

**Pamphlet of Information
on the
Virginia Retirement Act**



VIRGINIA RETIREMENT SYSTEM

State Finance Building

Richmond

1948

INFORMATION FOR STATE EMPLOYEES AND TEACHERS ON THE VIRGINIA RETIREMENT ACT

The Virginia Retirement System began operation as of July 1, 1942. The system is designed to provide retirement benefits to the teachers of the State (including clerical employees of the school boards) and to State employees. The act establishing the retirement system repealed the former retirement act for teachers, and teachers are given certain special benefits on account of their coverage under the former act.

The system is jointly contributory, with the cost of benefits on account of membership service about equally divided between the members and the employer. The State makes special provision for members who were in service at the time the system was established by allowing them credit for prior service and making additional contributions to cover the cost of the benefits based on prior service.

The act establishing the system provides for the maintenance of reserve accounts to which contributions of the members and of the employer are credited. Two sets of accounts are maintained, one for teachers and the other for State employees. The rates at which contributions are to be made to these accounts are determined by means of actuarial calculations so that, with interest earnings, the reserves accumulated will be sufficient to meet the benefit payments as set forth in the act. Once each year an actuarial valuation of the liabilities of the system is to be made to determine whether the contributions are proving sufficient to meet the accruing liabilities and to show what adjustments, if any, are necessary, on the basis of the actual experience of the system, to maintain the system in a solvent condition.

AMENDMENT PROVIDING FOR PARTICIPATION IN SYSTEM OF POLITICAL SUBDIVISIONS OF STATE

Under an amendment to the act passed at the 1944 session of the General Assembly the Board of Supervisors of any county and the council of any city or town may, by resolution legally adopted and approved by the Board of Trustees of the Virginia Retirement System, elect to have its officers and employees become eligible to participation in the retirement system. Employees of a political subdivision in employment on the date of approval of such political subdivision as an employer under the Act, have one calendar year after that date within which to become members of the Virginia Retirement System and be entitled to credit for prior service for which the employer is willing to make accrued liability contributions. Membership in the system is compulsory for employees entering the service of such employer thereafter.

Employees who become members under this section providing for the participation of local political subdivisions in the State Retirement system shall be entitled to benefits under the Act as though they were State employees. Their rate of contribution is the same as for State employee members. The rate of contribution payable by a local political subdivision approved as an employer is determined by our Actuary.

As certain words such as "Employees" are defined in the Act political subdivisions interested in this provision should communicate with the retirement System, Finance Building, Richmond, Virginia, for more detailed information.

ADMINISTRATION OF ACT

The Virginia Retirement System is administered by a Board of Trustees known as the "Board of Trustees of the Virginia Retirement System."

The Board consists of five ex-officio members, namely, the Comptroller, the State Treasurer, the Superintendent of Public Instruction, the Auditor of Public Accounts and the State Tax Commissioner, and three members appointed by the Governor, subject to confirmation by the General Assembly. Of the members appointed by the Governor, one is a teacher, one a State employee, and one neither a teacher nor State employee.

The members of the Board receive no compensation other than reimbursement for their necessary expenses.

The Board appoints a medical board of three physicians which is required to pass upon all medical examinations and to report to the Board of Trustees on matters connected with disability retirement.

The Board employs such personnel, including an actuary, as it deems necessary for the efficient administration of the Retirement Act. The chief administrative officer named by the Board is known as the Director of the Virginia Retirement System.

MEMBERSHIP IN THE SYSTEM

Membership in the system consists of all professional and clerical salaried employees who are regularly employed by a county, city, or other local school board, and of all salaried State employees whose compensation is payable not oftener than semi-monthly. Membership is not available to officers elected by popular vote or by the General Assembly or either House thereof.

Any person entering or re-entering the service of a local school board as a professional or clerical salaried employee, or of the State, after July 1, 1942, is required to become a member of the retirement system.

In reference to membership in the system of employees of political subdivisions of the State which have been approved by the Retirement Board as Employers under the Act, see information under "Amendment providing for participation in System of political subdivisions of State."

