

**REPORT OF THE  
VIRGINIA RETIREMENT SYSTEM ON**

**VRS SURVIVOR BENEFITS**

**TO THE GOVERNOR AND  
THE GENERAL ASSEMBLY OF VIRGINIA**



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## PREFACE

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The following study was conducted under the authority of House Joint Resolution 525 which was approved by the 1993 Session of the General Assembly.

The study was conducted by the staff of the Virginia Retirement System (VRS).

The VRS acknowledges the cooperation received from public retirement systems and private companies throughout the United States in responding to the survey as part of the study.

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## EXECUTIVE SUMMARY

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This study of the survivor benefits for retirees and employees who die while in service was conducted in response to House Joint Resolution Number 525, approved during the 1993 Session of the General Assembly.

The study of survivor benefits included a review of the VRS benefit structure and its evolution over the last forty years; a comparison of VRS benefits with those of other public retirement systems and private sector plans; a review of VRS methods of communication to ensure that members and beneficiaries are provided accurate and timely benefits information; and a review of administrative policies regarding survivor benefits.

Based on the information gathered and analyzed, the survivor benefits for retirees and members dying in service are consistent with other public retirements systems and private plans; other VRS benefits; historical legislative intent; actuarial requirements and public policy.

A difference in the benefits paid to survivors of members dying in service and survivors of retirees does exist. However, that difference is the result of public policy that has evolved since retirement benefits were first provided by the forerunner systems of the current VRS. In the last forty years, since 1952, there has been a gradual shift from only providing benefits to those members who were entitled by having met age and service requirements to assuming unrestricted entitlement in certain situations such as death-in-service and disability. Additionally, there has been a liberalization of age and/or service requirements for entitlement of other benefits, and a significant increase in the amount of life insurance coverage.

The Retirement System has been studied numerous times in the past with benefit changes occurring as a result of such studies. The underlying consideration has been to provide equitable and adequate benefits at a cost that the State and participating employers can reasonably afford. Survivor benefits can be enhanced but at a cost. This report discusses alternative survivor benefits and associated costs.

The question seems to be not if a difference in survivor benefits exists, but what is public policy to be with regard to survivor benefits. Are benefits intended to protect the survivors of career employees or of employees with short service who suffer untimely deaths and have fewer assets with which to provide for spouse and children? Should all members be provided with the same level of survivor benefits regardless of length of service or age of the member/retiree? Should survivors of members who die "in service" be provided benefits equal to survivors of members who retire and choose a survivor option at retirement? Once public policy is defined then survivor benefits can be designed accordingly.

Public policy establishes a basis for benefits which addresses the needs of the membership as a group and not isolated to one unique situation or special interest group. Survivor benefits come from a variety of sources. Survivors may receive life insurance proceeds, a VRS monthly annuity, a refund of accumulated retirement contributions and interest, social security survivor benefits and workers' compensation benefits. VRS benefits are a component of the total survivor benefit package and must be viewed as such. The sources of benefits must be paid for by the employer, and in some cases by the member, through contributions. All of the above must be considered in determining the level of survivor benefits that are provided.

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## INTRODUCTION

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House Joint Resolution Number 525, approved during the 1993 Session of the General Assembly, requested the Virginia Retirement System to examine the survivor benefits for retirees and employees who die while in service. The scope of the study was to include (i) the possibility that survivors of a state employee have a period of 60 days to avail themselves of the advice of officers of the Commonwealth concerning the potential benefits available at the time of the employee's death and (ii) whether the agency in which the employee served might be permitted to effect the retroactive retirement of the employee and the choice of retirement option as of the time of death, assuming that the employee would have made such choice himself to best provide for his survivors. The resolution stated it is the intention of the Commonwealth to provide its employees with benefits comparable to the private sector. A copy of House Joint Resolution 525 may be found in Appendix A.

The staff of the VRS determined that several separate studies were needed to examine the benefits provided survivors of retirees (service and disability) and those of active members dying in service.

First, the VRS benefit structure was examined. Code amendments affecting VRS benefits were traced over approximately 40 years. The intent both currently and historically of each benefit was studied.

Next, a survey of private companies and other public retirement systems was conducted. The purpose of the survey was: to determine if VRS benefits are comparable to the private and public sectors; and to identify any trends that are occurring in both the private and public sectors. A list of companies and systems contacted, and list of respondents may be found in Appendix B.

VRS also examined its methods of communication to determine if members are provided with timely and accurate benefit information. The areas of communication examined included publications, training, public seminars and individual counseling.

VRS also studied the administrative procedures and code requirements that centered on the areas of concern identified in HJR525 regarding the 60 day period to obtain advice and the retroactive retirement and choice of option for members dying in service.

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## VRS BENEFIT STRUCTURE

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The VRS benefit structure is administered according to public policy set forth in Title 51.1 (previously Title 51) of the Code of Virginia. The structure is dynamic; changing as a result of federal requirements, regional and national benefit trends, membership needs or administrative requirements. Over time, the VRS and the General Assembly have worked together to ensure that continuity in public policy has been maintained and that the benefit changes made have resulted in a coherent and comprehensive structure.

The VRS benefit structure has been carefully designed to meet the needs of active members, inactive members and retirees. Each benefit in the structure has general application since the VRS is the administrator of a statewide multi-employer public employee retirement system. An individual benefit is designed to serve a specific purpose. The relationships between benefits form the structure that provides a comprehensive retirement package for a varied membership. Each benefit fits within the structure at an acceptable cost to the employers, who are responsible for funding the benefits. When a particular benefit is used in a manner other than for which it has been designed, inequities may arise because each benefit is based on its own blend of actuarial assumptions. Further, changing one benefit out of context with the other benefits, may give rise to potential inequities.

The VRS benefit structure provides the following benefits: a monthly annuity for service retirees; a monthly annuity for disability retirees (work related and non-work related); a monthly annuity for a contingent annuitant at the death of the retiree if a survivor option has been selected; and a monthly annuity for eligible survivors of members who die while in active service (work related and non-work related).

A variety of retirement options are offered to allow the retiree to choose the method of payment that best meets his or her financial needs. The options complement one another, providing a progression from the basic benefit to the survivor options. The retirement option structure is based on actuarial equivalency. A retiree may choose from any of the retirement options available under the type of retirement selected. Some option choices are limited by statute such as for disability retirement or death-in-service. The retirement benefit is based on the member's age at retirement, creditable service and average final compensation with each option providing an actuarially equivalent benefit. The different options provide flexibility to meet individual retiree needs.

Group life insurance coverage is also a component of the benefit structure. Coverage is provided from the first day of employment and includes: natural death coverage; accidental death coverage; and dismemberment coverage. Proceeds paid under the Group Life Insurance Program are generally tax-free to the beneficiary. (Note: All political subdivisions participating in VRS for retirement do not provide group life insurance coverage.)

In addition to VRS contributions, participating employers contribute toward Workers' Compensation and Social Security on behalf of the member. VRS benefits are no longer supplementary to Social Security benefits as required by the Tax Reform Act of 1986. However, there is a relationship between the two benefits. Employers contribute, matching the employee's contribution dollar for dollar, to provide benefits under Social Security. Out of every dollar that is paid by the employer to Social Security, 73 cents goes to a trust fund that pays retirement benefits and survivor benefits.

Over the last forty years there has been a gradual but constant trend toward liberalizing all components of the VRS benefit structure. Formulas used to calculate annuities have been enhanced to provide greater benefits. Age and service requirements for entitlement to benefits have decreased. Maximum age requirements have been removed to increase entitlement to benefits. Survivor benefits of retirees have been enhanced due to the increased eligibility of members to retire. Survivor benefits of active members have been enhanced significantly from a refund of accumulated contributions and interest to a monthly annuity for eligible survivors. Through all the changes, the VRS and General Assembly have worked together to ensure that continuity in public policy has been maintained and that a comprehensive retirement system at an acceptable cost is provided to members and retirees.



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## VRS SURVIVOR BENEFITS

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### SIGNIFICANT CHANGES

Survivor benefits have evolved to reflect the changes in public policy over the years and to integrate with the benefit structure. The most significant changes affecting survivor benefits have been:

#### LOWERING THE AGE AND SERVICE REQUIREMENTS FOR SERVICE RETIREMENT

The normal retirement age has always been age 65. At normal retirement, a member is eligible for unreduced benefits. Over time, the code has been amended to provide unreduced benefits at age 60 with 30 years (1964); and currently at age 55 with 30 years (1986). Initially a member could retire early with reduced benefits at age 60 with 15 years of service (1952). Over time, the code has been amended to provide reduced benefits at age 60 with 10 years (1966); age 60 with 5 years (1970) and currently at age 55 with 5 years (1977).

Lowering the age and service requirements for unreduced and reduced service retirement benefits has enabled more members to retire and provide survivor benefits by selecting the 100% or 50% Joint and Survivor Option. Prior to retirement, survivor benefits may have been limited to a refund of accumulated contributions and interest, or calculated under an option designated by code according to the age of the member.

#### PROVIDING A DEATH-IN-SERVICE MONTHLY ANNUITY

Prior to 1960 the designated beneficiary of a member dying in service received a refund of accumulated contributions and interest. In 1960, benefits were expanded to provided a death-in-service annuity for an eligible survivor (spouse, child(ren), or parents) in lieu of the refund in some cases. If the member was between the ages of 60 and 65 at death, the eligible survivor received an annuity calculated under the 50% Joint and Survivor Option. If the member was at least age 65, the annuity was calculated under the 100% Joint and Survivor Option. If the member was under age 60 at death, a refund of contributions and interest was payable. In 1966, a death-in-service survivor annuity was provided if the member had 30 years of service, regardless of age.

The death-in-service monthly annuity benefit was instituted primarily to maintain equity between those members who, in contemplation of death, retired under a survivor option and died shortly thereafter; and those members who, although eligible for early or normal retirement died prior to retirement, leaving only a refund of contributions and interest as a death benefit. Therefore, only eligible survivors of members already meeting service retirement requirements qualified for benefits. The intent was to not deny benefits to which the member already had entitlement. The level of death-in-service benefits (the 100% vs. 50% Joint and Survivor Options) has not changed since

the death-in-service annuity began. The reason for a difference in benefits, based on age, was twofold: to satisfy the actuarial assumption that the period of time to accumulate contributions needed to fund the survivor annuity of a younger member is shorter and necessitates a lower level of benefits; and to recognize career service.

## REMOVING THE AGE AND SERVICE REQUIREMENTS FOR DEATH-IN-SERVICE BENEFITS

In 1977, the member age and service requirements for a death-in-service survivor annuity were changed to include age 55 with 5 years of service in addition to age 60 or 30 years of service. In 1988, all age and service requirements for a death-in-service survivor annuity were removed and members under age 55 at death were assumed to be age 55 for purposes of calculating the survivor annuity.

Over the years, the member age and service requirements have been lowered and finally eliminated so that all members were provided with some level of death-in-service survivor benefits other than a refund of contributions and interest. The changes were made to: maintain equity between death-in-service benefits and disability retirement survivor benefits by removing the minimum age and service requirements; and to conform with amended vesting and service retirement requirements.

## PROVIDING LIFE INSURANCE COVERAGE

The Group Life Insurance Program (GLIP) began in 1960 as a result of the recommendations of the Virginia Advisory Legislative Council and the Governor to provide survivor benefits in the form of group life, accident and dismemberment coverage. Full time, salaried and permanent employees under age 60 were eligible for coverage. Coverage was equal to the member's salary adjusted to the next thousand, with an equal amount for accidental death. Coverage reduced 2% per month to 25% of original value at the earlier of retirement or age 65.

In 1966, life insurance coverage was increased to two times the adjusted salary for members under age 50 and a percentage ranging from 1.95 (age 51) to 1.1 (age 64) for eligible members over age 50. In 1970 life insurance coverage was increased to two times the adjusted salary for all employees eligible for coverage (employees under age 60 at the time of employment or reemployment). In 1980 life insurance coverage was extended to members under age 70; and members were required to have 5 years of service to retain coverage after retirement. This provision was enacted to prevent an employee from becoming insured, retiring shortly thereafter and obtaining paid up life insurance at very little cost. In 1992, the age 70 restriction for life insurance was removed.

The group life insurance program was instituted at the same time as the death-in-service monthly annuity benefit. Between the two survivor benefits, all active members were able to provide their survivor with some level of income protection. Retirees were also provided with a survivor benefit, through life insurance coverage, even if a joint and survivor retirement option was not selected at retirement.

## REMOVING THE SERVICE REQUIREMENT FOR DISABILITY RETIREMENT

Initially, members could retire for disability if under age 65 with 15 years of service (no service was required for a work related disability). Over time, the service requirement was amended to 10 years (1960), 5 years (1973) and finally removed in 1986. Lowering and finally eliminating the service requirement for disability retirement has enabled more members to retire, and provide a survivor benefit if the 50% Joint and Survivor Option is selected.

## RESTRICTING THE DISABILITY RETIREMENT SURVIVOR OPTION

In 1952, disability benefits prior to normal retirement age (age 65) were calculated under a separate, and more generous, formula than the service formula. However, the benefit was calculated on actual service. After normal retirement age was attained, the benefit was recalculated using the service retirement formula. The benefit was calculated on actual service plus the period of disability. The basic benefit could be actuarially reduced to provide survivor benefits under the 50% or 100% Joint and Survivor Options.

In 1966, the disability formula was discontinued; benefits were calculated under the service formula with service enhanced to provide a benefit; and the survivor option was restricted to one-half of the decreased retirement allowance received by the member during his lifetime (50% Joint and Survivor Option). These changes were based on the recommendations of the Virginia Advisory Legislative Council resulting from the 1965 study of the Virginia Retirement System.

The separate disability formula was no longer needed since disability social security benefits were no longer based on attaining age 65. The use of the disability formula represented an anachronism. Service was enhanced (the smaller of twice the actual service or the service that would have been completed had the member remained in service to age 60) on the assumption that the member would have continued working. The survivor option was restricted to 50% of the member's benefit because: survivor options were costly to the State, with the 100% option more costly than the 50% option since disability retirees are subject to shorter than normal mortality; and to address the inequity that existed between disability retirees and members dying in service. Rather than eliminate the joint and survivor option under disability, the mode of retirement was limited to the 50% option which was the same option extended to survivors of members under age 65 who died in service.

## IMPOSING AND SUBSEQUENTLY REMOVING THE 60 DAY WAITING REQUIREMENT FOR DISABILITY RETIREMENT SURVIVOR BENEFITS

In 1982, Virginia Code Section 51-111.60 was amended to prohibit the payment of survivor benefits if the member died prior to the effective date of retirement. In the case of a disability retirement, survivor benefits were also null and void if death occurred within 60 days of written notification of the effective date of retirement. If death occurred prior to the effective date of retirement, or within 60 days of written notice of

intent to retire for disability, death-in-service benefits were paid in accordance with Va. Code Section 51-111.58:1 (Death Before Retirement). Survivor benefits were paid if the designated beneficiary was the spouse, minor child(ren), mother or father and the member had met the age and service requirements for a death-in-service benefit.

The amendment was passed to prevent disability retirement from being used as a death-in-service benefit. The disability benefit was primarily designed to provide income for the disabled worker. Death-in-service benefits were designed to provide income to the eligible survivor of a deceased employee. Survivor benefits under both service and disability retirement were secondary to the retiree's benefit and were provided at a cost to the retiree by actuarially reducing the basic benefit. The rationale for the amendment was that experience showed that anti-selection against the retirement system was occurring when disability retirement applications indicating an effective date of retirement one day prior to the date of death and selecting a survivor option, were submitted after death had occurred. Members with 5 years of service, but under age 55, could secure monthly annuity survivor benefits under a disability retirement that would not be available under death-in-service benefits. Also, a disability retiree could name any individual to receive survivor benefits while only a spouse, child or parent was eligible under death-in-service benefits. Not only could benefits be obtained through disability retirement that were not available under death-in-service but also the benefit was increased because service was enhanced for the disability retirement calculation and there was no reduction for early retirement.

In 1992, the requirement that a disability applicant live for 60 days from the date of written notification of intent to retire in order for a survivor option to be valid was removed. The effect of the change is that now a member, in anticipation of death, can apply for disability retirement to provide survivor benefits.

## **CURRENT SURVIVOR BENEFITS**

The survivor benefits paid are determined by the status of the member at the time of death (active, inactive or retired). An active member is employed in a covered VRS position. An inactive member is no longer employed in a covered position but has left funds in the system or has employer-paid service. A retiree is a member who has terminated service, applied for and is receiving a monthly annuity. A survivor is designated by the member/retiree or provided for by statute. The VRS has over 250,000 active members and 72,000 retired members.

## **DEATH BEFORE RETIREMENT**

Eligible survivors of active members may receive a monthly annuity, refund of contributions and interest, and/or insurance proceeds. Eligible survivors of inactive members may receive a refund of contributions and interest and/or insurance proceeds.

## Death-in-Service (Active Members)

### **Eligible Members:**

Members are eligible for regular and work-related death-in-service benefits from the date of employment. There are no age or service requirements for benefits.

## Regular Death-in-Service (Non-work Related)

### **Eligible Beneficiaries:**

If a VRS member dies while in service, the designated beneficiary for retirement contributions (named on the VRS-1 or VRS-2) may receive a refund of accumulated contributions and interest in the member's account if a survivor benefit is not payable. If more than one beneficiary is named, then the refund is divided equally or distributed based on the percentage specified, provided one of the beneficiaries is not eligible to receive a monthly benefit. Effective July 1, 1993, a former spouse named as a beneficiary is assumed to have predeceased the member unless VRS is presented with legal documentation showing there is a specific requirement in a divorce decree or Qualified Domestic Relations Order filed on or after July 1, 1993 requiring the former spouse be named for these benefits (Va. Code Section 20-111.1).

