life insurance shall be determined in accordance with subsection (c) of this section as if the member had retired on such date on an immediate annuity.

A BILL to amend and reenact §§ 51-111.16 and 51-111.67:4 of the Code of Virginia, relating to alterations to the Virginia Supplemental Retirement Act and the amounts of life and accident insurance payable under public employees group insurance.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.16 and 51-111.67:4 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.16. Alteration, amendment or repeal.—(a) The General Assembly reserves the right to alter, amend or repeal any provision of this chapter or any application thereof to any person; provided, however, that the amount of benefits, to the extent provided under subsection (c) of this section, which at the time of any such alteration, amendment or repeal shall have accrued for the members or beneficiaries shall not be affected thereby, and provided, further, that no provision of this chapter shall be altered or amended unless and until the General Assembly has been provided with an actuarial statement as to the immediate and long-term effect that the implementation of such alteration or amendment would have on the State's contribution requirements under § 51-111.47. Unless otherwise specifically stated, legislation which effects a change in the amount of a retirement benefit other than a post-retirement supplement, under this chapter or chapter 6 (§ 51-143 et seq.) or 7 (§ 51-160 et seq.) of this title shall be construed to affect only the benefits of those persons who ~~retire~~ *qualify for an annuity* on or after the effective date of such legislation.

(b) If the General Assembly repeals the provisions of this chapter, the Board shall continue to administer the retirement system in accordance with the provisions of this chapter for the sole benefit of the then members, any beneficiaries then receiving retirement allowances, and any future persons entitled to receive benefits in accordance with subsection (a) (2) of § 51-111.60 who are designated by any of said members.

(c) In the event of repeal as provided in subsection (b) of this section the assets of the retirement system shall be allocated by the Board in an equitable manner to provide benefits for the persons stated in subsection (b) of this section in accordance with the provisions of this chapter but based on years of creditable service and average final compensation as of the date of repeal and in the following order:

(1) For the benefit of then members to the extent of their individual account in the members' contribution account. If any funds remain, then

(2) For the benefit of then beneficiaries and persons already designated by former members who are then beneficiaries in accordance with subsection (a) (2) of § 51-111.60, to the extent of the then actuarial value of their retirement allowances. If any funds remain, then

(3) For the benefit of members, and persons, if any, designated by them in accordance with subsection (a) (2) of § 51-111.60, to the extent, not provided under (1) above, of the then actuarial value of their accrued future retirement allowances. The allocation under this paragraph (3) shall be the basis of the oldest ages first method.

In the event the assets at such date of repeal are insufficient to provide all of the benefits of (1) and/or (2) above, then the employer will contribute to the assets from time to time, as and when required, the amount necessary to make up such insufficiency.

(d) The allocation of assets of the retirement system provided for in subsection (c) of this section shall be carried out through the payment by the Board of the benefits provided for in this section as they become due, or by the transfer of such assets to any retirement system replacing this retirement system provided that such vesting of benefits as provided by this section shall be fully maintained under such new retirement system. Any funds remaining in the assets of this retirement system after all of the vested benefits provided by this section have been paid shall revert to the general funds.

(e) Any allocation of assets made in accordance with the provisions of this section shall be final and binding on all persons entitled to benefits under said provisions.

§ 51-111.67:4. Amounts of life and accident insurance for each employee; termination of insurance.—(a) Each employee to whom this article applies shall, subject to the terms and conditions thereof, be eligible to be insured for an amount of group life insurance plus an amount of group accidental death and dismemberment insurance each amount equal to twice the amount of his annual compensation, provided that (i) the annual compensation of an employee after having attained age sixty-five shall, for the purposes of this section, be deemed to be the same amount as his annual compensation upon attaining age sixty-five; and provided, further, that (ii) where an employee's annual compensation is not an even multiple of one thousand dollars such annual compensation for purposes of this section shall be considered to be the next higher one thousand dollars; and provided further, that (iii) the annual compensation of a member of the General Assembly shall for purposes of this section be his creditable compensation for his last full calendar year of service or his salary under § 14.1-17.1, whichever is greater; and provided further, that (iv) annual compensation for each employee retired for service on an immediate annuity or because of disability on an immediate annuity shall be determined by the Board in accordance with the provisions of § 51-111.10 (16) as used to determine such employee's average final compensation.

With respect to any employee who is reemployed and insured in accordance with the provisions of this article, the foregoing otherwise applicable amount of group life insurance shall be reduced by the amount of insurance provided by any policy of insurance issued under the conversion privilege of any policy issued pursuant to the provisions of this article.

Subject to the conditions and limitations of the policy or policies purchased by the Board under this article, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount Payable
For loss of life	Full amount determined in accordance with the provisions of this section
Loss of one hand or of one foot or loss of sight of one eye	One-half of the amount determined in accordance with the provisions of this section
Loss of two or more such members	Full amount determined in accordance with the provisions of this section.

For any one accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the maximum amount of group accidental death and dismemberment insurance determined in accordance with the applicable schedule or benefit formula of this section.

(b) The amounts of life and accidental death and dismemberment insurance on an employee who remains employed after age sixty-five shall be in the amount set forth in paragraph (a) of this section reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age sixty-five; but such reduction shall not decrease the amount of insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(c) The amount of life insurance on each employee who, after ~~February one, nineteen hundred seventy one~~ *June thirty, nineteen hundred eighty*, retires (i) for service on an immediate annuity shall be in the amount set forth in paragraph (a) of this section at such employee's age sixty-five or other lesser age if so retired prior to age sixty-five, reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age sixty-five or other lesser age if so retired prior to age sixty-five, or (ii) because of disability on an immediate annuity shall be in the amount set forth in paragraph (a) of this section on the date the employee last rendered service reduced by an amount equal to two per centum thereof for each full calendar

month following the date such employee attains age sixty-five, except if the employee by statute or Board regulation has, pursuant to subsection (f) of this section, been construed to be in service to the beginning of the next school year, the reduction, whether for age or for retirement on an immediate annuity for service or because of disability, shall not apply until the beginning of such next school year. But such reduction shall not decrease the amount of life insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied. *For purposes of this paragraph an employee shall be deemed to have "retired" or "retires" only if such employee has five or more years of creditable service as an employee prior to such date of retirement. This requirement shall not be applicable if the employee is retired for disability as a result of a cause which is compensable under the Virginia Workmen's Compensation Act.*

(d) All accidental death and dismemberment insurance on an employee shall cease upon the earliest of (i) his separation from service, (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay as the case may be, or (iv) his retirement.

(e) Except in case of retirement on an immediate annuity for service or disability, all life insurance on an employee shall cease upon the earliest of (i) his separation from service, or (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, or, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay, as the case may be, subject, in any such case, to a temporary extension of such life insurance for thirty-one days and to the right of the employee exercisable within such thirty-one days to convert his life insurance into an individual policy of life insurance (without disability or other supplementary benefits) in any one of the forms, except term insurance, then customarily issued by the insuring company, in an amount not exceeding the amount of his life insurance under such group insurance policy at the time of cessation thereof, without evidence of insurability and at the premium applicable to the class of risk to which he belongs and to the form and amount of such individual policy at his then attained age, provided application therefor and payment of the first premium thereon shall be made to the issuing company within such thirty-one days.

~~The amount of life insurance on each insured employee who retired subsequent to June twenty-five, nineteen hundred seventy, but prior to February one, nineteen hundred seventy-one, shall be the larger of (1) an amount determined in accordance with prior to July one, nineteen hundred eighty, shall be determined under the provisions of this article as it existed on the effective date of his retirement ; or of (2) an amount determined in accordance with the present provisions of this article as if it had been in effect on the effective date of his retirement and also, if retirement occurred after attaining age sixty-five, at the time he attained age sixty-five .~~

The amount of life insurance on each insured employee who retired prior to June twenty-six, nineteen hundred seventy, shall be determined under the provisions of this article as it existed on the effective date of retirement.

(f) Each employee of a State institution of higher education or of a local school board who remains in the service of such institution of higher education or local school board until the completion of the school year and who makes contributions required to provide insurance coverage under this article until service normally will be resumed the beginning of the next school year shall, for insurance purposes, be deemed to be in service as an employee through the period to which the payments apply; if during such period such employee is retired for service or disability or attains age sixty-five, contributions made by the employee, § 51-111.67:5 notwithstanding, shall be accepted and retained as proper.