Teachers in the service during the school year immediately preceding the date of establishment and State employees in service on the date of establishment automatically became members of the retirement system as of the date of establishment unless they elected not to become members. A teacher or State employee who elected not to become a member may apply for membership later, but unless he became a member within one hundred and fifty days after the establishment of the system, he will not receive credit for prior service. Exceptions apply in that a person on leave from service at the time of establishment may receive credit for prior service if he makes his application for membership within one hundred and fifty days after the termination of such leave, and a person in the armed forces of the United States at the time of establishment will receive prior service credit if he makes his application for membership within one hundred and fifty days from the time he re-enters the service of the State or of the Virginia public school system provided he re-enters such service before July 1, 1949.

MAXIMUM COMPENSATION (SALARY) FOR PURPOSES OF ACT

For all purposes of the retirement system, earnable compensation (salary) in excess of \$2,000 per annum is used as \$2,000 per annum. The value of perquisites is part of the compensation.

CONTRIBUTIONS

BY MEMBERS

Each member contributes on a "saving bank" basis a percentage of his compensation based on his age at entrance into membership, which is computed to provide at his minimum service retirement age (65 years) one-half of his service retirement allowance on account of membership service. In addition, his contribution includes a small amount toward the expense of administering the retirement system. Any member whose rate exceeds 5 per cent may elect to contribute at 5 per cent. Notice of such election should be in writing addressed to the Board of Trustees, Virginia Retirement System, Finance Building, Richmond, Virginia. Any member who is sixty-five or more years of age may elect to make no further contributions. Notice of such election should be in writing, addressed to the Board of Trustees, Virginia Retirement System.

BY EMPLOYER

The State or other employer makes annual contributions based on members' earnable compensation to provide the State's annuities and other benefits payable from the contributions of the employer.

The employer's contribution consists of a percentage of the earnable compensation of all members known as the "normal contribution" and a percentage of the compensation of all members known as the

"accrued liability contribution." Separate normal contributions and accrued liability contributions are payable for teachers and for State employees. The normal rates of contribution are set after each actuarial valuation of the system. The accrued liability rates of contribution are set on the basis of the results of the present valuation and are payable in order to make up the contributions due on account of service rendered prior to the establishment of the system. The accrued liability contributions will be discontinued as soon as the amount in the State Annuity Accumulation Fund is equal to the present value of the total liabilities of the account less the present value of the normal contributions to be received at the normal rates then in force on account of all members at that time.

RETURN OF CONTRIBUTIONS

UPON CEASING EMPLOYMENT

Upon a member's ceasing his employment as a teacher in the Virginia public schools or as a State employee, before retirement, the amount of his accumulated contributions is paid on demand or within thirty days thereafter. When a member is paid his accumulated contributions, his membership in the system ceases and should he thereafter become a member, he would not be credited with any previous service. If, after ceasing employment, the member is not paid his accumulated contributions, his membership would continue for five years and should he, within that period, re-enter active service as a teacher, state employee, or with a local political subdivision covered under section 24a of the Act, he would be entitled to credit for his previous active service. Upon death of a member before retirement, the amount of his accumulated contributions is paid to his named beneficiary, if any, otherwise to his estate.

SERVICE RETIREMENT ALLOWANCE—CONDITIONS FOR ALLOWANCE

A service retirement allowance is payable to any member who has attained age 65, upon his written notification to the Board of his intention to retire. Retirement is not effective until at least thirty days subsequent to the filing of the notification. Retirement is compulsory at age seventy, except that for a time not to extend beyond the end of the fiscal year in which occurs the official conclusion of the war a member, if physically and mentally able to perform his duties efficiently, may be retained in service upon recommendation of his employer and approval by the Retirement Board. At the time of issuing this pamphlet it is not possible to determine when the war will be officially concluded. Under an amendment to the Act a member seventy or more years of age with long service and specially fitted to perform the duties of his position may upon request of his employer be retained in service for a period not to extend beyond July 1, 1950.

AMOUNT OF BENEFIT

The annual service retirement allowance consists of two parts, an employee annuity which is provided entirely by the member's contributions and a State annuity which will be provided from the State's contributions, described as follows:

(a) The amount of employee annuity is determined by the amount of the member's contributions for his annuity with interest to the date of retirement, and will be the exact annuity which these accumulated contributions will provide. The member's contributions are so calculated that on the average they will provide an annuity of 1/160 of average annual compensation the last five years before retirement for each year of membership service upon service retirement at age 65, that is, one-half the total allowance on account of membership service.