If the spouse, minor child(ren), mother or father of the member has been designated as beneficiary for retirement contributions, then such beneficiary has the option of receiving a monthly annuity or the refund of contributions and interest (Va. Code Section 51.1-162(B)). If more than one beneficiary is named and one or several are eligible for a monthly annuity, the annuity is payable to the first named beneficiary in the above stated order of precedence as provided in the Code, and no other beneficiaries would be entitled to a monthly annuity or refund. If the payment is to multiple minor beneficiaries, each would be entitled to an equal percentage share of the benefit payable. The monthly annuity is paid for the lifetime of the spouse or parent. Payment to minor children is made until each child reaches the age of majority or dies, whichever occurs first. As each child reaches majority, the benefit is re-divided until only one minor child remains. That child receives the entire benefit until majority when the payment ceases.

If no beneficiary is named (VRS does not have a VRS-1 or VRS-2 on file), a refund of accumulated contributions and interest is paid in accordance with the stated order of precedence set out in Va. Code Section 51.1-162(A). No monthly annuity is payable without a written designation naming an eligible beneficiary.

### **Amount of Annuity:**

The amount of the annuity is based, at the time of death, on the member's age, length of service, and average final compensation (AFC). The annuity is calculated as if the member retired on the date of death based on the service retirement formula provided in Va. Code Section 51.1-155. If the member was under age 55, the member is assumed to be age 55 for calculation purposes. The survivor option under which benefits are calculated is in accordance with Va. Code Section 51.1-162(B) which provides if the

member was: under age 65, benefits are calculated under Option 3 (50% Joint and Survivor Option); age 65 or older, the benefits are calculated under Option 2 (100% Joint and Survivor Option).

### Line of Duty Death (Work Related)

#### **Eligible Beneficiaries:**

If a VRS member dies from a work-related cause, the designated beneficiary (named on the VRS-1 or VRS-2) receives a refund of accumulated contributions and interest in the member's account. If more than one beneficiary is named, then the refund is divided equally or in the percentage distribution specified by the member. Effective July 1, 1993, a former spouse named as a beneficiary is assumed to have predeceased the member unless VRS is presented with legal documentation showing there is a specific requirement in a divorce decree or Qualified Domestic Relations Order filed on or after July 1, 1993 requiring the former spouse be named for these benefits (Va. Code Section 20-111.1). If no beneficiary is named (VRS does not have a VRS-1 or VRS-2 on file), a refund of accumulated contributions and interest is paid in accordance with the stated order of precedence in Va. Code Section 51.1-162(A).

In addition to the refund of contributions and interest to the named beneficiary on the VRS-1 or VRS-2 (Va. Code Section 51.1-161(B)), the spouse is guaranteed a survivor benefit. If the member leaves no surviving spouse or the spouse dies or remarries, any minor children or dependent parent, in that order, shall be paid the monthly survivor benefit. The monthly annuity is paid: for the lifetime of the spouse or until remarriage; the lifetime of the parent; or for the lifetime of the children or until each child reaches the age of majority, whichever occurs first. The benefit is divided equally among the minor children. As each child reaches majority, the benefit is re-divided until only one minor child remains. That child receives the entire benefit until reaching majority.

#### **Amount of Annuity:**

If the member's death is the result of a work-related cause, the spouse, minor child or dependent parents, in that order would be guaranteed at least 50% of the member's average final compensation when offset by Workers' Compensation if the survivor does not qualify for death benefits from Social Security. If the survivor does qualify for death benefits under Social Security, the guaranteed benefit is 33 1/3% of the average final compensation offset by Workers' Compensation.

### Death Of An Inactive Member (Deferred Retirement)

#### **Eligible Members:**

Any member who terminated service but did not withdraw his/her accumulated contributions and interest.

**Eligible Beneficiaries:**

The person designated as beneficiary for accumulated retirement contributions and interest, and life insurance proceeds. If no designation has been made, benefits are paid by order of precedence as provided by statute. If a beneficiary has been named but predeceases the member, benefits are paid to the member's estate.

**Benefits:**

The survivor of an inactive member is not eligible for a monthly annuity. The designated beneficiary of the accumulated contributions and interest receives a refund. If the member was age 55 at the time of termination of service and had at least 5 continuous years of service, the balance of the reduced natural death benefit under group life insurance is payable to the designated beneficiary.

Group Life Insurance**Eligible Members:**

Participation in the Group Life Insurance Program (GLIP) is mandatory for eligible employees (full-time and salaried whose tenure is not restricted to temporary or provisional appointment) if the employer participates in the program. (Note: The Commonwealth and all school divisions participate by law.) Coverage is automatic from the first day of employment. No medical examination is required.

**Cost and Amount of Coverage:**

The employee pays a portion of the premium cost each month, however; the employer may elect to pay all or a portion of the employee premium. The employee and employer portions of the premium must be paid until retirement.

Natural death coverage is equal to the employee's annual salary rounded up to the next higher \$1,000 (if it is not an even thousand dollar amount) and then doubled. Accidental death coverage is double the amount of natural death coverage (or four times the adjusted annual salary). Dismemberment coverage is equal to 1/2 the natural death benefit for the loss of one limb or the sight of one eye. The maximum dismemberment payment is equal to the natural death coverage. Coverage for the Group Life Insurance Program is through Life of Virginia.

Insurance coverage continues during: (1) service in a covered position; (2) leave with pay; (3) up to 24 months of leave without pay if the premiums are submitted in a timely manner; (4) after termination of service in a covered position if the member meets eligibility requirements for service retirement but defers such retirement to a later date (must be at least age 55, or age 50 for SPORS/LEOS, and have five continuous years of service; no further premiums are due, however, coverage begins to reduce 2% per month down to 25% of original value); or (5) upon immediate retirement for retirees with 5 continuous years of service, with no further premiums due and reduced as described in (4) above.

**Loss of Coverage:**

Accidental death and dismemberment coverage ceases immediately upon termination and in retirement. Natural death coverage ceases upon termination of service in a covered position (for other than retirement) or if premiums are not submitted in a timely manner during periods of leave pay. Natural death coverage continues for 31 days from the end of the month in which the last premium was paid. During the 31 days of continued coverage, the person is eligible to convert the natural death coverage to an individual policy, provided the person is not eligible for retirement.

**Conversion of Natural Death Coverage:**

The natural death coverage may be converted to an individual policy if the application is received by VRS within 31 days of the end of the month of termination. No physical examination is required by the insuring company to convert coverage. The individual policy coverage may not: (1) exceed the amount of natural death coverage under the GLIP; (2) contain a double indemnity clause for accidental death or dismemberment coverage; or (3) be a policy of term insurance or provide disability or other supplementary benefits. The cost of converted insurance is at the prevailing rate for individual policies, which is based on current age, class of risk and amount of coverage. Retirees and members eligible for retirement at the time of termination (deferred retirement) are not eligible to convert insurance.

**DEATH AFTER RETIREMENT**

Eligible survivors of retirees may receive a monthly annuity (if the survivor option is selected by the member at retirement), or a refund of the remaining balance of accumulated contributions and interest under a non-survivor option, and/or life insurance proceeds.

**Service Retirement****Eligible Members:**

Members are eligible to retire for service at age 55 with a minimum of 5 years of service. If the member is employed by the State, a school board or a political subdivision electing the 55/30 retirement provision, the benefit is actuarially reduced for early retirement if the member is under age 65 or has less than 30 years of service. If the member is employed by a political subdivision electing the 60/30 retirement provision, an unreduced benefit is paid if the member is at least 55 and has at least 30 years of service and the sum of the member's age and service credit equals 90. If the member does not meet these age and service requirements, the benefit is actuarially reduced from the earlier of age 65 or the first date on which the member would have completed 30 years of service and age plus service equals at least 90.

**Amount of Annuity:**

The benefit is based on the member's average final compensation (AFC) and age. The member receives 1.5% of the first \$13,200 of AFC plus 1.65% of the AFC in excess of



\$13,200. Members with 35 or more years of service receive 1.65% of the full AFC for each year of creditable service. The service formula is:  $.015 \times \$13,200 + .0165 \times (\text{AFC} - \$13,200) \times \text{Service}$ .

**Reduction for Early Retirement:**

The service retirement benefit is reduced if the member is under age 65 or has less than 30 years of service; or when the sum of age and service is less than 90 (reduction for early retirement benefits for employers who have not opted for the 55/30 provisions). The reduction is 0.5% per month for the first 60 months between the member's early retirement date and the date on which the member would have been eligible for unreduced benefits, and 0.25% for any additional months. Service purchased at the 15% rate cannot be counted toward the 30 year requirement for early unreduced benefits.

**Reduction for Survivor Option:**

Members are offered several options or alternative methods of receiving retirement benefits (Va. Code Section 51.1-165). All options are actuarially equivalent. Generally, the retirement option cannot be changed after the date of retirement. There are two survivor options that provide for the person (contingent annuitant) designated by the member to receive a monthly benefit for life after the member's death.

**100% Survivor Option:**

The retiree receives a benefit that is actuarially reduced from the Basic Benefit calculated using the service formula stated above. The reduction is based on the age of the retiree and contingent annuitant on the effective date of retirement of the member. The same monthly benefit paid to the retiree is continued for life to the contingent annuitant after the retiree's death.

**50% Survivor Option:**

The retiree receives a benefit that is actuarially reduced from the Basic Benefit. The reduction is based on the age of the retiree and the contingent annuitant at the effective date of retirement of the member. At the member's death, half of the monthly benefit is paid to the contingent annuitant. The retiree realizes less of an actuarial reduction in the monthly benefit under this option than the 100% Survivor Option.

**Special Options:**

If Options 2 and 3 do not meet the member's needs for a survivor option, VRS can provide a special option calculation (within certain limits) based on a percent of benefit or dollar amount specified by the member to be paid to a second person (Va. Code Section 51.1-165 (A) (4)).

**Pop-Up/Pop-Down Option:**

Under most circumstances a retiree cannot change the option after retirement. However, there are some exceptions for members who selected a survivor option. Different requirements apply for members retired before July 1, 1980 and on or after that date. Eligible retirees may be allowed to "pop-up"--receive a higher benefit as a result of returning to the basic benefit or choosing another survivor that results in a higher

benefit; or "pop-down"--receive a lower benefit as a result of choosing another survivor. The change in options is allowed due to death or divorce from the contingent annuitant. The pop-up/pop-down option is a one time only election.

### Disability Retirement

#### **Eligible Members:**

A member is eligible to be considered for disability retirement (non-work and work related) from the first day of employment. There are no age or service requirements for eligibility. However, the member must be unable to perform his/her present duties; the disability must be presumed to be permanent; and application for disability retirement must be submitted while in service or within 90 days of termination or prior to the expiration of 24 months of leave without pay. In the event of a pre-existing condition at the time of employment that later disables the member, the condition must have worsened. If the member's disability is from a cause compensable under the Virginia Workers' Compensation Act, the member may be considered for work related disability benefits.

#### **Amount of Annuity (Non-Work Related):**

If the member has fewer than five years of service credit, the monthly minimum guaranteed benefit is 50% of the average final compensation if the member does not qualify for primary social security benefits. If the member does qualify, the guarantee is 33 1/3% of average final compensation.

If the member has five or more years of service credit, the amount of the benefit will be the higher of the minimum guarantee or the VRS formula amount. If the member is under age 60, the length of service used to compute the benefit is the smaller of: twice the actual period of credited service; or the rendered service plus the number of years of service that would have been earned to age 60. Service purchased at the 15% rate cannot be doubled.

#### **Amount of Annuity (Work Related):**

Under work related disability retirement, the member is guaranteed 66 2/3% of average final compensation if the member does not qualify for primary social security benefits, and 50% of average final compensation if the member does qualify. Monthly benefits paid under the work related guaranteed benefit are not subject to federal or state tax. The VRS benefit is reduced by the amount of Workers' Compensation.

In addition to the VRS annuity, the member is entitled to a refund of accumulated contributions and interest, including employer-paid member contributions credited to the employer's account. This refund is paid to the retiree as part of the benefit.

All members applying for disability (work and non-work related) must apply for social security benefits.

**Reduction for Survivor Option:**

Under both regular disability and work related disability, the member may choose benefits under the 50% Joint and Survivor Option. For the calculation of benefits under this option, the member's age is considered to be age 65 on the date of retirement if the member is under age 65. Age 65 is used due to the presumed shorter mortality for a person retiring for disability.

**Pop-up/Pop-Down:**

Under most circumstances a retiree cannot choose another option after retirement. However, there are some exceptions for members who selected a survivor option. There are different requirements for members retired before July 1, 1980 and on or after that date. Eligible retirees may be allowed to "pop-up"--receive a higher benefit as a result of returning to the basic benefit or choosing another survivor that results in a higher benefit; or "pop-down"--receive a lower benefit as a result of choosing another survivor. The change in options is allowed due to death or divorce from the contingent annuitant. The pop-up/pop-down option is a one time only election.

Group Life Insurance**Service Retirement**

The retiree must have five years of continuous service to retain life insurance after retirement. A retiree is not required to pay premiums for life insurance coverage. Accidental death and dismemberment coverage ceases immediately. The amount of natural death coverage begins to reduce 2% per month until 25% of the natural coverage at retirement remains. Full reduction takes approximately three and one-half years.

**Disability Retirement**

Full group life insurance coverage is retained while the disability retirement application is being processed (if leave without pay occurs during this time, the life insurance premiums must be submitted to keep the coverage in force). Upon retirement for disability, accidental death and dismemberment coverage cease. Natural death coverage, based on salary at the time of retirement, continues at no cost to the disability retiree. Coverage does not begin to reduce until age 65 is attained. At age 65, the natural death coverage begins to reduce 2% per month until 25% of coverage remains. Five years of continuous service is not required to retain life insurance coverage for disability retirement.

## **COMPARISON OF BENEFITS**

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## COMPARISON OF BENEFITS

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### EXAMPLE 1

Member: Age 40                      AFC: \$30,000.00  
Beneficiary: Age 36                Service: 20 years

### DEATH-IN-SERVICE

#### Non-work Related:

Designated beneficiary receives a life insurance payment of \$60,000.00 (natural death) or \$120,000.00 (accidental death) and refund of accumulated contributions and interest (unless survivor annuity paid). An eligible survivor (spouse, minor children, or parent) may elect to receive an annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$30,000.00 - \$13,200.00) \times .0165 = \$277.20$   
 $\$198.00 + \$277.20 = \$475.20$  (Benefit Per Year of Service)  
 $\$475.20 \times 20 \text{ years} = \$9,504.00$  (Unadjusted Annual VRS Benefit)  
 $\$9,504.00 \div 12 = \$792.00$  (Unadjusted Monthly VRS Benefit)  
 $\$792.00 \times .4600 = \$364.32$  (Mo. VRS Ben. Adjusted for Early Ret.)  
 $\$364.32 \times .894 = \$325.70$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives one-half of deceased retiree's benefit, **\$162.85** monthly

#### Work Related:

Designated beneficiary receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$60,000.00 (natural death) or \$120,000.00 (accidental death). Eligible survivor (spouse, minor children or parent) receives a guaranteed VRS annuity (offset by Workers' Compensation) of:

#### 33 1/3% of AFC (if Survivor eligible for Primary Social Security Benefits)

$\$30,000.00 \times .3333 = \$9,999.00$  (Annual VRS Benefit)  
 $\$9,999.00 \div 12 = \$833.25$  (Monthly VRS Survivor Benefit)

#### 50% of AFC (if Survivor not eligible for Primary Social Security Benefits)

$\$30,000.00 \times .50 = \$15,000.00$  (Annual VRS Benefit)  
 $\$15,000.00 \div 12 = \$1,250.00$  (Monthly VRS Survivor Benefit)

### SERVICE RETIREMENT

Member is ineligible for service retirement due to age. A member must be at least age 55 with a minimum of 5 years of service to be eligible for service retirement.

## DISABILITY RETIREMENT

### Non-Work Related:

Designated beneficiary receives a life insurance payment of \$60,000.00 if member's death occurs prior to age 65 (reducing 2% per month after age 65 down to \$15,000.00).

Member receives a monthly annuity of:

$\$30,000.00 \times .0165 = \$495.00$  (Benefit Per Year of Service)

$\$495.00 \times 40 \text{ years}^* = \$19,800.00$  (Annual Basic VRS Benefit)

$\$19,800.00 \div 12 = \$1,650.00$  (Monthly Basic VRS Benefit)

$\$1,650.00 \times .855 = \$1,410.75$  (Mo. VRS Ben. Adjusted for Survivor Opt.)