(g) The preceding provisions of this section and the provisions of § 51-111.67:5 to the contrary notwithstanding, the group life insurance of any member who after attaining age fifty-five retires from service, on an immediate annuity provided by a local retirement system recognized by the Board, will be continued, provided such local retirement system pays the cost necessary to continue such life insurance for all such members so retiring. The amount of such life insurance so continued shall be determined in accordance with subsection (a) of this section until the date on which such member first becomes eligible for an annuity under the Virginia Supplemental Retirement System; on and after that date, provided the member is retired on an annuity under the Virginia Supplemental Retirement System, the amount of such life insurance shall be determined in accordance with subsection (c) of this section as if the member had retired on such date on an immediate annuity.

A BILL to amend and reenact §§ 51-111.16, 51-111.67:1 and 51-111.67:4 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 51-111.67:12.1, the amended and added sections providing group life insurance policies for certain employees.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-111.16, 51-111.67:1 and 51-111.67:4 of the Code of Virginia are amended and reenacted and that the Code of Virginia is further amended by adding a section numbered 51-111.67:12.1 as follows:

§ 51-111.16. Alteration, amendment or repeal.—(a) The General Assembly reserves the right to alter, amend or repeal any provision of this chapter or any application thereof to any person; provided, however, that the amount of benefits, to the extent provided under subsection (c) of this section, which at the time of any such alteration, amendment or repeal shall have accrued for the members or beneficiaries shall not be affected thereby, and provided, further, that no provision of this chapter shall be altered or amended unless and until the General Assembly has been provided with an actuarial statement as to the immediate and long-term effect that the implementation of such alteration or amendment would have on the State's contribution requirements under § 51-111.47. Unless otherwise specifically stated, legislation which effects a change in the amount of a retirement benefit other than a post-retirement supplement, under this chapter or chapter 6 (§ 51-143 et seq.) or 7 (§ 51-160 et seq.) of this title shall be construed to affect only the benefits of those persons who ~~retire~~ *qualify for an annuity* on or after the effective date of such legislation.

(b) If the General Assembly repeals the provisions of this chapter, the Board shall continue to administer the retirement system in accordance with the provisions of this chapter for the sole benefit of the then members, any beneficiaries then receiving retirement allowances, and any future persons entitled to receive benefits in accordance with subsection (a) (2) of § 51-111.60 who are designated by any of said members.

(c) In the event of repeal as provided in subsection (b) of this section the assets of the retirement system shall be allocated by the Board in an equitable manner to provide benefits for the persons stated in subsection (b) of this section in accordance with the provisions of this chapter but based on years of creditable service and average final compensation as of the date of repeal and in the following order:

(1) For the benefit of then members to the extent of their individual account in the members' contribution account. If any funds remain, then

(2) For the benefit of then beneficiaries and persons already designated by former members who are then beneficiaries in accordance with subsection (a) (2) of § 51-111.60, to the extent of the then actuarial value of their retirement allowances. If any funds remain, then

(3) For the benefit of members, and persons, if any, designated by them in accordance with subsection (a) (2) of § 51-111.60, to the extent, not provided under (1) above, of the then actuarial value of their accrued future retirement allowances. The allocation under this paragraph (3) shall be the basis of the oldest ages first method.

In the event the assets at such date of repeal are insufficient to provide all of the benefits of (1) and/or (2) above, then the employer will contribute to the assets from time to time, as and when required, the amount necessary to make up such insufficiency.

(d) The allocation of assets of the retirement system provided for in subsection (c) of this section shall be carried out through the payment by the Board of the benefits provided for in this section as they become due, or by the transfer of such assets to any retirement system replacing this retirement system provided that such vesting of benefits as provided by this section shall be fully maintained under such new retirement system. Any funds remaining in the assets of this retirement system after all of the vested benefits provided by this section have been paid shall revert to the general funds.

(e) Any allocation of assets made in accordance with the provisions of this section shall be final and binding on all persons entitled to benefits under said provisions.

§ 51-111.67:1. Board authorized to purchase group life and accident insurance policies; optional insurance.— A. The Board, acting for and on behalf of the Commonwealth of Virginia, may and is hereby specifically authorized to purchase a contract or contracts of insurance, with such reinsurance with a life insurance company or companies incorporated or organized under the laws of and authorized to do business in this Commonwealth as the Board may require, insuring elected and appointed officers and employees, hereinafter referred to as employees or individually as an employee, specified in § 51-111.67:2 who are eligible to participate in the group insurance authorized by this article, or any group or groups or class or classes thereof, including subsequently retired employees, under a policy or policies of group insurance providing life and accidental death and dismemberment insurance; and for such purposes the Board may agree to and pay from funds provided for such purpose the premiums or charges for carrying such contracts. Each policy so purchased shall contain a provision stipulating the maximum expense and risk charges, which charges are determined by the Board to be on a basis consistent with the general level of such charges made by life insurance companies under policies of group life and accidental death and dismemberment insurance issued to large employers. Such insurance shall be purchased and carried with a life insurance company or companies authorized to do business in the Commonwealth which shall have been determined by the Board to maintain in the Commonwealth sufficient staff and facilities to efficiently administer and service such insurance.

B. In addition the Board may purchase, subject to the terms and conditions set forth in subparagraph A. of this section and § 51-111.67:12.1, an optional policy or policies of group insurance providing life and accidental death and dismemberment insurance increasing the total insurance coverage for each electing active insured employee to twice the amount established pursuant to § 51-111.67:4 for employees electing such optional coverage.

C. No such insurance shall be purchased from a company domiciled in a state wherein taxes, fees for licenses or certificates of authority, or any other sums or deposits are assessed upon or exacted from similar companies of this State for the privilege of doing business in such state which exceed in the aggregate those imposed for like purposes upon domiciliary companies of such state; provided, however, in the event the Board at any time cannot on such a basis secure the insurance herein provided for, the Board may secure such insurance from any life insurance company or companies authorized to do business in the Commonwealth.

§ 51-111.67:4. Amounts of life and accident insurance for each employee; termination of insurance.—(a) Each employee to whom this article applies shall, subject to the terms and conditions thereof, be eligible to be insured for an amount of group life insurance plus an amount of group accidental death and dismemberment insurance each amount equal to twice the amount of his annual compensation, provided that (i) the annual compensation of an employee after having attained age sixty-five shall, for the purposes of this section, be deemed to be the same amount as his annual compensation upon attaining age sixty-five; and provided, further, that (ii) where an employee's annual compensation is not an even multiple of one thousand dollars such annual compensation for purposes of this section shall be considered to be the next higher one thousand dollars; and provided further, that (iii) the annual compensation of a member of the General Assembly shall for purposes of this section be his creditable compensation for his last full calendar year of service or his salary under § 14.1-17.1, whichever is greater; and provided further, that (iv) annual compensation for each employee retired for service on an immediate annuity or because of disability on an immediate annuity shall be determined by the Board in accordance with the provisions of § 51-111.10 (16) as used to determine such employee's average final compensation.

With respect to any employee who is reemployed and insured in accordance with the provisions of this article, the foregoing otherwise applicable amount of group life insurance shall be reduced by the amount of insurance provided by any policy of insurance issued under the conversion privilege of any policy issued pursuant to the provisions of this article.

Subject to the conditions and limitations of the policy or policies purchased by the Board under this article, the group accidental death and dismemberment insurance shall provide payments as follows:

Loss	Amount Payable
For loss of life	Full amount determined in

	accordance with the provisions of this section
Loss of one hand or of one foot or loss of sight of one eye	One-half of the amount determined in accordance with the provisions of this section
Loss of two or more such members	Full amount determined in accordance with the provisions of this section.

For any one accident the aggregate amount of group accidental death and dismemberment insurance that may be paid shall not exceed the maximum amount of group accidental death and dismemberment insurance determined in accordance with the applicable schedule or benefit formula of this section.

(b) The amounts of life and accidental death and dismemberment insurance on an employee who remains employed after age sixty-five shall be in the amount set forth in paragraph (a) of this section reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age sixty-five; but such reduction shall not decrease the amount of insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(c) The amount of life insurance on each employee who, after February one, nineteen hundred seventy-one, retires (i) for service on an immediate annuity shall be in the amount set forth in paragraph (a) of this section at such employee's age sixty-five or other lesser age if so retired prior to age sixty-five, reduced by an amount equal to two per centum thereof for each full calendar month following the date the employee attains age sixty-five or other lesser age if so retired prior to age sixty-five, or (ii) because of disability on an immediate annuity shall be in the amount set forth in paragraph (a) of this section on the date the employee last rendered service reduced by an amount equal to two per centum thereof for each full calendar month following the date such employee attains age sixty-five, except if the employee by statute or Board regulation has, pursuant to subsection (f) of this section, been construed to be in service to the beginning of the next school year, the reduction, whether for age or for retirement on an immediate annuity for service or because of disability, shall not apply until the beginning of such next school year. But such reduction shall not decrease the amount of life insurance on an employee to less than twenty-five per centum of the amount of insurance to which the reduction is applied.