(b) The State annuity is exactly 1/160 of average annual compensation the last five years before retirement, multiplied by the number of years of service as a member.

(c) In the case of a member with credit for service rendered prior to the establishment of the system, an additional State annuity is payable equal to 1/80 of average annual compensation the last five years before retirement, multiplied by the number of years of such prior service.

(d) In the case of a teacher with credit for service rendered prior to the establishment of the system (July 1, 1942), an additional State annuity is payable equal in actuarial value to the aggregate amount of all contributions made by him or on his behalf, under the provisions of the former teacher's retirement law, accumulated with interest from the date of establishment of this system to date of retirement.

(e) In no event shall the total State annuity of any member with prior service credit exceed the amount required to provide with his employee annuity, a total service retirement allowance of one-half of his average annual compensation the last five years before retirement.

It should be remembered that paragraphs above apply to benefits on retirement at age 65 or over and reflect a straight life annuity basis. For information regarding retirement on a reduced allowance under optional retirement provisions of act see paragraphs, "Special privileges at retirement."

SPECIAL PROVISIONS OF VIRGINIA RETIREMENT ACT APPLICABLE TO TEACHERS IN THE PUBLIC SCHOOLS WHO TAUGHT PRIOR TO JULY 1, 1942

Teacher members of the Retirement System who taught in the Virginia public schools prior to July 1, 1942, and who, in consequence, were members of the system set up under the pension law then in effect may retire for service under the conditions which were set forth in the old law (repealed in 1942). In other words, these teachers may retire upon the completion of thirty years of service and the attainment of age fifty-eight, if men, or fifty, if women, provided, at that time, they

are in active service. If a teacher in this group retires after thirty years of creditable service prior to attaining age sixty-five, his retirement allowance is reduced.

One of the principal reasons for this is that under the general provisions of the Act the formula for determining the State annuity is based upon retirement for service at age 65, at which time under the mortality tables used the retiring person would in the average have a certain number of years to live. The reserves set up are based on the annuity needs under this condition. If, therefore, at the time of retirement the teacher is less than sixty-five years of age, the amount of the reserve set up must be spread over a greater number of years and, in consequence, the annuity would be less per year, the amount less depending upon the age at the time of retirement. For instance, the amount of the State annuity payable to a teacher retiring at age 65 would in the case of a woman teacher retiring at age 55 (all other conditions being the same) be reduced approximately one-half. Under the Act, however, in no event is a teacher retired under the above conditions to receive a lesser retirement allowance than he would have received under the former teacher's pension law.

DISABILITY BENEFIT—CONDITIONS FOR ALLOWANCE

A disability allowance may be granted to any member who becomes totally and permanently incapacitated for duty before reaching the age for service retirement after having completed at least 20 years of creditable service.

AMOUNT OF BENEFIT

The total ordinary disability retirement allowance consists of an employee annuity and a State annuity as follows:

(a) The amount of employee annuity is that provided by the accumulated contributions of the member at the time he retires.

(b) The State annuity is the amount which, together with the employee annuity, provides a total disability retirement allowance for membership service of 1/90 of the member's average annual compensation the last five years before retirement, multiplied by the number of years of his membership service.

(c) In the case of a member with credit for service rendered prior to the establishment of the system, an additional State annuity is payable equal to 1/90 of his average annual compensation the last five years before retirement, multiplied by the number of years of such prior service.

(d) If the total retirement allowance described above is less than 25 per cent of the member's average annual compensation the last five years before retirement, the State annuity is increased to provide together with the employee annuity, a total disability retirement allowance of 25 per cent of average annual compensation the last five years before retirement.

(e) In no event shall the total disability retirement allowance of a member exceed 1/90 of his average annual compensation the last five

years before retirement, multiplied by the number of years of total service with which the member would be credited were his services continued until his minimum age for service retirement.

The above paragraphs apply when the member retires on the basis of a straight life annuity. For information regarding a reduced retirement allowance under the optional retirement provisions of the act, see information under "Special privileges at retirement."