Survivor receives one-half of retiree's benefit, **\$705.38** monthly

### Work Related:

Member receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$60,000.00 if member's death occurs prior to age 65 (reducing 2% per month after age 65 down to \$15,000.00). Member is guaranteed a VRS annuity (offset by Workers' Compensation) of:

#### 50% of AFC (if Retiree eligible for Primary Social Security Benefits)

$\$30,000.00 \times .50 = \$15,000.00$  (Annual VRS Basic Benefit)

$\$15,000.00 \div 12 = \$1,250.00$  (Monthly VRS Basic Benefit)

$\$1,250.00 \times .855 = \$1,068.75$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)

$\$1,068.75 \div 2 = \$534.38$  (Monthly VRS Survivor Benefit)

#### 66 2/3% of AFC (if Retiree not eligible for Primary Social Security Benefits)

$\$30,000.00 \times .6667 = \$20,001.00$  (Annual VRS Benefit)

$\$20,001.00 \div 12 = \$1,666.75$  (Monthly VRS Benefit)

$\$1,666.75 \times .855 = \$1,425.07$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)

$\$1,425.07 \div 2 = \$712.54$  (Monthly VRS Survivor Benefit)

\* Service is enhanced to twice actual service

## EXAMPLE 2

Member: Age 40 AFC: \$60,000.00  
Beneficiary: Age 36 Service: 20 years

### DEATH-IN-SERVICE

#### Non-work Related:

Designated beneficiary receives a life insurance payment of \$120,000.00 (natural death) or \$240,000.00 (accidental death) and refund of accumulated contributions and interest (unless survivor annuity paid). An eligible survivor (spouse, minor children, or parent) may elect to receive an annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$60,000.00 - \$13,200.00) \times .0165 = \$772.20$   
 $\$198.00 + \$772.20 = \$970.20$  (Benefit Per Year of Service)  
 $\$970.20 \times 20 \text{ years} = \$19,404.00$  (Unadjusted Annual VRS Benefit)  
 $\$19,404.00 \div 12 = \$1,617.00$  (Unadjusted Monthly VRS Benefit)  
 $\$1,617.00 \times .4600 = \$743.82$  (Mo. VRS Ben. Adjusted for Early Ret.)  
 $\$743.82 \times .894 = \$664.98$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives one-half of deceased retiree's benefit, **\$332.49** monthly

#### Work Related:

Designated beneficiary receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$120,000.00 (natural death) or \$240,000.00 (accidental death). Eligible survivor (spouse, minor children or parent) receives a guaranteed VRS annuity (offset by Workers' Compensation of:

#### 33 1/3% of AFC (if Survivor eligible for Primary Social Security Benefits)

$\$60,000.00 \times .3333 = \$19,998.00$  (Annual VRS Benefit)  
 $\$19,998.00 \div 12 = \mathbf{\$1,666.50}$  (Monthly VRS Survivor Benefit)

#### 50% of AFC (if Survivor not eligible for Primary Social Security Benefits)

$\$60,000.00 \times .50 = \$30,000.00$  (Annual VRS Benefit)  
 $\$30,000.00 \div 12 = \mathbf{\$2,500.00}$  (Monthly VRS Survivor Benefit)

### SERVICE RETIREMENT:

Member is ineligible for service retirement due to age. A member must be at least age 55 with a minimum of 5 years of service to be eligible for service retirement.

## DISABILITY RETIREMENT

### Non-Work Related:

Designated beneficiary receives a life insurance payment of \$120,000.00 if member's death occurs prior to age 65 (reducing 2% per month after age 65 down to \$30,000.00). Member receives a monthly annuity of:

$\$60,000.00 \times .0165 = \$990.00$  (Benefit Per Year of Service)  
 $\$990.00 \times 40 \text{ years}^* = \$39,600.00$  (Annual Basic VRS Benefit)  
 $\$39,600.00 \div 12 = \$3,300.00$  (Monthly Basic VRS Benefit)  
 $\$3,300.00 \times .855 = \$2,821.50$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives one-half of retiree's benefit, **\$1,410.75** monthly

### Work Related:

Member receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$120,000.00 if member's death occurs prior to age 65 (reducing 2% per month after age 65 down to \$30,000.00). Member is guaranteed a VRS annuity (offset by Workers' Compensation) of:

#### 50% of AFC (if Retiree eligible for Primary Social Security Benefits)

$\$60,000.00 \times .50 = \$30,000.00$  (Annual VRS Basic Benefit)  
 $\$30,000.00 \div 12 = \$2,500.00$  (Monthly VRS Basic Benefit)  
 $\$2,500.00 \times .855 = \$2,137.50$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)  
 $\$2,137.50 \div 2 = \mathbf{\$1,068.75}$  (Monthly VRS Survivor Benefit)

#### 66 2/3% of AFC (if Retiree not eligible for Primary Social Security Benefits)

$\$60,000.00 \times .6667 = \$40,002.00$  (Annual VRS Benefit)  
 $\$40,002.00 \div 12 = \$3,333.50$  (Monthly VRS Benefit)  
 $\$3,333.50 \times .855 = \$2,850.14$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)  
 $\$2,849.86 \div 2 = \mathbf{\$1,425.07}$  (Monthly VRS Survivor Benefit)

\* Service is enhanced to twice actual service



### EXAMPLE 3

Member: Age 60 AFC: \$30,000.00  
Beneficiary: Age 56 Service: 20 years

#### DEATH-IN-SERVICE

##### Non-work Related:

Designated beneficiary receives a life insurance payment of \$60,000.00 (natural death) or \$120,000.00 (accidental death) and refund of accumulated contributions and interest (unless survivor annuity paid). An eligible survivor (spouse, minor children, or parent) may elect to receive an annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$30,000.00 - \$13,200.00) \times .0165 = \$277.20$   
 $\$198.00 + \$277.20 = \$475.20$  (Benefit Per Year of Service)  
 $\$475.20 \times 20 \text{ years} = \$9,504.00$  (Unadjusted Annual VRS Benefit)  
 $\$9,504.00 \div 12 = \$792.00$  (Unadjusted Monthly VRS Benefit)  
 $\$792.00 \times .7000 = \$554.40$  (Mo. VRS Ben. Adjusted for Early Ret.)  
 $\$554.40 \times .875 = \$485.10$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives one-half of deceased retiree's benefit, **\$242.55** monthly

##### Work Related:

Designated beneficiary receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$60,000.00 (natural death) or \$120,000.00 (accidental death). Eligible survivor (spouse, minor children or parent) receives a guaranteed VRS annuity (offset by Workers' Compensation of:

##### 33 1/3% of AFC (if Survivor eligible for Primary Social Security Benefits)

$\$30,000.00 \times .3333 = \$9,999.00$  (Annual VRS Benefit)  
 $\$9,999.00 \div 12 = \$833.25$  (Monthly VRS Survivor Benefit)

##### 50% of AFC (if Survivor not eligible for Primary Social Security Benefits)

$\$30,000.00 \times .50 = \$15,000.00$  (Annual VRS Benefit)  
 $\$15,000.00 \div 12 = \$1,250.00$  (Monthly VRS Survivor Benefit)

#### SERVICE RETIREMENT:

Designated beneficiary receives an insurance payment of balance of coverage (initial coverage amount of \$60,000.00 reducing 2% per month down to \$15,000.00). Member receives a monthly annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$30,000.00 - \$13,200.00) \times .0165 = \$277.20$   
 $\$198.00 + \$277.20 = \$475.20$  (Benefit Per Year of Service)  
 $\$475.20 \times 20 \text{ years} = \$9,504.00$  (Unadjusted Annual VRS Benefit)

$\$9,504.00 \div 12 = \$792.00$  (Unadjusted Monthly VRS Benefit)  
 $\$792.00 \times .700 = \$554.40$  (Mo. VRS Ben. Adjusted for Early Ret.)  
 $\$554.40 \times .777 = \$430.77$  (Mo. VRS Ben. Adjusted for Survivor Opt. 2)  
 Survivor will receive **\$430.77** monthly  
 $\$554.40 \times .875 = \$485.10$  (Mo. VRS Ben. Adjusted for Survivor Opt. 3)  
 Survivor will receive **\$242.55** monthly

## DISABILITY RETIREMENT

### Non-Work Related:

Designated beneficiary receives a life insurance payment of \$60,000.00 if member's death occurs prior to age 65 (reducing 2% per month after age 65 down to \$15,000.00).  
 Member receives a monthly annuity of:

$\$30,000.00 \times .0165 = \$495.00$  (Benefit Per Year of Service)  
 $\$495.00 \times 20 \text{ years}^* = \$9,900.00$  (Annual Basic VRS Benefit)  
 $\$9,900.00 \div 12 = \$825.00$  (Monthly Basic VRS Benefit)  
 $\$825.00 \times .855 = \$705.38$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
 Survivor receives one-half of retiree's benefit, **\$352.69** monthly

### Work Related:

Member receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$60,000.00 if member's death occurs prior to age 65 (reducing 2% per month after age 65 down to \$15,000.00). Member is guaranteed a VRS annuity (offset by Workers' Compensation) of:

#### 50% of AFC (if Retiree eligible for Primary Social Security Benefits)

$\$30,000.00 \times .50 = \$15,000.00$  (Annual VRS Basic Benefit)  
 $\$15,000.00 \div 12 = \$1,250.00$  (Monthly VRS Basic Benefit)  
 $\$1,250.00 \times .855 = \$1,068.75$  (Mo. Retiree Benefit Adjusted for  
 Survivor Option)  
 $\$1,068.75 \div 2 = \$534.38$  (Monthly VRS Survivor Benefit)

#### 66 2/3% of AFC (if Retiree not eligible for Primary Social Security Benefits)

$\$30,000.00 \times .6667 = \$20,001.00$  (Annual VRS Benefit)  
 $\$20,001.00 \div 12 = \$1,666.75$  (Monthly VRS Benefit)  
 $\$1,666.75 \times .855 = \$1,425.07$  (Mo. Retiree Benefit Adjusted for  
 Survivor Option)  
 $\$1,425.07 \div 2 = \$712.54$  (Monthly VRS Survivor Benefit)

\* Service is not enhanced due to age of member

## EXAMPLE 5

Member: Age 65 AFC: \$30,000.00  
Beneficiary: Age 61 Service: 20 years

### DEATH-IN-SERVICE

#### Non-work Related:

Designated beneficiary receives a life insurance payment of \$60,000.00 (natural death) or \$120,000.00 (accidental death) and refund of accumulated contributions and interest (unless survivor annuity paid). An eligible survivor (spouse, minor children, or parent) may elect to receive an annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$30,000.00 - \$13,200.00) \times .0165 = \$277.20$   
 $\$198.00 + \$277.20 = \$475.20$  (Benefit Per Year of Service)  
 $\$475.20 \times 20 \text{ years} = \$9,504.00$  (Unadjusted Annual VRS Benefit)  
 $\$9,504.00 \div 12 = \$792.00$  (Unadjusted Monthly VRS Benefit)  
 $\$792.00 \times .746 = \$590.83$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives **\$590.83** monthly

#### Work Related:

Designated beneficiary receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$60,000.00 (natural death) or \$120,000.00 (accidental death). Eligible survivor (spouse, minor children or parent) receives a guaranteed VRS annuity (offset by Workers' Compensation) of:

#### 33 1/3% of AFC (if Survivor eligible for Primary Social Security Benefits)

$\$30,000.00 \times .3333 = \$9,999.00$  (Annual VRS Benefit)  
 $\$9,999.00 \div 12 = \$833.25$  (Monthly VRS Survivor Benefit)

#### 50% of AFC (if Survivor not eligible for Primary Social Security Benefits)

$\$30,000.00 \times .50 = \$15,000.00$  (Annual VRS Benefit)  
 $\$15,000.00 \div 12 = \$1,250.00$  (Monthly VRS Survivor Benefit)

### SERVICE RETIREMENT:

Designated beneficiary receives an insurance payment of balance of coverage (initial coverage amount of \$60,000.00 reducing 2% per month down to \$15,000.00). Member receives a monthly annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$30,000.00 - \$13,200.00) \times .0165 = \$277.20$   
 $\$198.00 + \$277.20 = \$475.20$  (Benefit Per Year of Service)  
 $\$475.20 \times 20 \text{ years} = \$9,504.00$  (Unadjusted Annual VRS Benefit)  
 $\$9,504.00 \div 12 = \$792.00$  (Unadjusted Monthly VRS Benefit)

$\$792.00 \times .746 = \$590.83$  (Mo. VRS Ben. Adjusted for Survivor Opt. 2)

Survivor receives **\$590.83** monthly

$\$792.00 \times .855 = \$677.16$  (Mo. VRS Ben. Adjusted for Survivor Opt. 3)

Survivor receives **\$338.58** monthly

## DISABILITY RETIREMENT

### Non-Work Related:

Designated beneficiary receives the balance of the insurance coverage at the member's death. The initial amount of coverage at retirement is \$60,000.00. Coverage reduces 2% per month after age 65 down to \$15,000.00. Member receives a monthly annuity of:

$\$30,000.00 \times .0165 = \$495.00$  (Benefit Per Year of Service )

$\$495.00 \times 20 \text{ years}^* = \$9,900.00$  (Annual Basic VRS Benefit)

$\$9,900.00 \div 12 = \$825.00$  (Monthly Basic VRS Benefit)

$\$825.00 \times .855 = \$705.38$  (Mo. VRS Ben. Adjusted for Survivor Opt.)

Survivor receives one-half of retiree's benefit, **\$352.69** monthly

### Work Related:

Member receives a refund of accumulated contributions and interest. Designated beneficiary receives the balance of the insurance coverage at the member's death. The initial amount of coverage at retirement is \$60,000.00. Coverage reduces 2% per month after age 65 down to \$15,000.00. Member is guaranteed a VRS annuity (offset by Workers' Compensation) of:

#### 50% of AFC (if Retiree eligible for Primary Social Security Benefits)

$\$30,000.00 \times .50 = \$15,000.00$  (Annual VRS Basic Benefit)

$\$15,000.00 \div 12 = \$1,250.00$  (Monthly VRS Basic Benefit)

$\$1,250.00 \times .855 = \$1,068.75$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)

$\$1,068.75 \div 2 = \$534.38$  (Monthly VRS Survivor Benefit)

#### 66 2/3% of AFC (if Retiree not eligible for Primary Social Security Benefits)

$\$30,000.00 \times .6667 = \$19,995.00$  (Annual VRS Benefit)

$\$19,995.00 \div 12 = \$1,666.75$  (Monthly VRS Benefit)

$\$1,666.75 \times .855 = \$1,425.07$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)

$\$1,425.07 \div 2 = \$712.54$  (Monthly VRS Survivor Benefit)

\* Service is not enhanced due to age of member

## EXAMPLE 6

Member: Age 65                      AFC: \$60,000.00  
Beneficiary: Age 61                      Service: 20 years

### DEATH-IN-SERVICE

#### Non-work Related:

Designated beneficiary receives a life insurance payment of \$120,000.00 (natural death) or \$240,000.00 (accidental death) and refund of accumulated contributions and interest (unless survivor annuity paid). An eligible survivor (spouse, minor children, or parent) may elect to receive an annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$60,000.00 - \$13,200.00) \times .0165 = \$772.20$   
 $\$198.00 + \$772.20 = \$970.20$  (Benefit Per Year of Service)  
 $\$970.20 \times 20 \text{ years} = \$19,404.00$  (Unadjusted Annual VRS Benefit)  
 $\$19,404.00 \div 12 = \$1,617.00$  (Unadjusted Monthly VRS Benefit)  
 $\$1,617.00 \times .746 = \$1,206.28$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives **\$1,206.28** monthly

#### Work Related:

Designated beneficiary receives a refund of accumulated contributions and interest. Designated beneficiary receives a life insurance payment of \$120,000.00 (natural death) or \$240,000.00 (accidental death). Eligible survivor (spouse, minor children or parent) receives a guaranteed VRS annuity (offset by Workers' Compensation) of:

#### 33 1/3% of AFC (if Survivor eligible for Primary Social Security Benefits)

$\$60,000.00 \times .3333 = \$19,998.00$  (Annual VRS Benefit)  
 $\$19,998.00 \div 12 = \$1,666.50$  (Monthly VRS Survivor Benefit)

#### 50% of AFC (if Survivor not eligible for Primary Social Security Benefits)

$\$60,000.00 \times .50 = \$30,000.00$  (Annual VRS Benefit)  
 $\$30,000.00 \div 12 = \$2,500.00$  (Monthly VRS Survivor Benefit)

### SERVICE RETIREMENT:

Designated beneficiary receives an insurance payment of balance of coverage (initial coverage amount of \$120,000.00 reducing 2% per month down to \$30,000.00). Member receives a monthly annuity of:

$\$13,200.00 \times .015 = \$198.00$   
 $(\$60,000.00 - \$13,200.00) \times .0165 = \$772.20$   
 $\$198.00 + \$772.20 = \$970.20$  (Benefit Per Year of Service)  
 $\$970.20 \times 20 \text{ years} = \$19,404.00$  (Unadjusted Annual VRS Benefit)  
 $\$19,404.00 \div 12 = \$1,617.00$  (Unadjusted Monthly VRS Benefit)

$\$1,617.00 \times .746 = \$1,206.28$  (Mo. VRS Ben. Adjusted for Survivor Opt. 2)  
Survivor receives **\$1,206.28** monthly  
 $\$1,617.00 \times .855 = \$1,382.53$  (Mo. VRS Ben. Adjusted for Survivor Opt. 3)  
Survivor receives **\$691.27** monthly

## DISABILITY RETIREMENT

### Non-Work Related:

Designated beneficiary receives the balance of the insurance coverage at the member's death. The initial amount of coverage at retirement is \$120,000.00. Coverage reduces 2% per month down to \$30,000.00. Member receives a monthly annuity of:

$\$60,000.00 \times .0165 = \$990.00$  (Benefit Per Year of Service)  
 $\$990.00 \times 20 \text{ years}^* = \$19,800.00$  (Annual Basic VRS Benefit)  
 $\$19,800.00 \div 12 = \$1,650.00$  (Monthly Basic VRS Benefit)  
 $\$1,650.00 \times .855 = \$1,410.75$  (Mo. VRS Ben. Adjusted for Survivor Opt.)  
Survivor receives one-half of retiree's benefit, **\$705.38** monthly

### Work Related:

Member receives a refund of accumulated contributions and interest. Designated beneficiary receives a balance of the insurance coverage at the member's death. The initial amount of coverage at retirement is \$120,000.00. Coverage reduces 2% per month down to \$30,000.00. Member is guaranteed a VRS annuity (offset by Workers' Compensation) of:

#### 50% of AFC (if Retiree eligible for Primary Social Security Benefits)

$\$60,000.00 \times .50 = \$30,000.00$  (Annual VRS Basic Benefit)  
 $\$30,000.00 \div 12 = \$2,500.00$  (Monthly VRS Basic Benefit)  
 $\$2,500.00 \times .855 = \$2,137.50$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)  
 $\$2,137.50 \div 2 = \$1,068.75$  (Monthly VRS Survivor Benefit)