(d) All accidental death and dismemberment insurance on an employee shall cease upon the earliest of (i) his separation from service, (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay as the case may be, or (iv) his retirement.

(e) Except in case of retirement on an immediate annuity for service or disability, all life insurance on an employee shall cease upon the earliest of (i) his separation from service, or (ii) his failure to pay, in the manner prescribed by the Board, the contribution required for the first twelve months (two months in the case of any employee on leave of absence for military, naval or air service) of leave without pay, or, (iii) if the employee has not returned to pay status, the expiration of such twelve months (or of such two months) of leave without pay, as the case may be, subject, in any such case, to a temporary extension of such life insurance for thirty-one days and to the right of the employee exercisable within such thirty-one days to convert his life insurance into an individual policy of life insurance (without disability or other supplementary benefits) in any one of the forms, except term insurance, then customarily issued by the insuring company, in an amount not exceeding the amount of his life insurance under such group insurance policy at the time of cessation thereof, without evidence of insurability and at the premium applicable to the class of risk to which he belongs and to the form and amount of such individual policy at his then attained age, provided application therefor and payment of the first premium thereon shall be made to the issuing company within such thirty-one days.

~~The amount of life insurance on each insured employee who retired subsequent to June~~

twenty-five, nineteen hundred seventy, but prior to February one, nineteen hundred seventy one, shall be the larger of (1) an amount determined in accordance with the provisions of this article as it existed on the effective date of his retirement, or of (2) an amount determined in accordance with the present provisions of this article as if it had been in effect on the effective date of his retirement and also, if retirement occurred after attaining age sixty five, at the time he attained age sixty five.

The amount of life insurance on each insured employee who retired prior to June twenty six July one, nineteen hundred seventy eight, shall be determined under the provisions of this article as it existed on the effective date of retirement.

(f) Each employee of a State institution of higher education or of a local school board who remains in the service of such institution of higher education or local school board until the completion of the school year and who makes contributions required to provide insurance coverage under this article until service normally will be resumed the beginning of the next school year shall, for insurance purposes, be deemed to be in service as an employee through the period to which the payments apply; if during such period such employee is retired for service or disability or attains age sixty-five, contributions made by the employee, § 51-111.67:5 notwithstanding, shall be accepted and retained as proper.

(g) The preceding provisions of this section and the provisions of § 51-111.67:5 to the contrary notwithstanding, the group life insurance of any member who after attaining age fifty-five retires from service, on an immediate annuity provided by a local retirement system recognized by the Board, will be continued, provided such local retirement system pays the cost necessary to continue such life insurance for all such members so retiring. The amount of such life insurance so continued shall be determined in accordance with subsection (a) of this section until the date on which such member first becomes eligible for an annuity under the Virginia Supplemental Retirement System; on and after that date, provided the member is retired on an annuity under the Virginia Supplemental Retirement System, the amount of such life insurance shall be determined in accordance with subsection (c) of this section as if the member had retired on such date on an immediate annuity.

§ 51-111.67:12.1. Optional insurance.—A. The Board is authorized, under the terms and conditions specified in § 51-111.67:1 B. of this article to increase the coverage under such insurance policies to make available to each active insured employee as defined in § 51-111.67:2, optional life insurance and accidental death and dismemberment insurance in amounts equal to the amounts provided in § 51-111.67:4 (a).

B. The optional life insurance and accidental death and dismemberment insurance shall be made available to each active insured employee under age sixty and under such conditions as the Board shall prescribe but in no event shall such optional amounts of insurance be made available to any employee retired for service.

C. 1. All optional insurance on an employee shall cease upon the earliest of (i) the date the employee retires for service, (ii) the occurrence of either of the events specified in § 51-111.67:4 (e), or (iii) the date the employee attains age sixty-five.

2. The optional amount of life insurance in force on an employee who retires because of disability on an immediate annuity may be continued, subject to payment of any required premium, during continuance of such disability but not beyond the date such employee attains age sixty-five.

D. The provisions of §§ 51-111.67:5, 51-111.67:6 and 51-111.67:9 notwithstanding: (i) during any period in which an active employee has the optional insurance in force, the full cost thereof shall be withheld from his compensation, (ii) during any period in which an employee continues optional life insurance after retiring because of disability on an immediate annuity, the full cost thereof shall be withheld from his annuity payment but not beyond the date on which such employee attains age sixty-five.

E. The cost of the optional insurance shall be determined from time to time by the Board on the basis it considers appropriate.

F. The amount of optional life insurance and accidental death and dismemberment insurance in

force on any employee at the date of his death shall be paid as provided in § 51-111.67:10 of this article and the optional insurance herein provided for and all proceeds therefrom shall be exempt from levy, garnishment and other legal process.

G. The provisions of § 51-111.67:7 shall not apply to the optional insurance provided under this section. The Board shall determine the form and content of the accounting reports to be made by the insurance company with respect to the optional insurance provided under this section.

A BILL to amend and reenact § 51-111.60:1 of the Code of Virginia, relating to post-retirement supplements under the Virginia Supplemental Retirement Act.

Be it enacted by the General Assembly of Virginia:

1. That § 51-111.60:1 of the Code of Virginia is amended and reenacted as follows:

§ 51-111.60:1. Post-retirement supplements generally.—(a) In addition to the allowances payable under §§51-111.55, 51-111.57, 51-111.58:1 and 51-111.60 of this chapter, post-retirement supplements shall be payable in accordance with the provisions of this section to the recipients of such allowances. Such supplements shall be subject to the same conditions of payment as are such allowances.

(b) The amounts of the post-retirement supplements provided for hereunder shall be determined as percentages of the allowances supplemented hereby. ~~Said~~ The percentages shall be determined by reference to the increase, if any, in the United States Average Consumer Price Index for all items, *all urban consumers (CPI-U)*, as published by the Bureau of Labor Statistics of the United States Department of Labor, from its monthly average for the calendar year in which the allowance initially commenced as a result of the death or retirement of a member of the system to its monthly average for the calendar year immediately prior to the calendar year as of which the amount of the post-retirement supplement is determined; provided, however, that the annual increase in the Consumer Price Index for years after nineteen hundred seventy-five, shall be considered only to the extent of three per centum plus one half of such additional increase up to seven per centum.

(c) Amounts of post-retirement supplements shall be determined as provided in subsection (a) as amended, as of July one, nineteen hundred seventy-eight, and successively annually thereafter except as may be otherwise determined by the General Assembly of Virginia. No change in the amount of any post-retirement supplement shall be effected between determination dates except as necessary to reflect changes in the amount of the allowance being supplemented, to the end that any post-retirement supplement shall remain a constant percentage of the respective allowance being supplemented, nor shall any new post-retirement supplement be commenced except as of a determination date. The post-retirement supplement determined as of any determination dates shall become effective as of the payment date next following such determination date, and shall be in lieu of any post-retirement supplements previously payable, which shall thereupon be terminated.

A BILL to amend the Code of Virginia by adding in Title 51 a chapter numbered 1.1, consisting of a section numbered 51-2.1, so as to provide a pension for widows and maiden daughters of soldiers, sailors and marines serving the Confederacy during the Civil War.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Title 51 a chapter numbered 1.1, consisting of a section numbered 51-2.1, as follows:

Chapter 1.1.

Confederate Veterans, Etc.

§ 51-2.1. Pensions.—A. There shall be paid out of the treasury of Virginia pensions in amounts to be determined by the General Assembly for the widows and maiden daughters of soldiers, sailors and marines who served the Confederate States in the Civil War.

B. This section shall apply to widows and maiden daughters of Confederate veterans listed on the pension roll maintained by the Comptroller on or before July one, nineteen hundred seventy-seven.

2. That an emergency exists and this Act is in force from its passage.

A BILL to amend and reenact §§ 51-151 and 51-168 of the Code of Virginia, relating to the service retirement allowance under the State Police Officers Retirement System and the Judicial Retirement System.

