

Virginia Retirement System (VRS) History

The Virginia Retirement System evolved from two previous retirement systems. In 1908, the earliest public retirement system in Virginia, the Retired Teachers' Fund, provided benefits for public school teachers only. That system was replaced on July 1, 1942 with the Virginia Retirement System (VRS). Teachers, school administration employees and most state employees were eligible for membership.

In 1944, political subdivisions (cities, towns, etc.) were allowed to bring their officers and employees into the system. At that time, public employees were not covered by the Old-Age, Survivors and Disability Health Insurance provisions of the Federal Social Security Act.

When it became possible for public employees to join Social Security, the Commonwealth decided to enter into the Federal-State Agreement, thereby covering its employees. States could enter such an agreement only if the employees were not covered by an existing retirement system. To meet this requirement, the existing Virginia Retirement System was repealed. On February 6, 1952, the Commonwealth of Virginia became one of the first states to repeal its retirement system and cover its employees under Social Security. The Virginia Supplemental Retirement System was created on March 1, 1952 as a supplement to Social Security.

As a result of the Tax Reform Act of 1986, the integration of retirement and Social Security benefits was drastically restricted. VRS benefits are no longer considered a supplement to Social Security; therefore, the name of the system was changed back to the Virginia Retirement System by the 1990 session of the General Assembly.

House Joint Resolution 392 of the 1993 General Assembly Session requested the Joint Legislative Audit and Review Commission (JLARC) to complete a comprehensive study of VRS. The study concluded:

- VRS should be established as an agency independent of the executive branch of Virginia government.
- The appointment of trustees should be a shared responsibility of the Governor and the General Assembly.
- The VRS trust funds should be established as independent trusts in the Constitution of Virginia.
- The structure of VRS advisory committees should be established in law.
- The General Assembly should designate a permanent legislative commission or committee to carry out continuing oversight of the retirement system.

This series of changes to the Virginia Constitution and the VRS enabling statutes occurred in 1995 and 1996. The Constitution of Virginia (Article X, Section 11) now requires the General Assembly to maintain "...a retirement system for State employees and employees of participating political subdivisions. The funds of the retirement system shall be deemed separate and independent trust funds, shall be segregated from all other funds of the Commonwealth, and shall be invested and administered solely in the interests of the members and beneficiaries thereof." Today, this includes 237 state agencies, 249 counties, cities and towns, 183 special authorities and 145 school boards. As of June 30, 2007, VRS had more than 339,000 active members and over 130,000 retirees and beneficiaries.