#### 66 2/3% of AFC (if Retiree not eligible for Primary Social Security Benefits)

$\$60,000.00 \times .6667 = \$39,996.00$  (Annual VRS Benefit)  
 $\$39,996.00 \div 12 = \$3,333.50$  (Monthly VRS Benefit)  
 $\$3,333.00 \times .855 = \$2,850.14$  (Mo. Retiree Benefit Adjusted for  
Survivor Option)  
 $\$2,849.86 \div 2 = \$1,425.07$  (Monthly VRS Survivor Benefit)

\* Service is not enhanced due to age of member



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## **STATISTICAL DATA ON RECIPIENTS OF SURVIVOR BENEFITS**

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This section illustrates, through the following charts, the characteristics of retirees and survivors:

Number of Retired members

Retirement Benefits Paid

Schedule of Retired Members by Type of Benefit

Schedule of Average Benefit Payment

Distribution of Retirees by Payment Option Selected

Distribution of Retirees by Years of Service

Distribution of Retirees by Age at Retirement

Distribution of Retirees by Average Final Salary

Death-in-Service Age Profile (Members and Survivors)

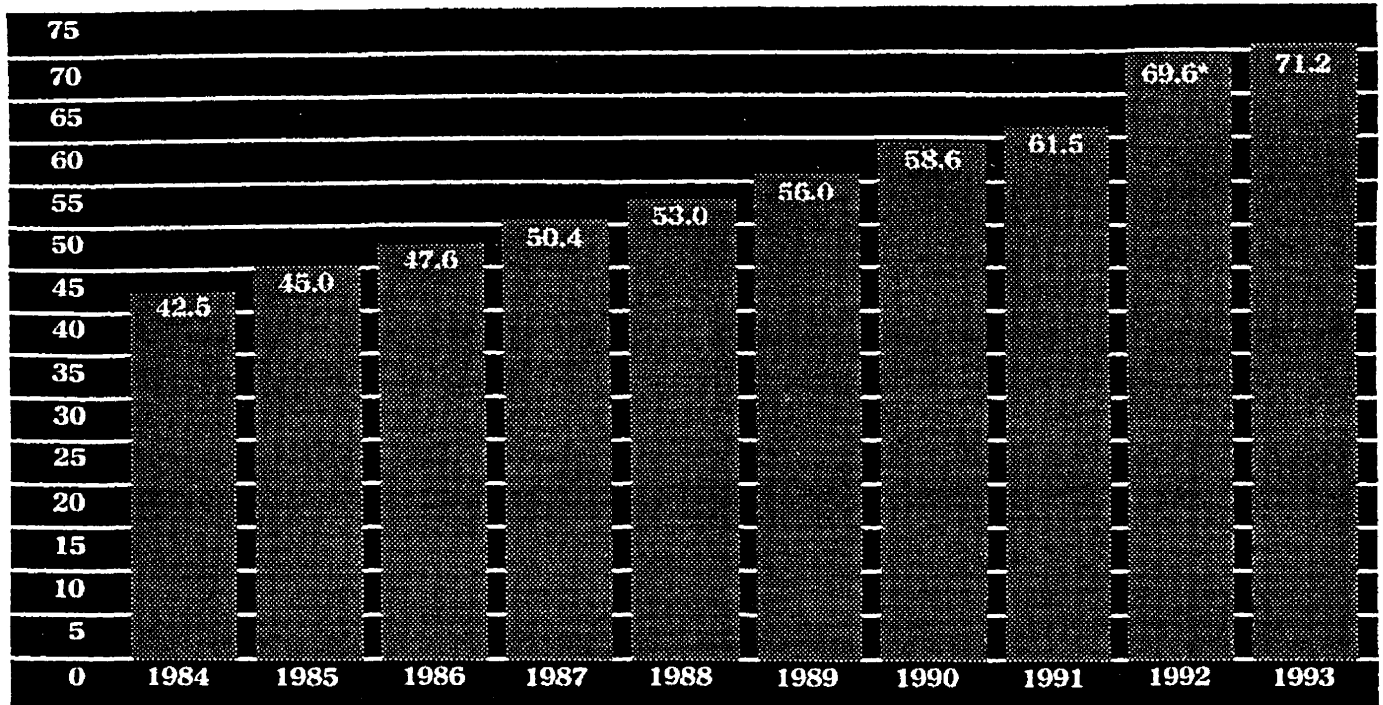
Average Age of Retiree and Survivor Grouped by Retirement Type and Option



Fiscal Years 1984-1993

### Number of Retired Members

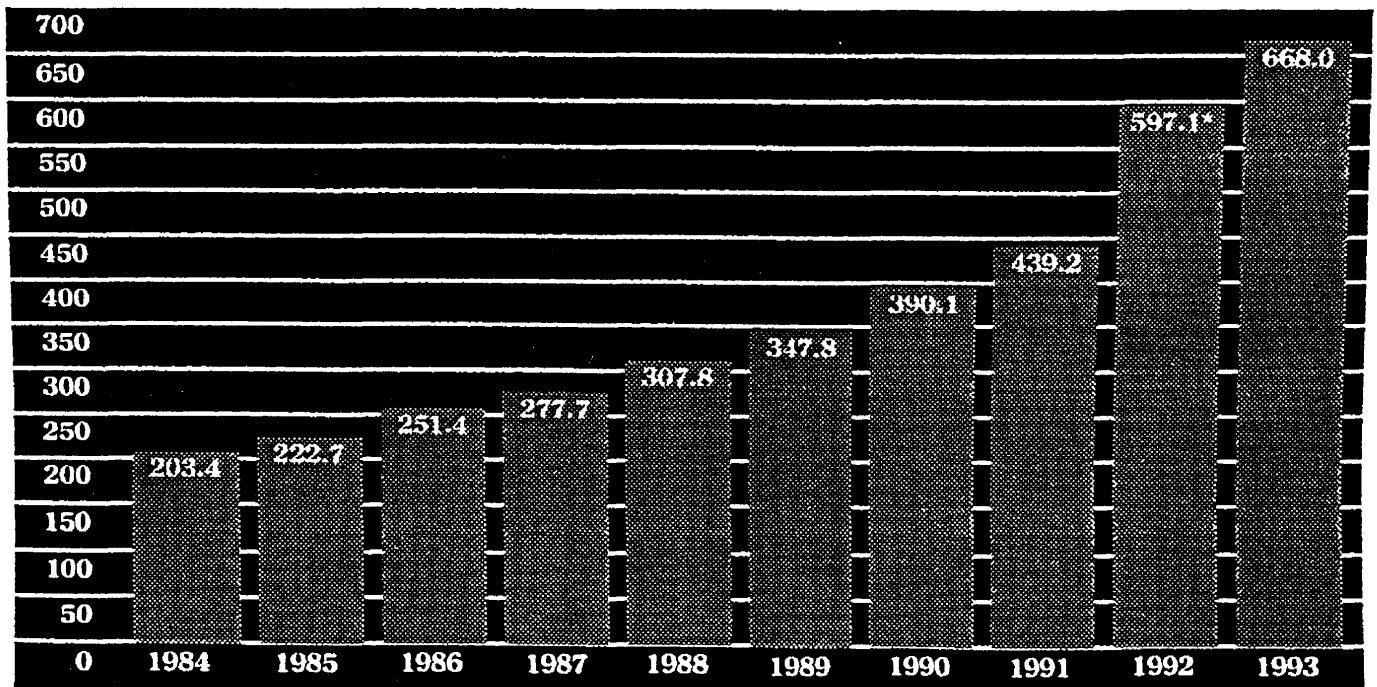
(Thousands)



\*Increased by the Early Retirement Window during the period of July 1, 1991 through October 1, 1991.

### Retirement Benefits Paid

(Millions of Dollars)



\*Increased by the Early Retirement Window during the period of July 1, 1991 through October 1, 1991.

## Schedule of Retired Members by Type of Benefit

As of June 30, 1993

Amount of Retirement Benefit	Number Of Retirants	Type of Retirement*						Option Selected**									
		S	W	T	P	U	O	A	B	C	D	E	F	G	H	I	K
\$ 1 - 100	4,563	4,007	5	268	210	65	8	3,888	74	150	45	399	0	1	6	0	0
101 - 200	8,400	7,318	0	802	240	35	5	7,174	98	320	198	560	0	0	48	0	2
201 - 300	7,588	6,405	1	980	171	29	2	6,279	69	282	275	537	0	0	130	0	16
301 - 400	6,503	5,395	7	960	93	37	11	5,199	61	275	304	444	0	1	204	0	15
401 - 500	5,533	4,493	13	886	91	44	6	4,379	42	209	279	392	0	0	205	0	27
501 - 600	4,762	3,782	39	814	46	70	11	3,665	32	185	244	413	0	0	196	0	27
601 - 700	4,092	3,250	72	668	39	58	5	3,082	31	151	281	396	2	0	132	0	17
701 - 800	3,601	2,837	92	581	29	57	5	2,649	24	155	274	356	1	0	123	0	19
801 - 900	3,226	2,533	136	456	20	74	7	2,343	39	133	259	327	0	0	110	0	15
901 - 1,000	2,888	2,240	153	406	20	59	10	2,091	25	148	216	299	0	0	97	0	12
Over 1,000	20,127	12,612	5,563	1,567	73	304	8	10,872	63	980	2,051	5,714	14	2	362	0	69
<b>TOTALS</b>	<b>71,283</b>	<b>54,872</b>	<b>6,081</b>	<b>8,388</b>	<b>1,032</b>	<b>832</b>	<b>78</b>	<b>51,621</b>	<b>558</b>	<b>2,988</b>	<b>4,426</b>	<b>9,837</b>	<b>17</b>	<b>4</b>	<b>1,613</b>	<b>0</b>	<b>219</b>

### \*Type of Retirement

S = Service  
W = Early Retirement Window  
T = Regular Disability  
P = Survivor Payment - Death in Service  
U = Line-of-Duty Disability  
O = Survivor Payment - Death in Line-of-Duty

### \*\*Option Selected

A = Basic Benefit  
B = Increased Basic Benefit  
C = Survivor Basic Benefit  
D = Survivor Half Benefit  
E = Social Security  
F = Special Option  
G = Lump Sum  
H = Guaranteed Basic Benefit  
I = Guaranteed Increased Basic Benefit  
K = Minimum Guaranteed Disability

### Retirement Breakdown

During fiscal year 1993, 76% of all retirements were service retirements, 2% were early retirement window for faculty, and 22% were certified as disability retirements by the Medical Board.

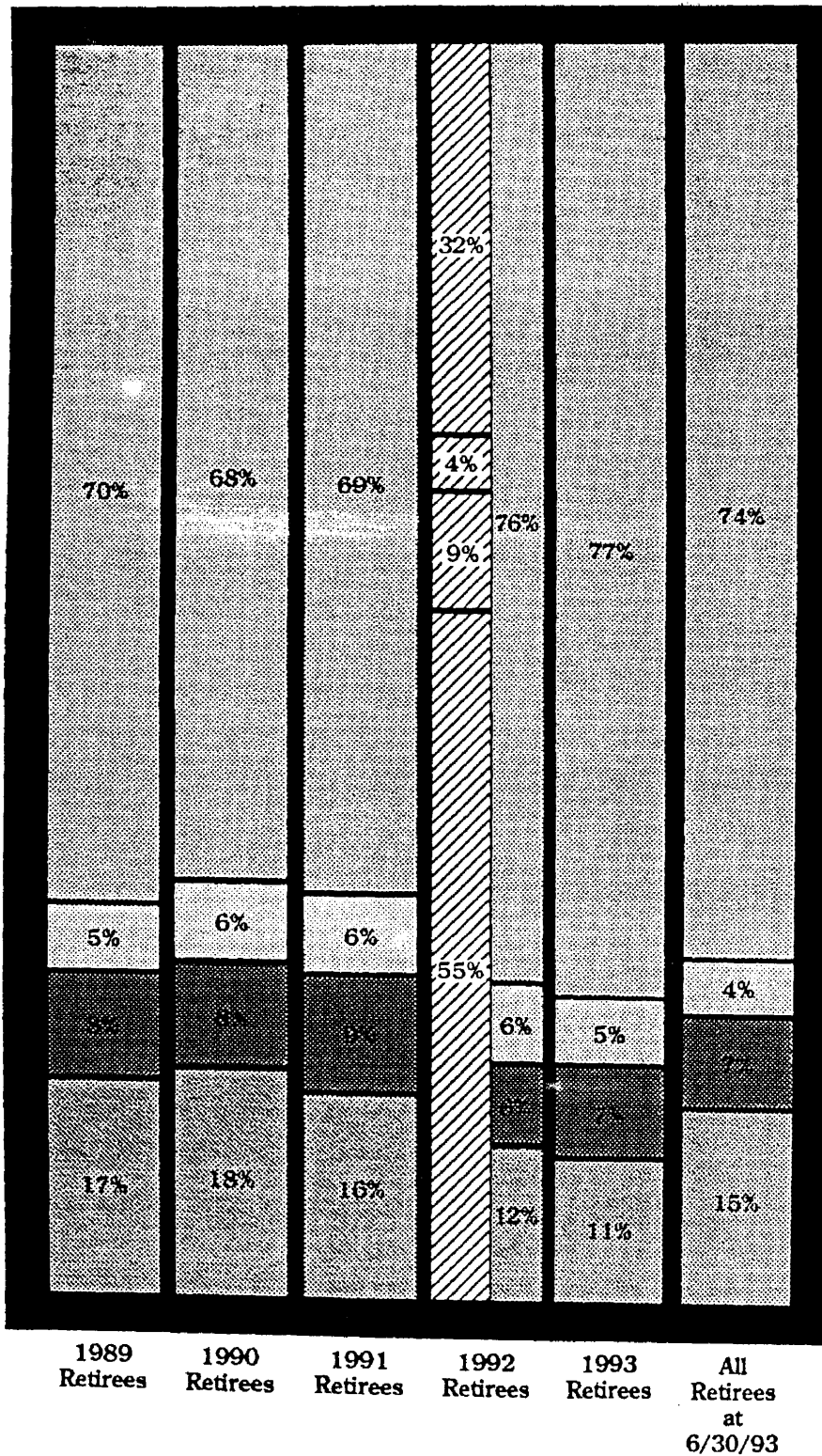
## Schedule of Average Benefit Payments

Retirement Effective Date July 1, 1987 to June 30, 1993	Years Credited Service					
	1-10	11-15	16-20	21-25	26-30	Over 30
<b>FY 1993</b>						
Average monthly benefit .....	\$396.12	\$474.51	\$630.62	\$913.88	\$1,379.12	\$2,120.52
Number of active retirants .....	695	655	853	698	431	374
<b>FY 1992</b>						
Average monthly benefit .....	\$359.66	\$453.46	\$581.69	\$988.80*	\$1,573.73*	\$2,040.05*
Number of active retirants .....	700	779	977	1,063	3,425	3,048
<b>FY 1991</b>						
Average monthly benefit .....	\$349.88	\$394.18	\$575.74	\$817.43	\$1,263.15	\$1,695.62
Number of active retirants .....	633	750	836	697	653	915
<b>FY 1990</b>						
Average monthly benefit .....	\$338.26	\$383.34	\$574.09	\$737.18	\$1,129.56	\$1,593.14
Number of active retirants .....	622	750	764	692	575	982
<b>FY 1989</b>						
Average monthly benefit .....	\$303.03	\$352.87	\$515.74	\$682.96	\$1,055.64	\$1,424.17
Number of active retirants .....	628	820	810	651	541	1,025

\*Increased by the Early Retirement Window during the period July 1, 1991 through October 1, 1991.

# Distribution of Retirees by Payment Option Selected

Fiscal Years 1989-1993



## Options for Retirement

The VRS offers several options for retirement. The only options available for disability retirement are the Basic Benefit and Option 3.

### Basic Benefit:

Monthly annuity payments are based on the normal benefit formula. Any accumulated contributions that have not been used between the date of retirement and the date of death are paid in lump sum to the designated beneficiary.

### Option 2:






Survivor Option-There is decreased benefit during the member's lifetime. At death, the benefit is continued in the same amount to the designated beneficiary.

### Option 3:

Survivor Option-There is less of a decrease in this benefit than in Option 2. At death, one-half of the monthly benefit is continued to the designated beneficiary.