Be it enacted by the General Assembly of Virginia:

1. That §§ 51-151 and 51-168 of the Code of Virginia are amended and reenacted as follows:

§ 51-151. Service retirement allowance.—(a) Upon retirement as provided in § 51-150, on or after July one, nineteen hundred seventy-eight, a member shall receive an annual retirement allowance, payable monthly to him for life, subject to the provisions of subsections (e) and (g) of this section, determined in accordance with paragraph (1) or (2), whichever is applicable:

(1) Normal retirement under § 51-150 (a).—An allowance equal to (A) 1.5 per centum of his average final compensation multiplied by his number of years of creditable service, or (B) 1.65 per centum of his average final compensation minus twelve hundred dollars multiplied by his number of years of creditable service, whichever is larger, subject, however, to the provisions of subsections (b) and (c) of this section.

(2) Early retirement under § 51-150 (b).—An allowance which shall be determined in the same manner as for retirement at his normal retirement date with years of creditable service and average final compensation being determined as of the date of his actual retirement, provided, that if the member has less than thirty years of service at his date of retirement, the amount of the retirement allowance so determined shall be reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the earlier of (i) his normal retirement date or (ii) the first date on or after his fifty-fifth birthday on which he would have completed a total of thirty years of creditable service had he been continuously in service from his date of retirement until such first date.

(b) In addition to the allowance payable under subsection (a) of this section, a member shall receive an additional annual allowance, payable monthly, for each month after his fifty-fifth birthday and prior to his sixty-fifth birthday, equal to three thousand dollars; provided, however, that this subsection shall not apply to any member who qualifies for retirement under subsection (c) of § 51-150 and is credited with less than twenty years' service or to any member employed initially on or after July one, nineteen hundred seventy-four who is credited with less than twenty years' service.

(c) Subject to the provisions of subsection (d) of this section, the retirement allowance payable under this section to any member who was in service, on June thirty, nineteen hundred sixty-six, shall prior to his sixty-fifth birthday, be not less, in the case of a member who retires on or after his normal retirement date, than an amount equal to two per centum of the member's average final compensation multiplied by his years of creditable service not in excess of twenty-five years or, in the case of a member who retires prior to his normal retirement date, than an amount similarly determined but reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the normal retirement date, nor after his sixty-fifth birthday shall it be less than the excess, if any, of such amount over one half of the annual primary social security benefits under the federal Social Security Act to which he became entitled at his sixty-fifth birthday, or to which he would have become entitled at such birthday except for having elected to have his social security benefits commence at an earlier date.

(d) For the purposes of subsections (c) and (g), the retirement allowance shall be determined on the assumption that it is payable to the member alone and that no optional form of retirement allowance as provided in § 51-111.60 is elected.

(e) Should a beneficiary of a service retirement allowance under this chapter be at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than Chapter 3.1 (§ 51-111.1 et seq.) of this title, ~~if the State contributes any of the employer cost for the position~~ his retirement allowance shall cease while so employed.

(f) In the case of any member retired prior to July one, nineteen hundred seventy, for service, the retirement allowance payable on or after July one, nineteen hundred seventy, shall be equal to the larger of an amount or amounts computed in accordance with the preceding subsections of this section as adopted and amended prior to July one, nineteen hundred seventy-four, and the amount or amounts of the allowance that would have been payable except for the provisions of this subsection.

(g) Maximum retirement allowance.—On and after July one, nineteen hundred seventy-four, no member shall receive a retirement allowance payable hereunder which, when added to one half of the primary social security benefit to which he is or would be entitled at his sixty-fifth birthday under federal law, will be in excess of his average final compensation. In no event shall benefits payable for service credited prior to July one, nineteen hundred seventy-four, be less than the benefits that would have been payable had they been calculated under the benefit formula in effect immediately prior to July one, nineteen hundred seventy-four.

§ 51-168. Service retirement allowance.—(a) Retirement allowance. - Upon retirement as provided in § 51-167, on or after July one, nineteen hundred seventy-eight, a member shall receive an annual retirement allowance, payable monthly to him for life determined in accordance with paragraph (i) or (ii) whichever is applicable:

(i) Normal retirement under § 51-167 (b). - An amount, not to exceed seventy-five per centum of his average final compensation, equal to (A) 1.5 per centum of his average final compensation multiplied by his number of years of creditable service, or (B) 1.65 per centum of his average final compensation minus twelve hundred dollars multiplied by his number of years of creditable service, whichever is larger, subject, however, to the provisions of subsection (b) of this section.

(ii) Early retirement under § 51-167 (c). - An amount, not to exceed seventy-five per centum of his average final compensation, which shall be determined in the same manner as for retirement at his normal retirement date, with years of creditable service and average final compensation being determined as of the date of his actual retirement, provided, that if the member either: (A) has not attained his sixtieth birthday at his date of retirement, or (B) has less than thirty years of service at his date of retirement, the amount of the retirement allowance so determined shall be reduced on an actuarial equivalent basis for the period by which the actual retirement date precedes the earlier of (1) his normal retirement date or (2) the first date on or after his sixtieth birthday on which he would have completed a total of thirty years of creditable service had he been continuously in service from his date of retirement until such first date.

(b) Normal and early retirement guarantees. - Any member who was a member of one of the previous systems immediately prior to July one, nineteen hundred seventy, and who would have been eligible for retirement benefits thereunder as of the date of his actual retirement under subsection (b) or (c) of § 51-167 if he had continued to participate therein, shall be guaranteed a minimum retirement allowance no less than that for which he would have qualified thereunder as of such date.

Any member who was a member of one of the previous systems immediately prior to July one, nineteen hundred seventy, and who has, prior to July one, nineteen hundred seventy-seven, attained the age of sixty years and served as a circuit judge for twenty or more years, shall be entitled to have his retirement allowance determined on his creditable compensation at the time his retirement becomes effective.

The guarantees provided in this subsection for members retiring under subsection (c) of § 51-167 shall, however, be reduced on an actuarial equivalent basis for the period that the actual retirement date precedes the normal retirement date; provided, that the retirement allowance of a member retiring on or after his sixtieth birthday and with at least thirty years of creditable service shall not be so reduced.

(c) Determination of retirement allowance. - For the purposes of subsections (b) and (d) of this section, the retirement allowance shall be determined on the assumption that the retirement allowance is payable to the member alone and that no optional retirement allowance as provided in § 51-171 is elected.

(d) Maximum retirement allowance. - On and after July one, nineteen hundred seventy-four, no

member shall receive a retirement allowance payable hereunder which, when added to one half of the primary social security benefit to which he is or would be entitled at his sixty-fifth birthday under federal law, will be in excess of his average final compensation. In no event shall benefits payable for service credited prior to July one, nineteen hundred seventy-four, be less than the benefits that would have been payable had they been calculated under the benefit formula in effect immediately prior to July one, nineteen hundred seventy-four.

(e) Beneficiary serving in position covered by this title. - Should a beneficiary of a service retirement allowance under this chapter or under any of the previous systems be at any time in service as an employee in a position covered for retirement purposes under the provisions of this or any chapter other than Chapter 3.1 (§51-111.1 et seq.) of this title, if ~~the State contributes any of the employer costs for the position~~ his retirement allowance shall cease while he is so employed.

A BILL to amend and reenact § 1, as amended, of Chapter 111 of the Acts of Assembly of 1942, carried by reference in the Code of Virginia as § 51-114, permitting the establishment of retirement systems in certain counties.

Be it enacted by the General Assembly of Virginia:

1. That § 1, as amended, of Chapter 111 of the Acts of Assembly of 1942, carried by reference in the Code of Virginia as § 51-114, is amended and reenacted as follows:

§ 1. The governing body of any county ~~having a population of more than one thousand a square mile, and adjacent to a city within or without this State having a population of five hundred thousand or more, and the governing body of any county which has adopted the county manager form of organization and government provided in Chapter 12 of Title 15 of the Code of 1960~~ *Arlington County*, is authorized to establish by ordinance, a retirement system for the employees and county officers, including Constitutional officers, ~~with ten or more years service~~, of such county, including all employees of the county school board other than teachers, and from time to time, to appropriate from the fund under its control such moneys as necessary for financing in whole or in part of the system when so established.

2. That all benefits previously granted to employees, regardless of years of service, by any county pursuant to an ordinance adopted under the authority of Chapter 111 of the Acts of Assembly of 1942 are hereby validated.