SPECIAL PROVISIONS APPLICABLE TO TEACHERS WHO TAUGHT PRIOR TO JULY 1, 1942

Subject to the maximum disability retirement allowance before mentioned (paragraph (e) above), if, in the case of any teacher, the allowance described above is less than the allowance which the teacher would have received were he retired for disability under the provisions of the former retirement act for teachers, the State annuity is increased to provide together with the employee annuity, a total retirement allowance equal to the allowance that would have been payable under the former law.

SPECIAL PRIVILEGES AT RETIREMENT

Members, upon retirement, may elect to receive their retirement allowance in any one of the following forms which are computed to be of equivalent value.

(a) Full amount payable in monthly installment throughout the life of the retired member, all payments ceasing at death.

(b) Option 1. Reduced employee annuity payments during the life of the retired member, with the provision that in case of death before such annuity payments have equalled the value of his accumulated contributions at the time of his retirement, the balance shall be paid to his designated beneficiary or estate.

(c) Option 2. Reduced retirement allowance during the life of the retired member, with the provision that at his death the allowance shall be continued throughout the life of such other person as he shall have designated at the time of his retirement.

(d) Option 3. Reduced retirement allowance during the life of the retired member, with the provisions that at his death one-half of the amount of his allowance shall be continued throughout the life of such other person as he shall have designated at the time of his retirement.

AVERAGE ANNUAL COMPENSATION

In reference to the statement on the amount of benefits on retirement it must be remembered that wherever the words "average annual compensation" occur, such words contemplate a maximum of \$2,000 per annum as stated in the paragraph headed "Maximum Compensation (Salary) for Purposes of Act."

RATES OF CONTRIBUTION PAYABLE BY TEACHERS EXPRESSED AS PERCENTAGES OF SALARY

AGE	Men	Women
TEACHERS IN PUBLIC SCHOOL SYSTEM		
20 to 24	5.73%	6.46%
25 to 31	5.69	6.47
32 to 35	5.72	6.53
36 to 38	5.78	6.60
39 to 41	5.84	6.68
42, 43	5.90	6.75
44, 45	5.97	6.83
46, 47	6.03	6.90
48, 49	6.09	6.98
50, 51	6.15	7.06
52, 53	6.22	7.15
54, 55	6.30	7.25
56, 57	6.37	7.36
58, 59	6.44	7.46
60, 61	6.52	7.57
62	6.56	7.65
63	6.60	7.71
64	6.64	7.77

RATES OF CONTRIBUTION PAYABLE BY STATE EMPLOYEES
EXPRESSED AS PERCENTAGES OF SALARY

AGE	PROFESSIONAL, CLERICAL AND ADMINISTRATIVE EMPLOYEES		OTHER EMPLOYEES (Manual Laborers, Mechanics, Etc.)	
	Men	Women	Men	Women
STATE EMPLOYEES				
17, 18.	5.31%	6.13%	4.57%	4.95%
19, 20.	5.22	6.03	4.52	4.90
21 to 25.	5.15	5.94	4.52	4.88
26 to 29.	5.14	5.93	4.58	4.95
30 to 32.	5.18	5.97	4.66	5.04
33, 34.	5.23	6.02	4.74	5.18
35, 36.	5.27	6.08	4.82	5.21
37, 38.	5.31	6.14	4.90	5.29
39, 40.	5.38	6.21	4.98	5.38
41, 42.	5.44	6.28	5.06	5.47
43, 44.	5.50	6.36	5.15	5.57
45, 46.	5.58	6.44	5.25	5.67
47, 48.	5.66	6.53	5.35	5.78
49, 50.	5.74	6.63	5.45	5.89
51, 52.	5.82	6.73	5.55	6.00
53, 54.	5.92	6.83	5.65	6.11
55, 56.	6.02	6.95	5.75	6.23
57, 58.	6.12	7.07	5.86	6.35
59, 60.	6.22	7.19	5.97	6.47
61.	6.30	7.28	6.05	6.56
62.	6.36	7.35	6.10	6.62
63.	6.42	7.42	6.16	6.68
64.	6.48	7.49	6.22	6.74