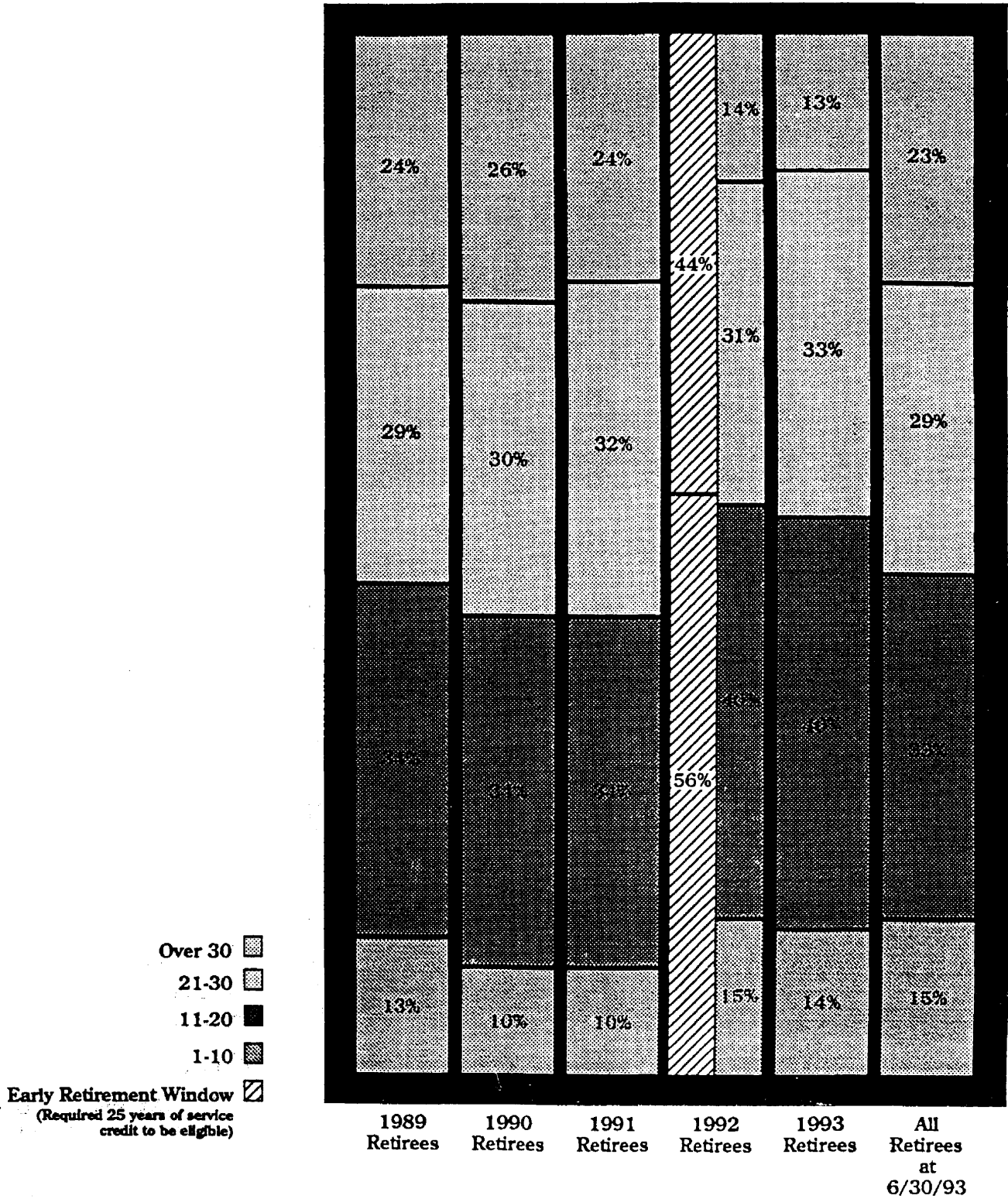
### Option 4:

Social Security Option-Monthly annuity payments are increased prior to age 65, at which time the benefit is reduced by an amount approximately equal to the member's Social Security award.

-  Basic Benefit
-  Option 2
-  Option 3
-  Option 4
-  Early Retirement Window

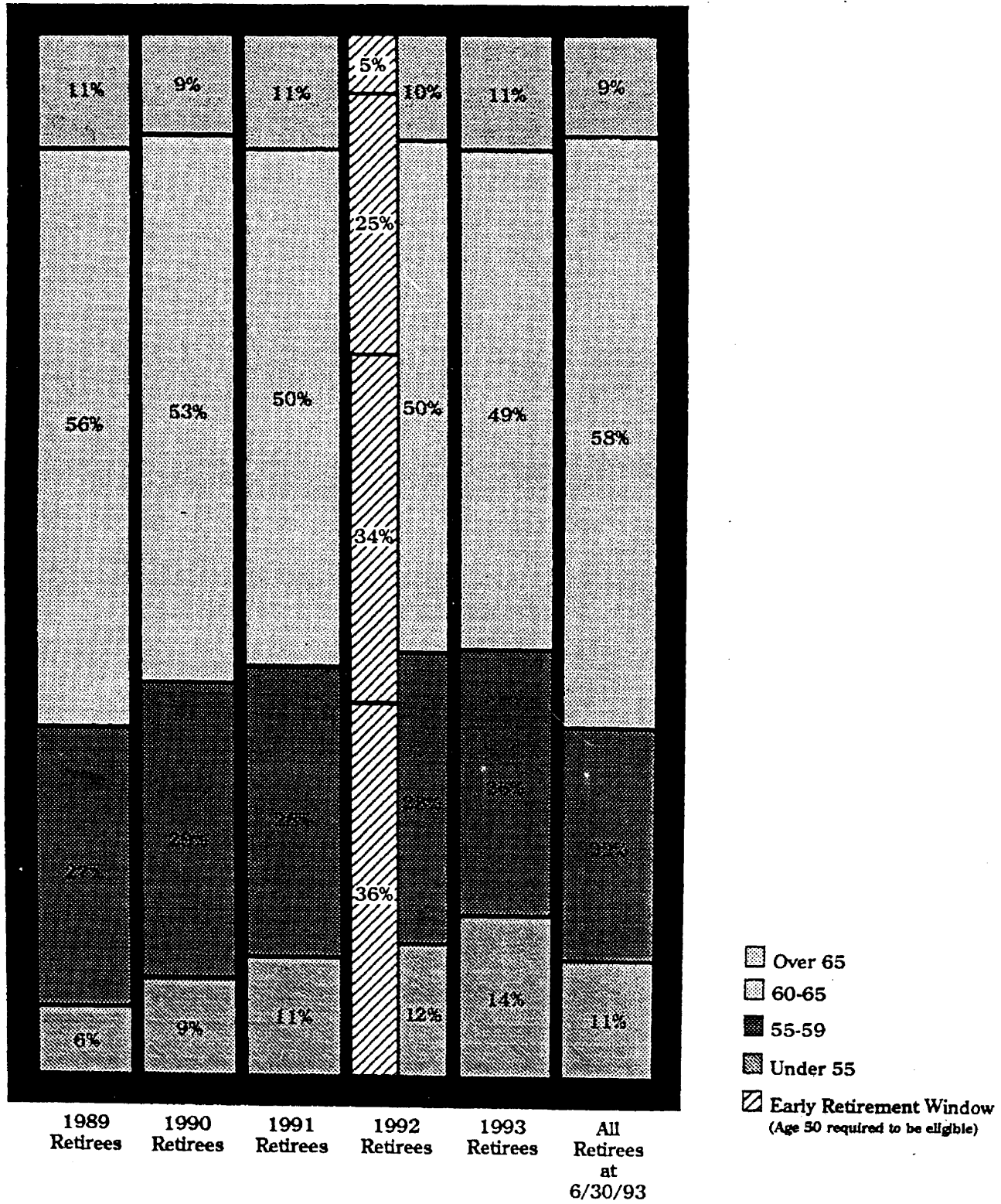
# Distribution of Retirees by Years of Service

Fiscal Years 1989-1993



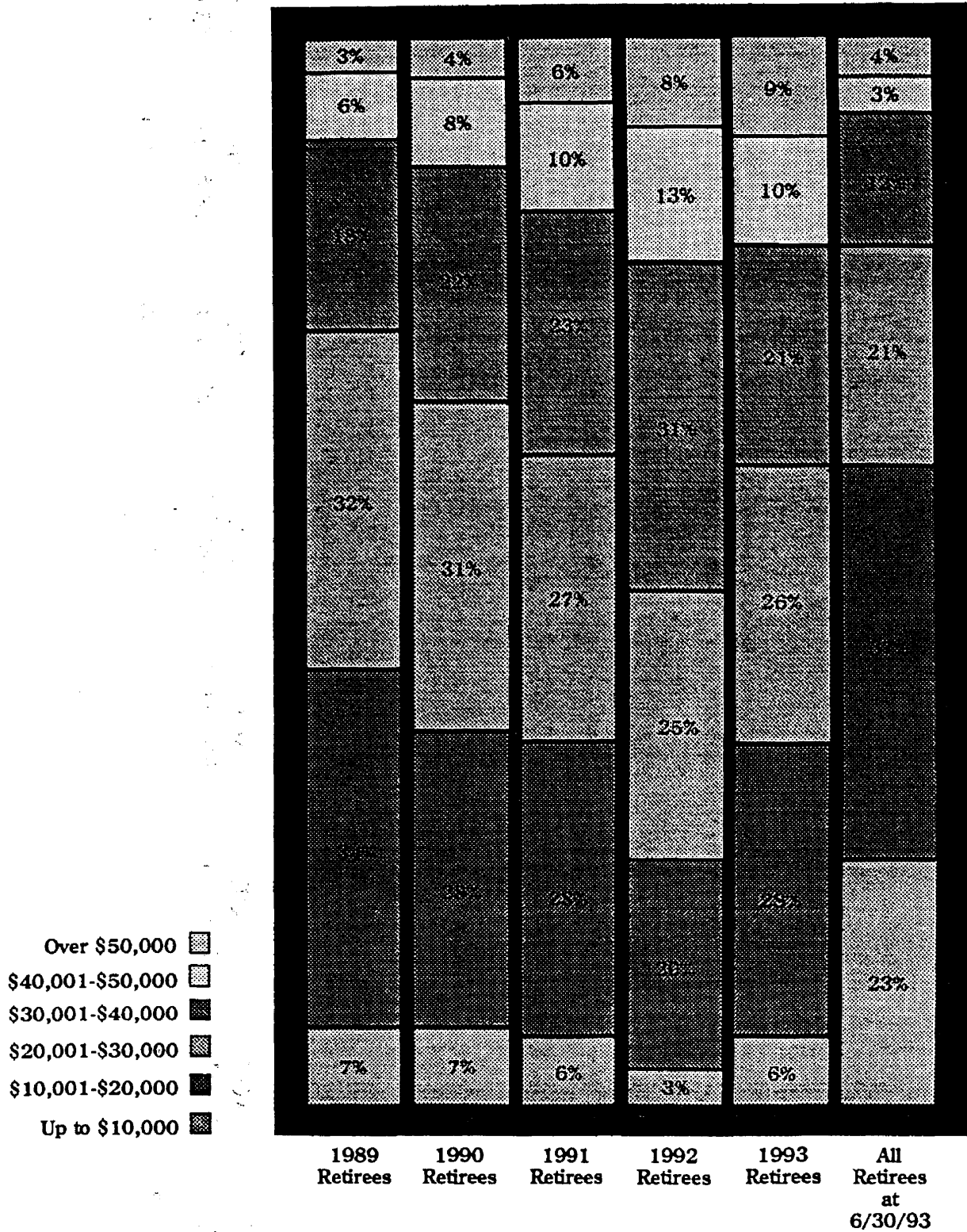
# Distribution of Retirees by Age at Retirement

Fiscal Years 1989-1993



# Distribution of Retirees by Average Final Salary

Fiscal Years 1989-1993





**VIRGINIA RETIREMENT SYSTEM  
DEATH-IN-SERVICE AGE PROFILE  
OVER LAST 5 YEARS**

**COUNT OF MEMBERS DYING IN SERVICE  
GROUPED BY AGE (YEARS AND MONTHS)**

AGE 20-29/11	AGE 30-39/11	AGE 40-49/11	AGE 50-57/11	AGE 58-64/11	AGE 65+
5	22	61	93	114	84

**COUNT OF SURVIVORS FOR MEMBERS DYING IN SERVICE  
GROUPED BY AGE (YEARS AND MONTHS) OF SURVIVOR**

AGE <=17/11	AGE 18-19/11	AGE 20-29/11	AGE 30-39/11	AGE 40-49/11	AGE 50-57/11	AGE 58-64/11	AGE 65+
2	2	2	21	67	99	109	75

## VIRGINIA RETIREMENT SYSTEM

### AVERAGE AGE OF RETIREE AT DEATH GROUPED BY RETIREMENT TYPE AND OPTION SELECTED AT RETIREMENT

AGE SA	AGE SC	AGE SD	AGE TA	AGE TD	AGE WA	AGE WC	AGE WD	AGE FA	AGE FC	AGE FD	AGE P	AGE O
81.6	76.2	77.5	68.6	62.7	62.8	63.8	64.5	.0*	66.0	.0*	56.8	50.3

### \*\*AVERAGE AGE OF SURVIVOR AT DEATH OF RETIREE GROUPED BY RETIREMENT TYPE AND SURVIVOR OPTION SELECTED AT TIME OF RETIREMENT

AGE SC	AGE SD	AGE TD	AGE WC	AGE WD	AGE FC	AGE P	AGE O
72.4	73.4	61.1	56.6	64.4	62.0	57.2	53.1

39

#### Key to Charts

##### \*Type of Retirement

S = Service  
 W = Early Retirement Window  
 T = Regular Disability  
 P = Survivor Payment - Death in Service  
 U = Line-of-Duty Disability  
 O = Survivor Payment - Death in Line of Duty  
 F = Early Retirement Window Faculty  
 Example: SA is Service Retirement,  
                     Basic Benefit

##### \*\*Option Selected

A = Basic Benefit  
 B = Increased Basic Benefit  
 C = Survivor Basic Benefit  
 D = Survivor Half Benefit  
 E = Social Security  
 F = Special Option  
 G = Lump Sum  
 H = Guaranteed Basic Benefit  
 I = Guaranteed Increased Basic Benefit  
 K = Minimum Guaranteed Disability  
 K = Minimum Guaranteed

\* No Decedents in this category

\*\* Based on Retirements where Survivor Option was selected



# Employers as of June 30, 1993

## Political Subdivisions (353)

Accomack County  
 Albemarle County  
 Alleghany County  
 Amelia County  
 Amherst County  
 Appomattox County  
 Augusta County  
 Bath County  
 Bedford County  
 Bland County  
 Botetourt County  
 Brunswick County  
 Buchanan County  
 Buckingham County  
 Campbell County  
 Caroline County  
 Carroll County  
 Charles City County  
 Charlotte County  
 Chesterfield County  
 Clarke County  
 Craig County  
 Culpeper County  
 Cumberland County  
 Dickenson County  
 Dinwiddie County  
 Essex County  
 Fauquier County  
 Floyd County  
 Fluvanna County  
 Franklin County  
 Frederick County  
 Giles County  
 Gloucester County  
 Goochland County  
 Grayson County  
 Greene County  
 Greenville County  
 Halifax County  
 Hanover County  
 Henrico County  
 Henry County  
 Highland County  
 Isle of Wight County  
 James City County  
 King George County  
 King & Queen County  
 King William County  
 Lancaster County  
 Lee County  
 Loudoun County  
 Louisa County  
 Lunenburg County  
 Madison County  
 Mathews County  
 Mecklenburg County  
 Middlesex County  
 Montgomery County  
 Nelson County  
 New Kent County  
 Northampton County  
 Northumberland County  
 Nottoway County  
 Orange County  
 Page County  
 Patrick County  
 Pittsylvania County  
 Prince Edward County  
 Prince George County  
 Prince William County  
 Pulaski County  
 Rappahannock County  
 Richmond County  
 Roanoke County  
 Rockbridge County

Rockingham County  
 Russell County  
 Scott County  
 Shenandoah County  
 Smyth County  
 Southampton County  
 Spotsylvania County  
 Stafford County  
 Surry County  
 Sussex County  
 Tazewell County  
 Warren County  
 Washington County  
 Westmoreland County  
 Wise County  
 Wythe County  
 York County  
 City of Alexandria  
 City of Bedford  
 City of Bristol  
 City of Buena Vista  
 City of Chesapeake  
 City of Clifton Forge  
 City of Colonial Heights  
 City of Covington  
 City of Danville  
 City of Emporia  
 City of Fairfax  
 City of Falls Church  
 City of Franklin  
 City of Fredericksburg  
 City of Galax  
 City of Hampton  
 City of Harrisonburg  
 City of Hopewell  
 City of Lexington  
 City of Lynchburg  
 City of Manassas  
 City of Manassas Park  
 City of Martinsville  
 City of Norfolk  
 City of Norton  
 City of Petersburg  
 City of Poquoson  
 City of Portsmouth  
 City of Radford  
 City of Richmond  
 City of Roanoke  
 City of Salem  
 City of South Boston  
 City of Staunton  
 City of Suffolk  
 City of Virginia Beach  
 City of Waynesboro  
 City of Williamsburg  
 City of Winchester  
 Town of Abingdon  
 Town of Altavista  
 Town of Amherst  
 Town of Appomattox  
 Town of Ashland  
 Town of Berryville  
 Town of Big Stone Gap  
 Town of Blacksburg  
 Town of Blackstone  
 Town of Bluefield  
 Town of Bowling Green  
 Town of Boydton  
 Town of Bridgewater  
 Town of Broadway  
 Town of Brookneal  
 Town of Cape Charles  
 Town of Chase City  
 Town of Chatham  
 Town of Chincoteague  
 Town of Christiansburg

Town of Clarksville  
 Town of Coeburn  
 Town of Colonial Beach  
 Town of Courtland  
 Town of Culpeper  
 Town of Dayton  
 Town of Dublin  
 Town of Dumfries  
 Town of Edinburg  
 Town of Elkton  
 Town of Front Royal  
 Town of Gate City  
 Town of Glasgow  
 Town of Gretna  
 Town of Grundy  
 Town of Halifax  
 Town of Hamilton  
 Town of Herndon  
 Town of Hillsville  
 Town of Hurt  
 Town of Independence  
 Town of Iron Gate  
 Town of Jarratt  
 Town of Jonesville  
 Town of Kenbridge  
 Town of Kilmarnock  
 Town of Lawrenceville  
 Town of Leesburg  
 Town of Louisa  
 Town of Luray  
 Town of Marion  
 Town of McKenney  
 Town of Middleburg  
 Town of Montross  
 Town of Mt. Jackson  
 Town of Narrows  
 Town of New Market  
 Town of Onancock  
 Town of Orange  
 Town of Parkdale  
 Town of Pearisburg  
 Town of Pembroke  
 Town of Pulaski  
 Town of Purcellville  
 Town of Quantico  
 Town of Remington  
 Town of Rocky Mount  
 Town of Round Hill  
 Town of Saltville  
 Town of Shenandoah  
 Town of Smithfield  
 Town of St. Paul  
 Town of Stanley  
 Town of Strasburg  
 Town of Tappahannock  
 Town of Tazewell  
 Town of Timberville  
 Town of Urbanna  
 Town of Victoria  
 Town of Vienna  
 Town of Vinton  
 Town of Wakefield  
 Town of Warrenton  
 Town of Waverly  
 Town of Warsaw  
 Town of Weber City  
 Town of Wise  
 Town of Woodstock  
 Town of Wytheville  
 Accomack-Northampton  
 Planning District Commission  
 Albemarle County Service Authority  
 Alexandria Redevelopment  
 & Housing Authority  
 Alexandria Sanitation Authority