APPENDIX D

**AGE SUMMARY
CIRCUIT COURT AND GENERAL DISTRICT COURT JUDGES
JULY 1, 1979**

	<u>Circuit Court Judges</u>	<u>District Court Judges</u>
Average present age:	54.29	52.76
Average age at appointment:	44.53	44.95
Average years of service of judges retiring between 1/1/74 and 4/1/79:	16.33	17.45
Average age at appointment of judges with 20 years and over service:	39.2	34.6
Average age at appointment of judges with 15 to 19 years service:	40.9	41.6
Average age at appointment of judges with 10 to 14 years service:	43.06	43.4
Average age at appointment of judges with 6 to 9 years service:	45.4	46.2
Average age at appointment of judges taking the bench between 1/1/74 and 4/1/79:	46.92	47.8

Source: Office of Executive Secretary, Supreme Court

COMMONWEALTH OF VIRGINIA
OFFICE OF
THE ATTORNEY GENERAL
RICHMOND 23219

October 10, 1979

The Honorable Charles B. Walker
Secretary of Administration and Finance
Office of the Governor
Richmond, Virginia 23219

My dear Secretary Walker:

Your letter of August 8, 1979, raises three questions concerning optional retirement plans established by state institutions of higher education pursuant to § 51-111.28 of the Code of Virginia (1950), as amended. I will answer your questions seriatim.

You first ask whether a state institution of higher education that establishes such a plan and offers it as an option to its eligible employees may make contributions from general fund appropriations for the benefit of those who elect to be under it.

Section 51-111.28(a) provides in part as follows:

"Any institution of higher education which, at the time of the establishment of the retirement system, has established, or which may thereafter establish, a retirement plan or arrangement covering in whole or in part its employees engaged in the performance of teaching, administration or research duties, is hereby authorized to make contributions for the benefit of its employees who elect to continue or be under such plan or arrangement and elect to participate in such plan or arrangement rather than in the retirement system established by this chapter." (Emphasis added.)

The intent of this section as manifested by the language cited is to enable state institutions of higher education to make payments or contributions into such "optional plan or arrangement" from funds appropriated by the General Assembly. A prohibition against the expenditure of appropriated funds for such purposes would largely frustrate the purpose of § 51-111.28. These payments or contributions by state institutions of

The Honorable Charles P. Walker

October 10, 1979

Page 2

appropriated funds however remain subject to the requirements of § 2.1-224¹ that they be pursuant to lawful appropriations by the General Assembly and that quarterly estimates of amounts for each activity be submitted.

You next ask whether the contribution authorized to be made is limited to the rate at which the employer contributes on behalf of its other employees to the Virginia Supplemental Retirement System (VSRS). I find no language in § 51-111.26 or any other sections of this chapter which would limit the amount that such institutions might contribute to their optional plans. The rate at which the institutions make contributions to the VSRS on behalf of its employees are not subject to an absolute ceiling but are determined ultimately by the rate and total amount of benefits paid to all VSRS members. Since the contributions made to both the VSRS and any optional plan must come out of appropriated funds, the ultimate limitation would be the appropriations made for those purposes by the General Assembly.

You last ask whether legislation would be required to allow employees presently members of VSRS but otherwise eligible to switch to the optional plan. The second sentence of § 51-111.26(a) reads as follows, "Any present or future employee of such institution shall have the option of electing to participate in either the retirement system established by this chapter or the plan or arrangement provided by the institution employing him." The term "present employees" as used in this section refers to those employees who are currently in the employ of the state institution of higher education at the time such institution establishes an optional retirement plan or arrangement. Therefore under the present statutory language present employees of these institutions have the legal right and option to select to become members of such optional plan or arrangement or to remain members of VSRS. Accordingly, no legislation is required to allow such employees to switch to an optional plan.

¹Section 2.1-224 provides:

"No money shall be paid out of the State treasury except in pursuance of appropriations made by law.

No appropriation to any department, institution or other agency of the State government, except the General Assembly and the judiciary, shall become available for expenditure until the agency shall submit to the Director of the Division of Budget quarterly estimates of the amount required for each activity to be carried on, and such estimates shall have been approved by the Governor."

The Honorable Charles D. Walker
October 10, 1979
Page 3

With kindest regards, I remain

Sincerely yours,

Marshall Coleman
Attorney General

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COMMONWEALTH of VIRGINIA

Office of the Governor

Richmond 23219

January 24, 1979

Charles B. Walker
 Secretary of Administration and Finance

MEMORANDUM

TO: Mr. Charles B. Walker

FROM: John W. Garber

SUBJECT: Comparison VSRS and TIAA-CREF

Presently, the University of Virginia is the only State supported institution of higher education in which faculty members above the rank of instructor, and administrators of equivalent rank, have the option to join the Virginia Supplemental Retirement System (VSRS) or the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). The State makes no contribution to TIAA-CREF at UVA. The employer's contribution (5% of the first \$14,500 in salary plus 10% of all over that amount not in excess of \$30,000 total salary) is paid from endowment and special funds under the control of UVA. The employee contributes 5% of his total salary not in excess of \$30,000, by salary reduction.

Section 51-111.28 of the Code provides "(a) Any institution of higher education which . . . has established . . . or may thereafter establish, a retirement plan or arrangement covering - employees engaged in teaching, administrative, or research duties is hereby authorized to make contributions for the benefit of its employees who elect to continue or be under such plan or arrangement . . . rather than in the retirement system established by this chapter. Any present or future employee shall have the option . . . to participate in either the retirement system established by this chapter or the plan or arrangement provided by the institution"

Mr. Charles B. Walker
 Page 2
 January 24, 1979

TIAA-CREF representatives say a plan can be structured for Virginia institutions based on any level of employer contribution. The Director at VSRS believes the membership base of VSRS is so broad as to be unaffected by any such option provided by our institutions.

It is difficult to compare the two systems in complete detail but the basic elements in both can be considered.

Eligibility

- VSRS** All full time permanent salaried employees of the Commonwealth.
- TIAA-CREF** As may be provided by law and individual plan for employees of institutions of higher education engaged in teaching, administrative, or research activities.

Programs

- VSRS** Retirement at age 65 (60 with 30 years service) with normal service retirement allowance for life, or early retirement between 60 and 65 with actuarially reduced benefit if less than 30 years; vesting after 5 years; death benefits; disability retirement; cost of living adjustments.
- TIAA-CREF.** Fixed dollar and/or variable annuities for life at age specified in plan. Fully vested immediately and portable. No death benefit except lump sum or income option payment of all contributions plus earnings. No disability benefits as such.

Contributions

- VSRS** Employee pays 5% of total salary by payroll deduction. State pays difference necessary to maintain program (currently 3.31%).
- TIAA-CREF** As specified in institutional plan-usually matching rates. State's contribution can be specified as same as for VSRS or otherwise limited to a maximum salary base or maximum contribution. Employee contributes by salary reduction for tax advantage.

Mr. Charles B. Walker
 Page 3
 January 24, 1979

Disability Retirement

- VSRS With 5 years credited service and below age 65 retirement on same formula as regular retirement but without reduction for retirement before age 65.
- TIAA-CREF No disability provision as such. May start annuity income payments on becoming disabled in amount dependent on same factors as at regular retirement.

Death Benefits

- VSRS Monthly benefit for survivor if death occurs in service after age 60 or with 30 years service. Refund of contribution and interest to survivor if death occurs before age 60 or 30 years. Group insurance twice annual salary rounded upward to nearest 1000 with double indemnity for accidental death.
- TIAA-CREF Full accumulation including all State contributions and investment earnings in lump sum or income option to survivor. (Group life could be extended as part of such plan).

Cost of Living Adjustment

- VSRS Adjustment in retirement benefit every two years on even year based on changes as reflected in U. S. Consumer Price Index.
- TIAA-CREF Option to invest premiums in either or both TIAA fixed dollar obligations for guaranteed level of return or through CREF in common stocks with benefit tied to investment experience. No other escalator.

Vesting

- VSRS After 5 years employee may leave contribution in system for deferred service retirement at age 60 or file for refund of contribution plus interest. With less than 5 years contributions are refundable plus interest.

Mr. Charles B. Walker
 Page 4
 January 24, 1979

TIAA-CREF Full and immediate vesting permits employee to move to other participating institutions with both his own and employer's contributions. No policy loans or cash surrender, but under certain circumstances employee who terminates before completing 5 years in TIAA-CREF may receive single sum payment of value of annuities.