Alleghany Highlands  
 Community Services Board  
 Amherst County Service Authority  
 Anchor Commission  
 Appomattox Regional Library  
 Appomattox River Water Authority  
 Augusta County Service Authority  
 Bedford County  
 Public Service Authority  
 Bedford Public Library  
 Blacksburg-Christiansburg-  
 VPI Water Authority  
 Blacksburg-VPI Sanitation Authority  
 Bristol Redevelopment &  
 Housing Authority  
 Campbell County Utilities &  
 Service Authority  
 Capital Regional Airport Commission  
 Central Rappahannock  
 Regional Library  
 Central Virginia  
 Community Services Board  
 Central Virginia Regional Jail  
 Central Virginia  
 Waste Management Authority  
 Charles Pinckney Jones  
 Memorial Library  
 Charlottesville Redevelopment &  
 Housing Authority  
 Chesapeake Bay Bridge  
 and Tunnel District  
 Chesapeake Redevelopment &  
 Housing Authority  
 Coeburn-Norton-Wise  
 Regional Water Treatment Authority  
 Colonial Services Board  
 Colonial Soil and  
 Water Conservation District  
 Crater Juvenile Detention Home  
 Cumberland Mountain  
 Community Services  
 Cumberland Plateau  
 Regional Housing Authority  
 Danville-Pittsylvania  
 Mental Health Services Board  
 Danville Redevelopment &  
 Housing Authority  
 Dinwiddie County Water Authority  
 District Home Waynesboro  
 District 19 Mental Health &  
 Mental Retardation Services Board  
 Eastern Shore  
 Community Services Board  
 Eastern Shore Public Library  
 Fauquier County Water &  
 Sanitation Authority  
 Franklin Redevelopment &  
 Housing Authority  
 Frederick County Sanitation Authority  
 Fredericksburg-Stafford Park Authority  
 Goochland-Powhatan  
 Community Services Board  
 Greenville County Water &  
 Sewer Authority  
 Greenville-Emporia  
 Department of Social Services  
 Hampton-Newport News  
 Community Services Board  
 Hampton Redevelopment &  
 Housing Authority  
 Hampton Roads  
 Planning District Commission  
 Hampton Roads Sanitation District  
 Harrisonburg-Rockingham  
 Community Services Board

Harrisonburg-Rockingham  
Regional Sewer Authority  
Henry County Public Service Authority  
Highlands Juvenile Detention  
Center Commission  
Hopewell Redevelopment &  
Housing Authority  
Industrial Development Authority  
of Henrico County  
Isle of Wight County Public  
Recreational Facilities Authority  
James City Service Authority  
Lee County Redevelopment  
and Housing  
Lanwaco Planning  
District Commission  
Lonesome Pine Regional Library  
Loudoun County Sanitation Authority  
Meherrin Regional Library  
Middle Peninsula-Northern Neck  
Community Services  
Middle Peninsula  
Regional Security Center  
Moccasin Gap Sanitation District  
Monacan Soil and  
Water Conservation District  
Mt. Rogers  
Planning District Commission  
Natural Tunnel Soil and  
Water Conservation District  
Nelson County Service Authority  
New River  
Planning District Commission  
New River Resource Authority  
New River Valley Juvenile Detention  
Home Commission  
Norfolk Airport Authority  
Norfolk Redevelopment &  
Housing Authority  
Northern Neck-Essex  
County Group Home Commission  
Northern Neck  
Planning District Commission  
Northern Virginia  
Health Care Center Commission  
Northern Virginia  
Juvenile Detention Home  
Northwestern Community  
Services Board  
Peninsula Ports Authority of Virginia  
Pepper's Ferry Regional Wastewater  
Petersburg Redevelopment &  
Housing Authority  
Piedmont  
Planning District Commission  
Piedmont Regional Jail  
Pittsylvania County Service Authority  
Planning District One Community  
Services Board  
Portsmouth Redevelopment &  
Housing Authority  
Potomac River Fisheries Commission  
Rappahannock Area Community  
Services Board  
Rappahannock Juvenile Center  
Rappahannock-Rapidan  
Community Services Board  
Rappahannock-Rapidan  
Planning District Commission  
Rappahannock Security Center  
Region Ten Community Services Board  
Richmond Metropolitan Authority  
Richmond Redevelopment &  
Housing Authority  
Roanoke Solid Waste Authority  
Roanoke Water & Sewer Authority

Robert E. Lee Soil &  
Water Conservation District  
Rockbridge Area  
Community Services Board  
Rockbridge Area  
Social Services Department  
Rockbridge County  
Public Service Authority  
Rockbridge Regional Library  
Shenandoah Valley  
Juvenile Detention Home  
Commission  
Smyth County Public Service Authority  
Southeastern Tidewater  
Manpower Authority  
Southeastern Virginia  
Public Services Authority  
Southside  
Planning District Commission  
Southside Regional Juvenile Group  
Home Commission  
Southside Regional Library Board  
State Education Assistance Authority  
Staunton Redevelopment &  
Housing Authority  
Suffolk Redevelopment &  
Housing Authority  
Tazewell Area Recreation Park  
The Peninsula Airport Commission  
Thomas Jefferson  
Planning District Commission  
Thomas Jefferson Soil and Water  
Conservation District  
Tidewater Regional Group Home  
Tidewater Transportation  
District Commission  
Tri-County/City Soil &  
Water Conservation District  
Upper Occoquan Sewage Authority  
Valley Community Services Board  
Virginia Coalfield Economic  
Development Authority  
Virginia Education Loan Authority  
Virginia Highlands Airport Commission  
Virginia Peninsulas  
Public Service Authority  
Virginia Small Business  
Financing Authority  
Washington County Service Authority  
Waynesboro Redevelopment &  
Housing Authority  
Western Tidewater  
Community Services  
Western Tidewater Regional Jail  
Wythe-Grayson Regional Library  
Wytheville Redevelopment &  
Housing Authority  
  
*Public School Boards -  
Professional Employees*  
  
*City Schools (40)*  
Alexandria City Schools\*  
Bristol Schools\*  
Buena Vista City Schools\*  
Charlottesville Schools\*  
Chesapeake Public Schools\*  
Colonial Beach Schools  
Colonial Heights City Schools\*  
Covington Schools\*  
Danville Schools\*  
Fairfax City Schools  
Falls Church Schools  
Franklin City Schools\*  
Fredericksburg City Schools\*  
Galax City Schools\*

Hampton City Schools\*  
Harrisonburg City Schools\*  
Hopewell Schools\*  
Lexington City Schools\*  
Lynchburg Schools\*  
Manassas City Schools\*  
Manassas Park City Schools\*  
Martinsville City Schools\*  
Newport News Schools  
Norfolk Schools\*  
Norton City Schools\*  
Petersburg Public Schools\*  
Poquoson City Schools\*  
Portsmouth Schools\*  
Radford City Schools\*  
Richmond Public Schools\*  
Roanoke City Schools\*  
Salem City Schools\*  
South Boston-Halifax Schools\*  
Staunton City Schools\*  
Suffolk City Schools\*  
Virginia Beach City Schools\*  
Waynesboro City Schools\*  
West Point Schools  
Williamsburg-James City Schools\*  
Winchester Schools\*  
  
*County Schools (94)*  
Accomack County Schools\*  
Albemarle County Schools\*  
Alleghany Highlands County Schools\*  
Amelia County Schools\*  
Amherst County Schools\*  
Appomattox County Schools\*  
Arlington County Schools  
Augusta County Schools\*  
Bath County Schools\*  
Bedford County Schools\*  
Bland County Schools  
Botetourt County Schools\*  
Brunswick County Schools\*  
Buchanan County Schools\*  
Buckingham County Schools\*  
Campbell County Schools\*  
Caroline County Schools\*  
Carroll County Schools\*  
Charles City County Schools\*  
Charlotte County Schools\*  
Chesterfield County Schools\*  
Clarke County Schools\*  
Craig County Schools\*  
Culpeper County Schools\*  
Cumberland County Schools\*  
Dickenson County Schools\*  
Dinwiddie County Schools\*  
Essex County Schools\*  
Fairfax County Schools  
Fauquier County Schools\*  
Floyd County Schools\*  
Fluvanna County Schools\*  
Franklin County Schools\*  
Frederick County Schools\*  
Giles County Schools\*  
Gloucester County Schools\*  
Goochland County Schools\*  
Grayson County Schools\*  
Greene County Schools\*  
Greensville County Schools\*  
Halifax-South Boston County Schools\*  
Hanover County Schools\*  
Henrico County Schools\*  
Henry County Schools\*  
Highland County Schools\*  
Isle of Wight County Schools\*  
King George County Schools\*  
King & Queen County Schools\*

King William County Schools\*  
Lancaster County Schools\*  
Lee County Schools  
Loudoun County Schools\*  
Louisa County Schools\*  
Lunenburg County Schools\*  
Madison County Schools\*  
Mathews County Schools\*  
Mecklenburg County Schools\*  
Middlesex County Schools\*  
Montgomery County Schools\*  
Nelson County Schools\*  
New Kent County Schools\*  
Northampton County Schools\*  
Northumberland County Schools\*  
Nottoway County Schools\*  
Orange County Schools\*  
Page County Schools\*  
Patrick County Schools\*  
Pittsylvania County Schools\*  
Powhatan County Schools\*  
Prince Edward County Schools\*  
Prince George County Schools\*  
Prince William County Schools\*  
Pulaski County Schools\*  
Rappahannock County Schools\*  
Richmond County Public Schools\*  
Roanoke County Schools\*  
Rockbridge County Schools\*  
Rockingham County Schools\*  
Russell County Schools\*  
Scott County Schools\*  
Shenandoah County Schools\*  
Smyth County Schools\*  
Southampton County Schools\*  
Spotsylvania County Schools\*  
Stafford County Schools\*  
Surrey County Schools\*  
Sussex County Schools  
Tazewell County Schools\*  
Warren County Schools\*  
Washington County Schools\*  
Westmoreland County Schools\*  
Wise County Schools\*  
Wythe County Schools\*  
York County Schools\*  
  
*Other Schools (12)*  
Amelia-Nottoway Vocational Center  
Charlottesville-Albemarle  
Vocational Technical Center  
Dowell J. Howard Vocational Center\*  
Joint Committee for Control Halifax &  
South Boston Schools\*  
Jackson River Vocational Center\*  
Massanutten Vocational  
Technical Center  
New Horizons Technical Center\*  
Northern Neck Regional  
Vocational Center\*  
P.D. Pruden Vocational  
Technical Center\*  
Regional Control Board of Culpeper,  
Madison, Orange and Rappahannock  
Counties\*  
Rowanty Vocational Technical Center  
Valley Vocational Technical Center\*  
  
\*Non-Professional employees also  
covered (132 School Boards)  
  
*Agencies of the Commonwealth of  
Virginia (222)*

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## FINDINGS OF STUDY

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### COMPARISON OF VRS BENEFITS TO OTHER PLANS

Thirty public and private retirement plans were surveyed to obtain information regarding survivor benefits to determine if VRS benefits were comparable and what trends were occurring in benefits. The plans that were surveyed were selected on the basis of geographic location, size, and type of membership. Fourteen retirement plans (ten public and four private plans) responded to the survey. The responses received were representative of the factors considered (location, size and type of membership) and provided a good comparison to VRS benefits.

Because the systems and plans responding to the survey are so varied and complex, the comparison has focused on the general provisions of survivor benefits. The VRS benefits are explained in greater detail in the "Current Survivor Benefits" section of this document.

### DEATH BEFORE RETIREMENT SURVIVOR BENEFITS

#### Death-in-Service Benefits

##### **VRS:**

VRS does not have member age and/or service requirements to establish eligibility for death-in-service (non-work and work-related) benefits. Benefits are paid to eligible survivors and include the life insurance payment and a retirement annuity guaranteed to the eligible survivor. In the case of a work related death, an eligible survivor is the spouse, minor child or dependent parent. In the case of a non-work related death, an eligible survivor, if designated as beneficiary, is the spouse, minor child, mother or father.

For a non-work related death, the annuity is determined by the age of the member at death. The benefit is calculated under the service retirement allowance formula (Va. Code Section 51.1-155), actuarially reduced for early retirement if applicable (members are assumed to be age 55, if under age 55, for calculation purposes) and actuarially reduced for the appropriate survivor option. If the member was under age 65 at the time of death, the annuity is calculated under the 50% Joint and Survivor Option. If the member was age 65 or older, the annuity is calculated under the 100% Joint and Survivor Option.

In the case of a work related death the benefit is enhanced. The annuity is 50% of AFC if the survivor does not qualify for Social Security benefits and 33 1/3% if the survivor does qualify. Survivor benefits are offset by Workers' Compensation benefits. VRS also refunds the accumulated contributions and interest to the named beneficiary.

**Public Retirement Systems Responding:**

Only one other system is as liberal as VRS in granting death-in-service benefits. All other systems required a certain length of service ranging from 1 to 20 years, with the average being around 5 years.

Most of the systems have member age requirements or specify the level of benefits according to age and/or service. Most of the systems provide survivor benefits under the 100% Joint and Survivor Option.

Most of the systems did not provide different survivor annuity benefits for regular and line-of-duty deaths. Those systems that did provide different benefits restricted eligibility to hazardous duty positions such as police and firefighters.

**Private Sector Plans Responding:**

All of the private plans responding to the survey require at least five years of service for the member to establish eligibility for death-in-service benefits. Three of the plans delay payment of benefits to the survivor until the date the member would have attained age 55 or age 60.

Three of the plans restrict benefits to the spouse. The other plan follows an order of precedence similar to that of VRS. Two of the plans restrict the benefits to the 100% Joint and Survivor Option if the member is age 65 or older at death, and to the 50% Joint and Survivor Option if member is under age 65 at death. One plan allows benefits only under the 50% Joint and Survivor Option. One plan provides a benefit equal to 0.5% of service x AFC which appears to be less than the VRS 50% or 100% Joint and Survivor Option benefits. All four private plans pay the same survivor benefit in the case of a work related death as that paid for a non-work related death.

**Comparison of Death-in-Service Benefits:**

VRS provides a more comprehensive death-in-service benefit package than most of the public retirement systems and all of the private plans responding to the survey because no group of employees is excluded and no age or service requirements are required. Most of the other plans (public and private) have age and/or service requirements to establish eligibility for death-in-service benefits.

VRS non-work related death-in-service benefits are comparable to or exceed those of the public retirement systems that responded to the survey and exceed those of private sector plans. While the restriction regarding the VRS survivor options may seem less advantageous than those systems that provide benefits only under the 100% Joint and Survivor Option, that may not be an accurate observation. Under the other systems, members must meet more stringent age and/or service requirement in order for the survivor to qualify for the 100% Joint and Survivor Option. The very members that such plans may be designed to protect (the older employee with high service) may actually retire with their beneficiaries being provided for through survivor retirement benefits and not the death-in-service survivor benefits. Younger employees and/or those employees with low service might not meet the eligibility requirements to provide benefits calculated under the 100% Joint and Survivor Option.

VRS work related death-in-service benefits generally exceed those provided by the public retirement systems and the private sector plans responding to the survey. Most of the systems and plans did not provide different survivor benefits for non-work and work related deaths. VRS enhances the death benefit if the death is work-related by refunding the accumulated contributions and interest and paying a guaranteed, higher monthly annuity. The enhanced benefit is available to all members without restriction to position.

## DEATH AFTER RETIREMENT SURVIVOR BENEFITS

### Service Retirement Survivor Benefits

#### **VRS:**

VRS has age and service requirements that members must meet to retire for service. Members must be at least age 55 with a minimum of five years of service to retire. The annuity is actuarially reduced for early retirement if the member is under 65 or has less than 30 years of service. The annuity is also actuarially reduced if the member selects a survivor option. The reduction is based on the age of the retiree and contingent annuitant at the effective date of retirement. The retiree may select a 100% or 50% survivor option. Upon the retiree's death, the contingent annuitant receives a monthly annuity for life. Under most circumstances, the retiree cannot choose another option after retirement. However, a one time change is allowed if a survivor option has been selected and the death of or divorce from the contingent annuitant has occurred. The retiree may revert to the higher basic benefit with no survivor provisions (pop-up); or select another contingent annuitant under the same survivor option, in which case, the annuity would be actuarially reduced.

#### **Public Retirement Systems Responding:**

All of the public retirement systems surveyed have age and service requirement for service retirement eligibility. Generally, unreduced service retirement benefits are payable at age 65 or 30 years of service, with benefits actuarially reduced prior to age 65 or 30 years.

All of the public retirement systems surveyed offer the same survivor options as VRS, the 50% and 100% Joint and Survivor Options with the pop-up feature. Most of the systems offered additional options such as:

1. A combination of a guaranteed return and a survivor option: the contingent annuitant receives the same actuarially reduced benefit as the retiree; if both the retiree and contingent annuitant die before receiving a specified period of years of benefits, another beneficiary receives a lump sum payment of the unpaid benefits.
2. A combination of a leveling option and a survivor option: the retiree receives an increased annuity to a specified age, an actuarially reduced benefit after the leveling age, and the contingent annuitant receives 100% or 50% of the retiree's benefit after the leveling age.

3. A survivor option with a percentage other than 100% or 50%, such as 25%, or 75%.
4. An option with a guaranteed number of payments or guaranteed number of years of payments, such as 60 or 120 months or 15 years.

**Private Sector Plans Responding:**

All of the private plans surveyed have age and service requirements for service retirement. One plan had the same requirements as VRS, age 65 or age 55 with 30 years for unreduced benefits. Another plan provides unreduced benefits at age 62 with at least 5 years of service. The other plans have requirements that are more stringent than those of VRS. One plan allows early retirement at age 55 with 5 years of service, and the other plans at age 50 with 15 years or age 55 with 12 years.