Retirement Benefits

VSRS At age 65 (60 with 30 years service) lifetime income based on average of highest consecutive 36 months salary minus \$1200 multiplied by 1.65% times number of years creditable service. Survivor options.

TIAA-CREF "Money purchase" plan not based on formula but on accumulated funds at retirement used to purchase fixed or variable lifetime annuities with wide range of options.

VSRS is designed for the employee whose whole career will be spent in State service. Responsibility continues through cost of living adjustments and retirement fund. TIAA-CREF is designed for career educator who may move among several institutions in the course of his career. Responsibility ends with purchase of annuity.

If the employee participates in either plan for less than a full working career, the paid-up retirement benefit under TIAA-CREF will exceed that under VSRS for approximately the first 20 years of participation. Over a full working career (30 years) TIAA-CREF benefits seem to approximate about 80% of benefits under VSRS given the same level of contributions in both plans.

Since choice of plans would be optional and portability might be an overriding consideration for some, a difference in retirement benefit would be irrelevant to a decision to offer the option.

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COMMONWEALTH of VIRGINIA

Office of the Governor

Richmond 23219

February 1, 1979

Charles B. Walker
Secretary of Administration and Finance

MEMORANDUM

TO: Charles B. Walker
Secretary of Administration and Finance

FROM: John W. Garber

SUBJECT: TIAA-CREF - A Recommendation

Article 3 of the Virginia Supplemental Retirement Act provides for membership in the system. Section 51-111.28 of that article specifically provides:

"Any institution of higher education which, at the time of the establishment of the retirement system, has established or which may thereafter establish a retirement plan or arrangement covering in whole or in part its employees engaged in the performance of teaching, administrative or research duties

is authorized to make contributions for the benefit of its employees

who elect to continue or be under such plan or arrangement rather than in the retirement system established by this chapter.

Any present

or future employee of such institution shall have the option of electing to participate in either the retirement system established by this chapter

or the plan or arrangement provided by the institution employing him. The election herein provided shall

as to any future employee be exercised not later than ninety days from the time of entry upon the performance of his duties."

Charles B. Walker
Page 2
February 1, 1979

From the unequivocal language of this statute it seems evident that the General Assembly not only intended to make retirement provisions mandatory, but recognized and sanctioned retirement arrangements other than the VSRS for certain employees of institutions of higher education. It cannot be read as merely a grandfather provision for it anticipates the establishment of additional such plans in the future.

Unless there is a prior or future ruling from the Attorney General to the contrary, there is no apparent legal reason why UVA or any other institution of higher education may not contribute to its optional plan from general fund appropriations for retirement (which have now become agency budget items) at the same rate as for its employees in the VSRS. In fact, the University might argue its statutory authority to do so at the same or at a different rate.

Interviews with those whose memory extends beyond the establishment of the VSRS indicate that a retirement arrangement with TIAA (now TIAA-CREF) had existed at UVA since 1928. When VSRS was established in 1952, specific provision was made for existing and future retirement options for teaching and research personnel in institutions of higher education. Even so, Judge Bradford, who was the Governor's Deputy for Budget during that period refused to budget funds for retirement contributions to plans other than VSRS. The university arranged to pay its employer share of the contribution to TIAA from endowment and special funds and has not pressed the matter since. No other institution had the private resources to fund such an option for its employees.

Objections to providing the option in other, or all of our institutions of higher education have tended to go to inequities and added costs by reason of the immediate vesting in the optional plan which permits the member to transfer the State's contributions as well as his own on leaving a Virginia institution for employment elsewhere. This, of course, is the only reason for providing or exercising an option since retirement benefits are significantly less under optional plans.

There is an offsetting consideration in equity and a significant cost advantage, however, in the fact that the option contains no disability retirement or cost of living provisions and the State has no continuing liability for the employee who retires. Since the greatest number of employees who leave do so in the first five years of employment and the life expectancy of those retiring at age sixty-five is on the order of fourteen or fifteen years, there would seem to be a decided cost advantage to the State in allowing the option and avoiding the continuing after-retirement liability.

Charles B. Walker
Page 3
February 1, 1979

Moreover, the State pays the employer's contribution to VSRS for over eighty thousand teachers in addition to more than eighty thousand State employees. It pays a prorated share of the employer's contribution for approximately sixty-five hundred local officers and employees whose salaries are paid in part from State funds. These payments do not come back into the State Treasury when members leave the system. They stay in the retirement fund. The number of those eligible and choosing the option compared to the nearly one hundred and seventy thousand on whose behalf the State makes a contribution could not have a significant effect on the total cost of the State's contributions.

With these considerations in mind, it is recommended that institutions of higher education which wish to do so be notified that they may establish an optional plan under TIAA-CREF for eligible employees engaged in teaching, administrative or research activities and makes contributions to such plans at the same rate as for employees covered under VSRS. In view of the lack of any continuing liability under the optional plan, additional contributions from endowment or other private funds under control of the institution might be permitted, at least until the rate of contribution to VSRS reaches or exceeds 5%.

Since the option would be of interest only to those employees who do not plan to make their career in Virginia institutions (for those who do VSRS benefits would be significantly better) no legislation related to transfer of credits from VSRS, to group insurance, or to other differences between the plans need be considered at the present time. The primary purpose of removing an obstacle to recruiting would be accomplished.

It is suggested that discussion be held with TIAA-CREF representatives beforehand to ensure some uniform structure for institutional plans that might be provided. Depending upon the degree of central administration or oversight desired, the Secretary might wish to constitute a committee of institutional and central government representatives to develop the details of such optional plans. The need or desirability of legislative involvement might be clarified through such planning.

APPENDIX F

**Report of
The Benefit and Plan Structure Committee
of the Virginia Retirement Study Commission
to
the Virginia Retirement Study Commission
November 15, 1979**

This Committee has deliberated for a number of months on the present benefit structure of the Virginia Supplemental Retirement System, and has sought and received input from a number of groups including the following: Virginia Education Association, Virginia Governmental Employees Association, Virginia Association of School Administrators and the American Association of University Professors.

Specifically, this Committee has been charged with making recommendations for modification so that the combined benefits under VSRS and Social Security will "provide a career employee at normal retirement with a retirement benefit of economic income generally equivalent to and not significantly in excess of such retired employee's economic income while employed immediately prior to retirement." In order to meet the benefit objective the Committee has examined three basic approaches: (1) placing a cap on the present program; (2) adopting a totally new plan for new employees while allowing present employees the option of staying under the old system or joining the new one; and (3) modifying the future benefit accrual rates with a modified employee contribution while allowing a mandatory or an optional election basis for old participants.

The following findings and conclusions are presented for consideration.

1. Employee groups have presented a strong position that present benefit levels should not be cut back for present employees, with the following sole exception; that the combined benefits from VSRS and Social Security be limited so as not to exceed 100% continuation of the net economic income realized immediately prior to retirement. In general, it seems to be agreed that benefits need not be provided in excess of that amount.
2. It has been agreed by the Committee that net take-home pay for plan design purposes will be considered to mean gross pay less federal income and Social Security taxes, and state income taxes; and in comparing to retirement income, such taxes should be netted both before and after retirement. It was also agreed that a single employee, rather than a married employee, should be used for design purposes. Generally, a married employee's benefit, including dependent Social Security, will be a higher percentage of after tax pay than is the case for the single employee. Figures to develop this relationship were presented from a number of independent sources and the resulting patterns were very close. These sources were the Milliman and Robertson study, the VEA study, a Subcommittee's study, and the data presented by Dr. Sheldon of Virginia Tech.

It is the consensus of the Committee that the following combined VSRS and Social Security benefits, as a percentage of the three-year final average annual salary (FAS), will approximate 100% continuation of full net economic income: 90% of the first \$7,500 of FAS plus 70% of the excess. (This may also be stated as 70% of FAS + \$1,500.) If related to final one year's salary, the percentages should be reduced about 5% (i.e., 85% to \$7,500 + 65% of the excess).

The Committee considered including other "costs of working" in its deliberations but rejected them because they were unable to reach agreement on their proper evaluation for design purposes. These included employee contributions to VSRS and other benefit plans, commuting costs, and other personal costs of working.

3. It is the feeling of the majority of the Committee that modifications to the present program developing the above results are preferred to offering a new system for new employees. However, a portion of the Committee continues to prefer an entirely new formula including a Social Security offset without employee contributions.
4. Employee groups and a majority of the Committee have indicated a preference for placing a cap on service and/or on benefits as a percentage of pay.* [*A cap at the level set forth in 2. would

suffice, but a service limit, if used, would have to be lower than 30 years to approximate the same result.] A portion of the Committee indicates a preference for reducing future benefit accruals to approximate the same result.

A number of specific plan provisions are being considered in addition to the basic plan formula, and these are discussed below.

Employee Contributions

The vast majority of employee groups testifying before the Committee have expressed a strong preference for the continuation of employee contributions to the retirement plan. Presently, employees contribute 5% of salary to the retirement system. The elimination of the 5% contribution across the board would require an increase in the employer contribution of approximately 4% of salary. You will note that in alternative proposal A, a plan has been suggested on a noncontributory basis, but with a portion of the employer contribution being allocated to provide termination and death benefits similar to the present treatment of employee contributions. At the same time, the benefit level has been reduced quite substantially from the present plan. In addition, the automatic Social Security offset will cause the benefit to adjust automatically with future Social Security changes.

Alternative proposal B includes a reduction of future benefit accruals with a corresponding reduction in the employee contribution level up to the Social Security Wage Base.

Early Retirement

The present plan provides for early retirement to be subsidized for employees at age 60 with 30 years' service, and actuarially reduced for earlier retirement up to age 55. Employee groups have pressed very heavily for unreduced retirement at age 55 and 30 years, and the Committee considers that a compromise approach which would provide for unreduced retirement at any time after age 55 with a minimum of 30 years of service, provided age and service total 90 (known hereafter as the rule of 90, for example, age 55 with 35 years, age 57 with 33 years, etc.) would be suitable as part of the overall revision. Benefits would be actuarially reduced for earlier retirement from the rule of 90.

Cost-of-Living Adjustments

The Committee strongly endorses the action already recommended by the Commission that the cost of living provision be included as part of the plan and funded in a manner similar to the balance of the program (level funding basis). Although some groups are pressing for liberalization of the provision and others for curtailment, the Committee feels that it is appropriate at this time to continue the provision at its current level. The current cost of living provision provides that VSRS benefits be adjusted annually by the full annual CPI increase up to 3% plus 1/2 the additional increase in CPI from 3% to 7%.

Late Retirement

In consideration of the position taken by the ADEA, employees should be allowed to continue employment beyond age 65. This continued employment should count for added service while salary increases after 65 would count toward the final average salary, subject to whatever other limitations are included. However, there should not be any actuarial increase due to the higher age.

Disability

The matter of disability was assigned to a separate Committee and therefore has not been part of our deliberations up to this point. The Committee strongly believes and recommends that the disability feature be considered in light of the proposed modifications and be incorporated into a final revised plan before the Commission's final recommendation is made.

Death Benefits

This subject, also, is assigned to a separate Committee, but again should be considered as a whole with regard to the basic benefit formulas, employee contributions, etc.

TIAA Option for Institutions for Higher Learning

The Committee has been asked to consider the question of permitting individual employees at institutions of higher learning to have the option of opting out of the VSRS into TIAA and CREF.

The Committee has reviewed a report from Mr. Garber, which generally recommends that such a feature be offered on a voluntary basis. The Committee has also reviewed an opinion from the Attorney General dated October 10, 1979 indicating that such opting out of the VSRS plan is now permitted and that further legislation is not needed to permit action. Accordingly, no specific action on this request appears to be required by this Committee but the Committee recommends that any contribution levels be determined after careful review by the actuary.

Treatment of Part-time Employees

Several school districts brought to the Committee's attention a problem concerning school teachers who are reclassified from full-time to part-time due to enrollment or curriculum reductions. The Committee, on the surface, agrees with the logic of allowing such employees to continue their participation, but also recognizes that the question of part-time employees is far broader than the one presented. Accordingly, we have requested staff to develop further information on the whole part-time question, and feel that any recommendation must be deferred until that information has been analyzed. We recommend that the status quo be maintained with regard to part-time employees until such time as a more complete investigation can be completed.

Employer Contributions in Lieu of Employee Contributions

Several proposals to permit allocation of certain employer contributions in lieu of employee contributions for purposes of withdrawal or death benefits have been presented. The Committee has no serious objection to such a proposal on an optional basis for each governmental unit.

With the foregoing points and comments in mind, the Committee invites the Commission to consider the alternative plans outlined in Appendix A and the cost estimates contained in Appendix B in reaching their final conclusions as to the recommendations for legislation to be made to the General Assembly.

APPENDIX A

PRESENT VSRS FORMULA MODIFIED

A. Utilizing the present benefit formula, place a maximum on each employee's benefit so that the VSRS benefit when added to the Social Security Primary Benefit does not exceed 90% of the first \$7,500 of FAS plus 70% of the excess.

B. For any calculation prior to age 65, the Social Security benefit will be computed on an estimated basis as if the employee remained in active employment until age 65, at his most recent salary.

C. For present participants VSRS benefits would not be reduced below either:

1. the percentage benefit accrued at date of transition; or
2. the full present plan benefit projected to age 65 at the salary in effect for the past plan year before the date of change.

D. Employee contributions will continue at 5% of salary. If applicable, when the cap is calculated at actual retirement or earlier severance, a lump sum will be returned to the employee equal to that portion of his accumulated employee contributions with interest in proportion to the benefit that is cancelled.

E. The present cost of living formula would be retained, but it would become a regular part of the plan.

F. Early retirement would be under the rule of 90 with a minimum age of 55 and a minimum length of service of 30 years. Thus, for early retirement the employee would need 35 years of service at age 55, or some other combination of years of service and age which totals 90.

ALTERNATIVE PROPOSAL A

A. Provide a new plan for new employees with a redesigned formula that would be offset by a portion of Social Security. Total combined VSRS and Social Security Primary Benefits would equal 50% of final average salary plus 50% of Social Security at normal retirement reduced for service less than 30 years.

B. Old employees would have the option of staying under the old plan or opting out to join the new plan. If the new plan was adopted, the employee would receive a refund of his employee contributions, with interest.

C. The new plan would be non-contributory, that is the present mandatory 5% contribution would be terminated. The employer, however, would contribute 5% of salary for the employee into the employee's separate account. Upon termination, the employee could withdraw this sum, without interest, in lieu of any benefits regardless of whether the employee were vested.

D. The present cost of living formula would be retained, but it would become a regular part of the plan.

E. Early retirement would be under the rule of 90 with a minimum age of 55 and a minimum length of service of 30 years.

ALTERNATIVE PROPOSAL B

A. Modify the rates of future benefit accruals on future service for all years after some particular date. The future benefit accruals would be reduced to 1-1/4% of FAS up to the Social Security integration level plus 1.65% of the excess multiplied by years of future credited service. No cap on maximum benefits.

B. For present participants VSRS benefits would not be reduced below either:

1. the percentage benefit accrued at date of transition; or
2. the full plan benefit projected to age 65 at the salary in effect for the past plan year before the date of change.

C. Employee contributions would be reduced from the present 5% to 4% of salary up to the maximum Social Security covered wage base each year, and unchanged on the excess.

D. The present cost of living formula would be retained, but it would become a regular part of the plan.

E. Early retirement would be under the rule of 90 with a minimum age of 55 and a minimum length of service of 30 years.

A brief commentary by each member of the Committee follows:

M. T. Blackwood, Chairman—While the proposed plan would fulfill the requirements of the charge under House Resolution No. 145, I am concerned about the effect of any type of a ceiling (on either service or dollar benefit) on employee appreciation and understanding. In dealing with employees, my experience would indicate a preference for cutting back on future benefit accruals to approximate the same result. This was the intent of alternative proposal B. Alternative proposal A. is also acceptable to me, but I believe that the operation of a dual system is an unnecessary complication and see little point in eliminating employee contributions.

The proposed plan might cause difficulty in obtaining IRS approval. Should that become a problem there are two alternatives:

- a) revert to a service maximum and use 30 years;
- b) use a formula like 65% of the first \$7,500 FAS + 60% of excess - 50% of Social Security.