All of the plans offer the same survivor options as VRS, the 50% and 100% Joint and Survivor Options. Most of plans also offer additional options such as:

1. A survivor option with a percentage other than 100% or 50%, such as 66 2/3%, 75% or any percentage between 50% and 100%; or any multiple of 10% of the retiree's benefit to the survivor (cannot be more than the retiree receives).
2. An option with a guaranteed number of payments or guaranteed number of years of payments, such as 60 or 120 months or 10, 15 or 20 years.

Two plans automatically select the 50% survivor option unless waived by the retiree with the spouse's approval. Another plan did not automatically assume a survivor option, but requires the spouse to consent/waiver if a survivor option is not selected.

**Comparison of Service Retirement Survivor Benefits:**

Most of the public retirement systems surveyed provide the same level of survivor benefits as VRS. The larger, more complex systems have multiple tiers of benefits. As the benefit structure changed, members were grandfathered to benefits current at that time. However, the current structure of those systems provide survivor benefits that are comparable to those of VRS.

As noted above, most of the other public retirement systems provide survivor options in addition to the 50% and 100% Joint and Survivor Options. VRS has had the ability to provide a specially designed option upon request from a retiree since 1952.

VRS has greater flexibility in meeting the needs of retirees who wish to provide survivor benefits since the retiree has the ability to specially design the payout method. Systems that do not have an "other option" are restricted to the options provided by statute or regulation.

Overall, VRS service retirement survivor benefits are comparable to the other public retirement systems surveyed and more comprehensive than those of private sector plans surveyed.

## Disability Retirement Survivor Benefits

### **VRS:**

VRS has no age or service requirement to establish eligibility for regular or work related disability retirement. The member must be unable to perform the duties of the position and the disability must be likely to be permanent.

If the member has fewer than five years of service, the regular disability retirement annuity is 50% of AFC if the member does not qualify for social security, and 33 1/3% if the member does qualify for social security. If the member has five or more years of service, the regular disability retirement annuity is the higher of the minimum guarantee benefit or the benefit calculated using the formula based on salary and service. The 50% survivor option is the only survivor option available. The work related disability retirement annuity is 66 2/3% of AFC if the member does not qualify for social security, and 50% of AFC if the member does qualify. The benefit is further offset by the amount of workers' compensation received. Also, the retiree receives a refund of accumulated contributions and interest. The annuity is actuarially reduced if the retiree selects the 50% survivor option, which is the only survivor option available.

### **Public Retirement Systems Responding:**

Two of the surveyed systems have replaced their disability retirement program with a long-term disability insurance plan (LTD). When the disabled employee meets normal retirement requirements, the benefit is recalculated as a service retirement, with associated survivor benefits. Until retirement, one program allows a choice of a lump sum payment of 12 months of salary and a refund or the same survivor benefits as those provided under death-in-service, if age and service requirements have been met. There are no survivor benefits under the LTD plan until the employee attains age 65. At that time, the survivor option choices are the same as those under service retirement. One system offers disability retirement or an LTD plan. Under the LTD plan, the total income from combined sources (workers' compensation, social security, and retirement benefits) equal 62.5% of monthly salary, not to exceed \$800.00 per month. There are no survivor benefits under the LTD plan.

Most of the other systems have a service requirement for non-work related disability ranging from 1 1/2 to 10 years and limiting the benefits to members under normal retirement age. Most of the systems did not have a service requirement for work related disability benefits.

Most systems surveyed allow the disability retiree to choose either the 100% or 50% survivor option. One system restricts the disability survivor option to the same as provided under death-in-service. One system provides a supplemental survivor benefit to the spouse or dependent parent of a deceased disability retiree in the amount of a lump sum death payment of \$10,000 or \$100.00 per month beginning at age 65. This system also does not provide life insurance coverage.

**Private Sector Plans Responding:**

All of the private plans surveyed have a service requirement ranging from 3 months to 12 months for eligibility for disability benefits. Two plans provide the same survivor benefits for disability retirement as for service retirement. The service component of the benefit formula is not enhanced. One plan allows survivor benefits under the 100%, 75%, 66 2/3% and 50% survivor options. The other plan uses a formula to compute the survivor benefit that is comparable to what is offered under service retirement. Two plans have a long-term disability income program (LTD) instead of disability retirement. Under both programs, the replacement of income from all sources (the income benefit from the LTD program, social security, workers' compensation, etc.) is 60% of monthly compensation. One plan requires 6 months service; pays benefits until the discontinuance of disability social security benefits or to age 65 when the employee retires for service; and the member is considered as actively employed while receiving LTD benefits. If death occurs while receiving benefits, death-in-service benefits are paid to the eligible survivors. The other plan requires one year to establish eligibility for benefits; and benefits are paid for 5 or 10 years or lifetime (depending on the employee hire date). Once a member begins receiving a service retirement benefit, the LTD benefit is reduced by the amount of the annuity. In the event of death, the survivor receives death-in-service benefits prior to retirement. Survivor benefits after retirement are based on the member's retirement option selection.

**Comparison of Disability Survivor Benefits:**

The VRS non-work related disability (and survivor) benefits are more comprehensive than other public retirement systems and private plans surveyed because no member is excluded on the basis of age or service. Most other systems or plans require minimum service, ranging from 3 months to 10 years, and restrict benefits to members under normal retirement age. Most systems do not provide different benefits for work related disability. For those systems that do provide different benefits, there are no age or service requirements for work related disability benefits.

Most public retirement systems allow disability retirees to select survivor benefits under the 50% or 100% Joint and Survivor Options. VRS restricts the selection to the 50% option. However, several systems provided the same choice of options, and in some cases the same benefits, as under death-in-service. That is consistent with VRS policy which restricts the death-in-service survivor option to 50% if the member dies before normal retirement age.

Three systems have long-term disability income programs (LTD). One of the systems offers a disability retirement program or the LTD program. There are no survivor benefits under the LTD program. Two systems have replaced their disability retirement programs with an LTD program. Under one system, members receiving income under the LTD program are considered active members until service retirement. Survivor benefits before retirement are provided under death-in-service. Under the other program, no survivor benefits are provided until age 65. At that time, the member is retired for service and survivor benefits are based on the retirement option selected. Four systems convert disability benefits to service retirement benefits at age 60 or 65.



Overall, VRS non-work related disability benefits are more comprehensive than other public retirement systems and private plans. The level of benefits seem comparable. The restriction on the available survivor option to 50% appears to be a compromise between those systems and plans offering other options and those systems that provide no survivor benefits. Additionally, a number of systems and plans restrict the choice to 50% or to those options available under death-in-service which is consistent with VRS benefit policies.

VRS work related disability benefits are comparable to those public retirement systems that provided different benefits. However, most systems provided the same benefits for work and non-work related disabilities. Therefore, in general, VRS work-related disability benefits exceed most other systems.

It is more difficult to compare VRS work related disability benefits to those of private sector plans. One plan does not provide a different level of benefits for non-work and work related disabilities. VRS provides a higher benefit plus a refund of accumulated contributions and interest if the disability is work related. One plan does not have work related disability benefits. Those benefits are provided through the workers' compensation insurance. VRS benefits are offset by Workers' Compensation with VRS picking up the full guaranteed benefit once Workers' Compensation benefits cease. Two plans provide the same benefits as under service retirement. VRS disability benefits generally exceed VRS service retirement benefits. Overall, VRS work related disability benefits exceed those of the private plans responding to the survey.

## LIFE INSURANCE SURVIVOR BENEFITS BEFORE AND AFTER RETIREMENT

### Life Insurance Coverage

#### **VRS:**

VRS provides group life insurance coverage before and after retirement. Coverage before retirement includes natural and accidental death and dismemberment insurance and is based on salary, adjusted to the next highest thousand dollars if not already at an even thousand dollar increment. Natural death coverage is equal to two times the adjusted salary. Accidental death coverage is two times the natural death coverage. Dismemberment coverage is also provided to all members.

At retirement, premiums for group life insurance cease. Coverage after retirement is limited to natural death coverage (dismemberment and accidental death coverage cease). The initial amount of insurance is two times the adjusted salary, based on salary at the time of retirement. Coverage for service retirees begins to reduce 2% per month following the first month of retirement. The reductions continues until 25% of the original value remains with no further reductions thereafter. Coverage for disability retirees begins to reduce in the same manner as described above when the retiree attains age 65. Examples of group life insurance before and after retirement are shown below:

## VRS Life Insurance Coverage

Adjusted Salary	Death-in-Service		Full Reduction at Retirement
	Natural	Accidental	
\$15,000	\$ 30,000	\$ 60,000	\$ 7,500
\$30,000	\$ 60,000	\$120,000	\$15,000
\$60,000	\$120,000	\$240,000	\$30,000

### Public Retirement Systems Responding:

One system provides coverage during employment equal to the member's annual salary and no coverage after retirement (a lump sum death benefit is paid). Another system provides coverage: during employment equal to the highest year of salary and offers additional options for coverage with a maximum of three times salary; and after retirement (must be an immediate annuity with at least 20 years of service) equal to three times salary to age 65, reducing to 50% of coverage at age 66 and reducing to 25% of coverage at age 67.

Seven systems of those surveyed do not offer life insurance coverage before or after retirement but instead provide a lump sum death payment. The lump sum death payment before retirement is generally based on a multiple of: the balance of contributions and interest, or salary. The lump sum death payment after retirement is usually a fixed dollar amount, determined by length of service, ranging from \$1,000 to \$5,000. Two systems refund the balance of accumulated contributions and interest as the lump sum death benefit. None of the systems provide a lump sum death benefit in addition to life insurance. Only one system provides a combination; life insurance during employment and a lump sum death benefit after retirement.

### Private Sector Plans Responding:

Four private plans provide life insurance coverage before and after retirement. Coverage before retirement is one or two times salary. One plan bases the amount of coverage on service. Another plan offers additional options to be paid for by the employee.

There is a greater variance in coverage after retirement. Two plans provide a fixed payment, \$5,000 and \$10,000. Another plan pays the greater of \$5,000 or 2 times salary, reducing 20% per year to 10% of coverage. Another plan pays, depending on hire date, a fixed amount of \$10,000 or 1/2 of salary, reducing 10% during ages 65 through 69. Two plans restrict coverage to members retiring on an immediate annuity. None of the plans provide a lump sum death benefit in addition to life insurance coverage.

### Comparison of Life Insurance Benefits:

VRS natural death insurance coverage (two times the member's adjusted salary) for employees in service equals or exceeds life insurance benefits provided by the other public retirement systems. Seven systems do not have life insurance coverage but instead provide a lump sum death payment. In those cases, the lump sum death payments did

not exceed the value of VRS coverage with the possible exception of two retirement systems. One system provides a lump sum payment equal to the annual salary, with a minimum of \$25,000 and a maximum of \$50,000. That minimum coverage might exceed some VRS member salary ranges. The lump sum death benefit provided by the other retirement system is based on salary and service; employees must have one year of service to establish eligibility for benefits. In all cases, the VRS accidental death coverage (twice the natural death coverage) exceeds the public retirement systems surveyed. VRS natural death coverage for retirees, both before and after full reduction, exceeds all but one of the public retirement plans that responded to the survey.

In all cases, VRS life insurance coverage for members in service exceeds coverage provided by the private plans. In most cases, the fully reduced coverage provided by VRS after retirement exceeds the coverage of the private plans (the \$10,000 lump sum payment may exceed some reduced coverage at lower salary levels).

VRS life insurance benefits during service and after retirement generally exceed the life insurance or lump sum death benefits of the public and private plans responding to the survey. The VRS life insurance coverage is uniformly applied to all members, and no group of members is excluded.

Life insurance proceeds are generally not taxable unless the estate is valued at or exceeding \$600,000. Lump sum death benefits are taxable at distribution. The payment of life insurance proceeds increases in value when the tax ramifications are considered.

#### **REQUEST FOR 60 DAYS TO OBTAIN BENEFIT INFORMATION**

HJR525 requested that this study address the possibility that survivors of a state employee have a period of 60 days to avail themselves of the advice of officers of the Commonwealth concerning the potential benefits available at the time of the employee's death. VRS assumed this statement to mean that the survivor is to have 60 days in which to obtain information and make the necessary choices regarding benefits.

There is not currently, and has never been, a period of time in which a survivor must take the steps necessary to secure benefits or forfeit such benefits. However, the longer the survivor delays in securing benefits, the longer he or she delays the receipt of any retroactively adjusted benefits.

The level of benefits paid to a survivor is mandated by statute, depending on: the retirement option selected by the retiree, in the case of retirement survivor benefits; or in the case of death before retirement, the beneficiary designation, type of death (work or non-work related) and the age of the member and beneficiary at the member's death. Mandatory withholding of 20% (Federal) and 4% (State) will affect lump sum refunds of accumulated retirement contributions and interest. The survivor may obtain information at any time regarding benefits.

Information regarding survivor benefits is readily available to members. A VRS Members' Handbook is distributed at the time of employment in a covered position. Members also receive updated information through the VRS "Memo to Members" which is distributed quarterly to all VRS members. Further, VRS publishes many brochures and fact sheets addressing specific benefits that may be obtained by the member at any time. In addition, VRS trains benefits administrators to answer retirement questions as they arise at the place of employment. Members can contact their benefits administrator or VRS directly to obtain information. Finally, individual counseling in the area in which the member resides is available through the VRS Field Services Department. Members and their survivors should be well aware of benefits prior to the member's death.

One time constraint that should be noted concerns the continuation of group health insurance. The State Group Health Plan for retirees of state agencies is not administered by the VRS but does work in conjunction with the monthly retirement annuity. In the case of retirees selecting a non-survivor retirement option at the time of retirement, the retiree's spouse is not eligible to continue in the state group plan upon the retiree's death. Special, temporary provisions of extended coverage may be available. Also, the state group plan has certain application requirements for eligible survivors who are eligible for VRS benefits such as enrollment within 30 days of a family status change, which includes death. Such requirements may be detrimental if the survivor delays in making benefit choices.

#### **RETROACTIVE RETIREMENT AND CHOICE OF RETIREMENT OPTION AFTER DEATH OF MEMBER**

HJR525 requested that this study address the possibility of whether the agency in which the employee served might be permitted to effect the retroactive retirement of the employee and the choice of retirement option as of the time of death, if it can be assumed that the employee would have made such choice himself to best provide for his survivor after his/her death.

This question was addressed in 1982, when HB 222 was passed to prevent an agency from submitting a disability retirement application dated prior to the date of death to secure disability survivor benefits. HB 222 was passed because of the adverse selection that occurred. Further, since death-in-service benefits in the form of life insurance coverage and monthly annuities (in certain situations) were provided, the ability to effect a retroactive retirement was not necessary.

The retroactive retirement and selection of a survivor option after the death of a member would be contrary to the benefit structure, administrative procedures and the statutes governing VRS benefits. Based on the survey of other public retirement systems and private sector plans, no other system or plan permits a retroactive retirement after death.

Another matter to consider is that a retroactive retirement affected by anyone other than the member is contrary to one of the basic philosophies of retirement plans. To give away the choice of selection to someone other than the member opens the door to adverse selection. What is most favorable to an employer may not be most favorable to the survivor of a member. Some plans address this issue by providing the highest benefit permitted by Code (usually calculated under the 100% Joint & Survivor Option), paid in accordance with an order of precedence.

## RELATED ISSUES

VRS periodically surveys other public retirement systems and private sector plans to ensure that VRS benefits are comparable as well as to identify benefit trends. Private sector plans are regulated by ERISA. ERISA guidelines in most cases do not apply to public retirement systems.

### Spousal Acknowledgement/Waiver

At the request of a member of the Senate of Virginia, the VRS studied the issue of a spousal acknowledgement or waiver of benefits at the time a member selects a retirement option.

#### **VRS:**

Currently, a member may request a single estimate or estimates under all eligible retirement options at any time prior to retirement by submitting a VRS "Request for an Estimate" (VRS-60). An estimate or estimates are frequently prepared to assist members in deciding upon the purchase of prior service or to assist in the selection of a retirement option. If the member has not requested an estimate(s) within a year of the effective date of retirement, a re-certification of the option selected on the application is sent to the member if something other than the basic benefit is selected. The re-certification reflects a comparison of the basic benefit amount to the option selected. A retirement option can only be selected at the time the member is applying for retirement. The member must indicate the retirement option selected on the retirement application. An application for retirement cannot be processed until the retirement option is selected and the form properly acknowledged. The member may change the retirement option at any time prior to the actual retirement date.

Under most circumstances a retiree cannot choose another retirement option after the effective date of retirement. However, there are some exceptions for members who selected a survivor option. Retirees selecting a Pop-up (receive a higher benefit) or a Pop-Down (receive a lower benefit) option as a result of the death of or divorce from the contingent annuitant may have their annuities adjust retroactively for a period of not more than 60 days from the date that VRS first receives written notification of the desire of the retiree to make such a change. The Pop-Up/Pop-Down option is a one time irrevocable selection. Separate requirements apply for members retired before July 1, 1980 and for members retired on or after that date.

**Keeping the Member and Spouse Informed:**

VRS provides many opportunities for members to become informed about their benefits in general and about survivor benefits in particular. Estimates for all options are prepared upon request. Information is provided to members in many VRS publications including: The Handbook for Members; Information Series #1 - VRS Highlights; Information Series #4 - Guidelines to Retirement; Information Series #6 - Disability Retirement; FACTSHEET - Disability Retirement; Memo to Members and during the many scheduled VRS Preretirement Education Program (PREP) classes held throughout the state to which not only members but spouses are encouraged to attend. In addition, a member may schedule individual counseling sessions in their area of the state through the Field Services Unit or at the VRS headquarters in Richmond. Further, detailed benefits information is provided to benefits administrators through the VRS Benefits Manual and training. Benefits administrators (employees of participating employers) are on-site at state agencies, school boards or political subdivisions to assist members with benefit information.

**Survey Results:**

Of the fourteen public retirement systems/private plans that responded to the VRS Survey, only one required an acknowledgement of estimates of all eligible retirement options by the member. Four of the public retirement systems and all of the private plans required an acknowledgement by the spouse of the retirement option selected and/or a spousal waiver if the member selected an option that did not provide a survivor benefit for the spouse. In general, the spousal acknowledgement/waiver is on the retirement application. Some administrative procedures, including the spousal waiver/acknowledgement, that private plans follow have been mandated by ERISA requirements that do not apply to public retirement systems.

There is justification for either obtaining or not obtaining a spousal waiver or acknowledgement of benefits selected. The merits of obtaining a spousal waiver/acknowledgement are: (1) the spouse is aware of his or her future financial status; (2) it ensures that the member is aware of and has considered spousal survivor benefits; and (3) it provides a safeguard for VRS in the event a spouse challenges a deceased retiree's retirement option choice. The reasons for not obtaining a spousal waiver/acknowledgement are: (1) a protection of privacy (benefits have been earned by the retiree to be actuarially distributed as the retiree sees fit); and (2) to avoid the appearance of assuming the retiree is not capable of making a sound financial decision regarding retirement options.

A great deal of VRS resources are devoted to benefits information. As stated above, many people and publications are available to provide benefit information. Ultimately, however, it is the member and/or retiree that must make the final benefit choice and therefore, keep informed of the benefits available.

## Order of Precedence for Payment of Benefits

### **VRS Beneficiary Designations - Before Retirement:**

Each new employee eligible for membership in the Virginia Retirement System must complete a "VRS New Member Enrollment Form" (VRS-1) at the time of employment. The VRS-1 serves two purposes: (1) the information on the form is the foundation of each member's record at VRS; and (2) it is the official beneficiary designation for both VRS contributions and group life insurance. The VRS-1 must be signed by the member and properly acknowledged. The completed VRS-1 must be submitted to VRS before a new member can be added to the membership roll.

The VRS-1 contains detailed instructions to aid the member and employer in completing the form. To guarantee that the member's wishes regarding insurance payments, benefits and refunds are carried out, the VRS-1 must be completed correctly. The form may only be signed by the member. Signatures by anyone else invalidates the designation. A separate designation is required for retirement contributions and life insurance proceeds. If the retirement and/or life insurance beneficiary is not designated, claims are paid out as legally mandated by the Code of Virginia (Va. Code Sections 51.1-162(A) and 51.1-511).

The beneficiary designation may be changed at any time. All beneficiary changes must be made on the "Beneficiary Change Form" (VRS-2). Detailed instructions are attached to the form. No attachments are accepted. The form must be signed by the member and properly acknowledged. Signatures by anyone else will invalidate the designation. Only one designation form is maintained by VRS. If the member wants to change either the retirement or group life insurance beneficiary, a new form must be completed. In the event of death, benefits are paid in accordance with the latest designation form on file.

When a member terminates employment from a covered position, there are two choices available: withdraw contributions and interest; or leave the retirement account intact. If the member requests a refund and withdraws the accumulated contributions and interest, membership in VRS is terminated (except in cases where members have employer-paid contributions that cannot be withdrawn by the member thereby retaining membership) and all rights to benefits based on the service represented by the refund are lost. Partial refunds are not made. All accumulated contributions and interest in the member's account are refunded.

The terminating employee may leave the retirement account intact and retain membership. Members are vested after 5 years of service. Vesting entitles a member to monthly retirement benefits at age 55 (age 50 if eligible for special benefits under SPORS/LEOS/FIRE/Sheriff coverage). Vested members retain the right to such a benefit even if they terminate employment. Members who receive refunds of accumulated contributions, but who have five or more years of employer-paid service for which they cannot receive a refund, remain vested. If death occurs anytime prior to retirement or termination of membership, retirement and group life insurance benefits are paid in accordance with the VRS-1 or most current VRS-2, or order of precedence if no designation has been made.

**VRS Beneficiary Designation - After Retirement:**

If a retiree chooses a survivor options for the calculation of retirement benefits, the monthly benefit received by the retiree and contingent annuitant is based on the member's age, average final compensation, length of service and the age of the contingent annuitant at the date of retirement of the member. The member must select a retirement option on the "Application for Service Retirement" (VRS-5) or "Application for Disability Retirement" (VRS-6) and provide proof of age for the contingent annuitant. When the retiree dies, the appropriate monthly benefit is paid to the contingent annuitant. There is no need for a beneficiary designation for retirement purposes because there are no benefits paid beyond the lifetime of the retiree and contingent annuitant.

After retirement occurs, the group life insurance proceeds are paid in accordance with the VRS-1, most current VRS-2 or by order of precedence. Currently, VRS sends a copy of the VRS-1 or most current VRS-2 to the member at the time the application for retirement (both service and disability) is received so that the member is aware of the beneficiaries previously named. The member may change the designation naming a new person at any time prior to the member's death. The form must be on file with VRS prior to the member's death to be valid. Also, the member is advised if VRS does not have a beneficiary designation on file.

**Keeping the Member Informed:**

VRS provides members with information regarding beneficiary designations in many different ways. Benefits Administrators are instructed during training sessions and through the VRS Benefits Manual to obtain beneficiary designations from eligible employees. They are also trained in the requirements for certain survivor benefits to be paid. Members are provided information on the VRS-1 (New Member Enrollment Form), the VRS-2 (VRS Beneficiary Change Form), the VRS Handbook for Members, the Information Series #1 - Retirement System Highlights, the VRS quarterly newsletter to members and retirees "Memo to Members", the Information Series #4 - Guidelines to Retirement, the Information Series #6 - Disability Retirement; Factsheet Disability Retirement, and during the many VRS Preretirement Education Program (PREP) classes held throughout the state. VRS notifies employees submitting retirement applications of the need for a designation and who the member has designated.

**Survey Results:**

Of the fourteen public retirement systems and private sector plans surveyed regarding survivor benefits, the majority of benefits paid in accordance with the beneficiary designation or, if no designation is filed, then by order of precedence as provided by statute or within the retirement plan document (ERISA plans). Two public retirement systems revoke the designation if a life status change occurs such as: marriage, divorce, or birth or adoption of a child. A few systems have a variation on this method by specifying the beneficiary (spouse or estate) if one is not designated. One public retirement system and one private plan require no designation but pay benefits according to the order of precedence. One private plan pays benefits only to the spouse and



another private plan pays benefits automatically to the spouse first and then by order of precedence. Only one plan, a public retirement system, requires a designation of beneficiary.

The Virginia Retirement System is consistent with the majority of other surveyed systems and plans. Benefits are paid in accordance with the beneficiary designation. If a beneficiary has not been designated, benefits are paid by statute. However, if VRS were to pay survivor benefits and group life insurance according to the order of precedence found in Va. Code Sections 51.1-162(A) and 51.1-511 unless a beneficiary designation is filed, it may be more efficient administratively and remove some of the pressure on members to keep beneficiary designations current. The danger of failing to designate a beneficiary is that benefits may not be distributed as the member would have desired.

### Life Insurance Coverage vs. Lump Sum Death Payment

The majority of the public retirement systems surveyed do not provide group life insurance before or after retirement. Instead, these systems have lump sum death payments before or after retirement. Generally, the lump sum death payment for an active member (before retirement) is based on salary or the balance of accumulated contributions and interest. In most instances, the value of the lump sum death payment is below the life insurance proceeds paid by VRS. Generally, the lump sum death payment for retired members (after retirement) is a fixed dollar amount ranging from \$1,000.00 to \$5,000.00.

Life insurance proceeds are generally not taxable unless the estate is valued at or exceeding \$600,000. Lump sum death benefits are taxable at distribution. The payment of life insurance proceeds increases in value when the tax ramifications are considered.

It appears that the trend among public retirement systems is to provide a fixed dollar lump sum death payment instead of life insurance coverage. The advantages of fixed dollar amount may be: elimination of some administrative procedures; and less confusion to members and retirees because the amount of coverage would remain constant, not changing with salary adjustments or reducing at retirement. The disadvantages may be: some degree of value of the benefit to the survivor would be lost due to taxation; and the benefit might be less than current VRS life insurance coverage.

### Definition of Survivor

There is an inconsistency between the survivors eligible for a VRS monthly annuity if the member dies in service (non-work related) and from a cause compensable under Workers' Compensation (work related). In the case of a non-work related death-in-service (Va. Code Section 51.1-162(B)), if the person designated as beneficiary is: (i) the surviving spouse, (ii) minor child, (iii) mother, or (iv) father of the member, then that person is eligible for a survivor retirement annuity. In the case of a work related death-in-service (Va. Code Section 51.1-162(C)), the first person qualifying in the following

order of precedence is guaranteed a survivor retirement annuity: (i) surviving spouse, and if the spouse dies or remarries, then (ii) any minor children until the age of majority or death, whichever occurs first, and (iii) the member's parent wholly dependent upon him for support, divided in a manner determined by the Board, during the lives of the parents.

All of the survivors listed in the order of precedence, with the exception of parents in Va. Code Section 51.1-162(B), have a relationship to the survivor that generally connotes or specifically requires financial dependency. It would seem that the lack of requiring parents to be wholly dependent for support to qualify for non-work related death-in-service survivor annuity payments (Va. Code Section 51.1-162(B)) may have been an oversight.

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## CONCLUSION

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Public policy establishes a basis for benefits which addresses the needs of the membership as a group and is not isolated to one unique situation or special interest group. Survivor benefits come from a variety of sources. Survivors may receive life insurance proceeds, a VRS monthly annuity, a refund of accumulated retirement contributions and interest, social security survivor benefits and worker's compensation benefits. VRS benefits are a component of the total survivor benefit package. Employers are required to make contributions for the other sources of benefits as well as VRS benefits. This needs to be considered in determining public policy regarding the provision for VRS survivor benefits.

VRS survivor benefits exceed survivor benefits provided by private plans, and equal or exceed survivor benefits of other public retirement systems. Typically, public retirement systems that have survivor benefits higher than those of the VRS, are in non-social security states. VRS survivor benefits are in general adequate, equitable, consistent with historical intent and provided at a cost that the State and participating employers can reasonably afford. Any change in public policy regarding survivor benefits must fit equitably with the other components of the VRS benefit structure at a reasonable cost.

**APPENDIX A**  
**HOUSE JOINT RESOLUTION 525**

1993 SESSION

LD9287252

HOUSE JOINT RESOLUTION NO. 525

Offered January 25, 1993

Requesting the Virginia Retirement System to study the disparity in survivor benefits for retirees and employees who die while in service.

Patrons—Grayson and Cooper; Senator: Norment

Referred to the Committee on Rules

WHEREAS, it is the intention of the Commonwealth of Virginia to extend to its employees benefits available to comparable employees in the private sector; and

WHEREAS, the rapid onset of illness and the prospect of imminent death or the occurrence of accidental death may prevent an employee of the Commonwealth from making a well-reasoned, dispassionate, and informed choice of available survivor-benefits; and

WHEREAS, in most cases, benefits accruing to the survivor of a retired state employee are substantially greater than those accruing to the survivor of an active employee; and

WHEREAS, the General Assembly intends that the survivors of state employees should be provided for in the most advantageous manner permitted under the regulations of the Commonwealth; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Virginia Retirement System be requested to study the disparity in survivor benefits for retired state workers compared to employees who die while in active service. This study shall include, but not be limited to, (i) the possibility that survivors of a state employee have a period of 60 days to avail themselves of the advice of officers of the Commonwealth concerning the potential benefits available at the time of the employee's death and (ii) whether the agency in which the employee served might be permitted to effect the retroactive retirement of the employee and the choice of retirement option as of the time of death, if it can be assumed that the employee would have made such choice himself to best provide for his survivors after the employees death.

The Virginia Retirement System shall complete its study in time to submit its findings and recommendations to the Governor and the 1994 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Official Use By Clerks			
Agreed to By		Agreed to By The Senate	
The House of Delegates			
without amendment	<input type="checkbox"/>	without amendment	<input type="checkbox"/>
with amendment	<input type="checkbox"/>	with amendment	<input type="checkbox"/>
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Date: _____		Date: _____	
_____		_____	
Clerk of the House of Delegates		Clerk of the Senate	

**APPENDIX B**  
**BENEFITS SURVEY INFORMATION**

## RETIREMENT SYSTEMS & PLANS SURVEYED

### Public Retirement Systems:

Ms. Pamela S. Johnson  
General Manager  
Kentucky Retirement Systems  
Perimeter Park West  
1260 Louisville Road Frankfort, KY 40601-6124

Mr. Harlan E. Boyles  
State Treasurer  
Teachers' and State Employees' Retirement System  
of North Carolina  
Department of State Treasurer  
Raleigh, NC 27603-1388

Mr. Harold N. Langlitz  
Executive Director  
New York State Teachers' Retirement System  
10 Corporate Woods Drive  
Albany, New York 12211-2395

Mr. Steve Curry  
Director  
Tennessee Consolidated Retirement System  
Treasury Department  
10th Floor, Andrew Jackson Building  
Nashville, Tennessee 37243-0230

Mr. Purvis W. Collins  
Director  
South Carolina Retirement Systems  
P.O. Box 11960, Capitol Station  
Columbia, South Carolina 29211

Dr. Wayne Blevins, Ed.D.  
Executive Secretary  
Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

Ms. Aletta L. Shutes  
Secretary of Administration  
State of Florida  
Department of Administration  
Division of Retirement  
Cedars Executive Center, Building C  
2639 North Monroe Street  
Tallahassee, Florida 32399-1560

Ms. Patricia A. Woodworth  
Director  
State of Michigan  
Department of Management & Budget  
Michigan Public School Employees Retirement System  
P.O. Box 30026  
Lansing, Michigan 48909

Mr. Eric Stanchfield  
Director  
Department of Employee Trust Funds  
Wisconsin Retirement System  
P.O. Box 7930  
Madison, Wisconsin 53707

Mr. Dale Hanson  
Chief Executive Officer  
California Public Employees' Retirement System  
400 P Street  
P.O. BOX 942715  
Sacramento, CA 94229-2715

Mr. J. Richard Zimmerman  
Deputy Executive Director  
Member Benefits  
The State Teachers Retirement System of Ohio  
275 East Broad Street  
Columbus, Ohio 43215-3771

Ms. Margaret A. Bury  
Deputy Director  
Maryland State Retirement and Pension Systems  
301 West Preston Street, Room 700  
Baltimore, Maryland 21201



Mr. James A. Perry  
Director  
Pennsylvania Public School Employees' Retirement System  
P.O. Box 125  
Harrisburg, Pennsylvania 17108-0125

Mr. Curtis J. Smith  
Associate Director  
U.S. Office of Personnel Management/  
Retirement and Insurance Group  
1900 E Street, N.W., Room 4A10  
Washington, D.C. 20415

**Private Employers:**

Ms. Judy Underwood  
Supervisor of Employee Benefits  
Philip Morris USA  
P.O. Box 26603  
Richmond, VA 23261

Mr. James Leman  
Secretary/Treasurer  
Virginia State AFL-CIO  
3315 W. Broad Street  
Richmond, VA 23230

Ms. Beverly Green  
Human Resources  
Allied Signal Corp.  
P.O. Box 831  
Hopewell, VA 23860

Mr. John O'Briant  
Employee Benefits Director  
American Tobacco  
P.O. Box 1100  
Chester, VA 23831

Ms. Rhonda Luttkus  
Employee Benefits Coordinator  
Blue Cross/Blue Shield of Virginia  
2221 Edward Hollin Drive  
Richmond, VA 23230

Mr. Stephen Bryan  
Director of Human Resources  
Henrico Doctors' Hospital  
1602 Skipwith Road  
Richmond, VA 23229

Ms. Maryanne Masters  
Director of Human Resources  
Central Fidelity Bank Inc.  
P.O. Box 27602  
Richmond, VA 23261

Ms. Irene Warren  
Director of Employee Benefits  
Reynolds Metals Company  
P.O. Box 27003  
Richmond, VA 23261-7003

Mr. Walter W. Hawthorne  
Employee Benefits  
DuPont De Nemours E I & Co. Inc.  
P.O. Box 27001  
Richmond, VA 23261

Ms. Sue Cumming  
Executive Director  
Virginia Health & Welfare & Pension Fund  
Teamsters Joint Council #83  
8814 Fargo Road  
Richmond, VA 23229

Ms. Nancy Spence  
Director of Human Resources  
Life of Virginia  
6610 W. Broad Street  
Richmond, VA 23261

Ms. Clarice Nighman  
Benefits Manager  
Department of Human Resource Services  
University of Richmond  
Richmond, VA 23173

Mr. Randy Blunt  
Human Resources  
AMF Companies  
P.O. Box 1560  
Richmond, VA 23227

Ms. Dot Bass  
Benefits Coordinator  
Chippenham Medical Center  
7101 Jahnke Road  
Richmond, VA 23225

Ms. Carolyn Spivey  
Vice President/Manager of Benefits  
NationsBank  
P.O. Box 4899  
Atlanta, GA 30302

Mr. Stan Ellspermann  
Senior Vice President of Human Resources  
James River Corporation  
P.O. Box 2218  
Richmond, VA 23217

## RESPONDENTS TO SURVEY

### **Public Retirement Systems:**

California Public Employees' Retirement System  
Michigan Public School Employees' Retirement System  
New York State Teachers' Retirement System  
Tennessee Consolidated Retirement System  
Wisconsin Retirement Systems  
North Carolina Teacher & State Employees' Retirement System  
South Carolina Retirement Systems  
Teachers Retirement System of Texas  
State Teachers Retirement System of Ohio  
Pennsylvania Public School Employees' Retirement System  
U.S. Office of Personnel Management/Retirement and Insurance Group

### **Private Employers:**

American Tobacco  
Blue Cross/Blue Shield of Virginia  
Central Fidelity Bank, Inc.  
DuPont De Nemours E I & Co., Inc.  
AMF Companies