TABLE 1 - COMPARISON OF PRESENT VSRS AND SOCIAL SECURITY BENEFITS
AS A PERCENTAGE OF FINAL AVERAGE SALARY WITH ALTERNATIVE
PLANS, VARIOUS YEARS OF SERVICE

Final Year's Salary	(FAS)	Social Security	YEARS OF SERVICE					
					PRESENT PLAN			
			<u>20 years</u>		<u>30 years</u>		<u>40 years</u>	
\$ 8,000	(7,600)	48.7%	30.0%	(78.7)	45.0%	(93.7)	60.0%	(108.7)
15,000	(14,250)	40.3%	30.2%	(70.5)	45.3%	(85.6)	60.4%	(100.7)
20,000	(19,000)	33.5%	30.4%	(63.9)	45.6%	(79.1)	60.8%	(94.3)
30,000	(28,500)	22.6%	31.3%	(53.8)	46.9%	(69.4)	62.5%	(85.1)
PROPOSED PLAN								
\$ 8,000	(7,600)	48.7%	30.0%	(78.7)	41.1%	(89.7)	41.1%	(89.7)
15,000	(14,250)	40.3%	30.2%	(70.5)	40.2%	(80.5)	40.2%	(80.5)
20,000	(19,000)	33.5%	30.4%	(63.9)	44.4%	(77.9)	44.4%	(77.9)
30,000	(28,500)	22.6%	31.3%	(53.8)	46.9%	(69.4)	52.7%	(75.3)
PLAN A								
\$ 8,000	(7,600)	48.7%	17.1%	(65.8)	25.7%	(74.3)	25.7%	(74.3)
15,000	(14,250)	40.3%	19.9%	(60.2)	29.9%	(70.1)	29.9%	(70.1)
20,000	(19,000)	33.5%	22.2%	(55.7)	33.2%	(66.8)	33.2%	(66.8)
30,000	(28,500)	22.6%	25.9%	(48.4)	38.7%	(61.3)	38.7%	(61.3)
PLAN B								
\$ 8,000	(7,600)	48.7%	25.0%	(73.7)	37.5%	(86.2)	50.0%	(98.7)
15,000	(14,250)	40.3%	27.7%	(68.0)	41.6%	(81.9)	55.4%	(95.7)
20,000	(19,000)	33.5%	29.0%	(62.6)	43.6%	(77.1)	58.1%	(91.6)
30,000	(28,500)	22.6%	30.4%	(52.9)	45.5%	(68.1)	60.7%	(83.3)

NOTE: Calculated by the Division of Legislative Services

TABLE 2 - COMPARISON OF PRESENT VSRS AND SOCIAL SECURITY BENEFITS
WITH ALTERNATIVE PLANS, VARIOUS YEARS OF SERVICE

Final Year's Salary	(FAS)	Social Security	YEARS OF SERVICE					
			20 years		PRESENT PLAN 30 years		40 years	
\$ 8,000	(7,600)	\$ 3,700	\$2,280	(5,980)	\$ 3,420	(7,120)	\$ 4,560	(8,260)
15,000	(14,250)	5,741	4,306	(10,047)	6,460	(12,201)	8,613	(14,354)
20,000	(19,000)	6,373	5,775	(12,148)	8,662	(15,035)	11,550	(17,923)
30,000	(28,500)	6,431	8,910	(15,341)	13,365	(19,796)	17,820	(24,251)
PROPOSED PLAN								
\$ 8,000	(7,600)	\$ 3,700	\$2,280	(5,980)	\$ 3,120	(6,820)	\$ 3,120	(6,820)
15,000	(14,250)	5,741	4,306	(10,047)	5,734	(11,475)	5,734	(11,475)
20,000	(19,000)	6,373	5,775	(12,184)	8,427	(14,800)	8,427	(14,800)
30,000	(28,500)	6,431	8,910	(15,341)	13,365	(19,796)	15,091	(21,450)
PLAN A								
\$ 8,000	(7,600)	\$ 3,700	\$1,302	(5,002)	\$ 1,950	(5,650)	\$ 1,950	(5,650)
15,000	(14,250)	5,741	2,842	(8,583)	4,255	(9,996)	4,255	(9,996)
20,000	(19,000)	6,373	4,217	(10,590)	6,314	(12,687)	6,314	(12,687)
30,000	(28,500)	6,431	7,371	(13,802)	11,035	(17,466)	11,035	(17,466)
PLAN B								
\$ 8,000	(7,600)	\$ 3,700	\$1,900	(5,600)	\$ 2,850	(6,550)	\$ 3,800	(7,500)
15,000	(14,250)	5,741	3,951	(9,692)	5,926	(11,667)	7,901	(13,642)
20,000	(19,000)	6,373	5,518	(11,891)	8,277	(14,650)	11,036	(17,409)
30,000	(28,500)	6,431	8,653	(15,084)	12,980	(19,411)	17,306	(23,737)

NOTE: Calculated by the Division of Legislative Services

APPENDIX B - COSTS

CURRENT 1980-82 BUDGET

<u>% OF PAYROLL</u>		<u>DOLLAR AMOUNTS</u> (millions of dollars)		
<u>STATE</u>	<u>TEACHERS</u>	<u>STATE</u>	<u>TEACHERS</u>	<u>TOTAL</u>
4.67%	7.33 %	\$ 126	\$ 177 ^{1/}	\$ 303

ESTIMATED VSRS EMPLOYER CONTRIBUTION RATES
WITH "LEVEL FUNDING" UNDER PRESENT PLAN
AND ALTERNATIVE PLANS - 1980-82
(present assumptions with 4% assumed annual COL increase)

<u>PLAN</u>	<u>% of Payroll</u>		<u>Dollar Amounts</u> (millions of dollars)		
	<u>STATE</u>	<u>TEACHERS</u>	<u>STATE</u>	<u>TEACHERS</u>	<u>TOTAL</u>
Present Plan	8.74%	11.81%	\$ 236	\$ 285	\$ 521
All the following include early retirement under the rule of 90:					
Present Plan	9.14%	12.28%	\$ 247	\$ 297	\$ 544
Proposed Plan	5.91%	7.56%	\$ 159	\$ 183	\$ 342
Alternative Plan A* (50% + 50%)	9.16%	11.19%	\$ 247	\$ 270	\$ 517
*Includes approximately 0.75% for 5% of compensation credited to new MCA in future					
Alternative Plan B (1.25% + 1.65%)	8.73%	11.64%	\$ 235	\$ 281	\$ 516

^{1/}\$44 million paid by localities

NOTE: Estimated 1980-82 payroll: State employees \$2,698.8 million
 Teachers 2,415.0 million
 Total \$5,113.8 million

January 17, 1980

Mr. Matthew T. Blackwood
Johnson & Higgins of Virginia, Inc.
Post Office Box 1137
Richmond, Virginia 23208

Dear Tim:

Re: Virginia Retirement Study Commission

Enclosed is a revised sheet of estimated VSRS contribution requirements for 1980-82 under various combinations of benefit provisions and funding techniques. Replacing the sheet I sent you yesterday, the new sheet corrects a couple of minor errors in yesterday's version, includes additional information, and has all of the rates shown on a "loaded" basis.

Although much of the data shown on the sheet is of an approximate nature and might be changed if detailed computations were made, any such changes would likely be minimal; in any event, the information shown should be accurate enough to serve as a basis for budgetary decision and benefit design considerations.

Cordially yours,



Kenneth R. Campbell, F.S.A.
Senior Vice President

r

Enclosure

VIRGINIA RETIREMENT STUDY COMMISSION
ESTIMATED VSPS CONTRIBUTION REQUIREMENTS
FCR 1980-82

	Approximate Contribution Rates*		Approximate Contribution Amounts (in Millions)		
	<u>State Ees.</u>	<u>Teachers</u>	<u>State Ees.</u>	<u>Teachers</u>	<u>Total</u>
<u>PRESENT PROVISIONS</u>					
Present Costing 3% Inflation	4.67%	7.33%	\$126.0	\$177.0	\$303.0
Present Costing 4% Inflation	5.50%	8.32%	\$148.4	\$200.9	\$349.3
"Level" Costing 3% Inflation	7.70%	10.64%	\$207.8	\$257.0	\$464.8
"Level" Costing 4% Inflation	9.00%	12.16%	\$242.9	\$293.7	\$536.6
<u>PROPOSED PROVISIONS</u>					
Present Costing 3% Inflation	4.04%	6.25%	\$109.0	\$150.9	\$259.9
Present Costing 4% Inflation	4.74%	7.04%	\$127.9	\$170.0	\$297.9
"Level" Costing 3% Inflation	6.68%	8.58%	\$180.3	\$207.2	\$387.5
"Level" Costing 4% Inflation	7.81%	10.08%	\$210.8	\$243.4	\$454.2

*Rates loaded to reflect periodic payment of employer contributions.

