

VIRGINIA ACTS OF ASSEMBLY — CHAPTER

An Act to amend and reenact §§ 2.1-440, 51.1-124.20, 51.1-124.26, and 51.1-124.30 of the Code of Virginia, relating to the administration and organization of the Virginia Retirement System.

[S 723]

Approved

Be it enacted by the General Assembly of Virginia:

1. That §§ 2.1-440, 51.1-124.20, 51.1-124.26, and 51.1-124.30 of the Code of Virginia are amended and reenacted as follows:

§ 2.1-440. Using agencies to purchase through Division of Purchases and Supply.

A. Except as otherwise directed and authorized by the Division, every department, division, institution, officer and agency of the Commonwealth, hereinafter called the using agency, shall purchase through the Division of Purchases and Supply all materials, equipment, supplies, printing and nonprofessional services of every description, whenever the whole or a part of the costs is to be paid out of the state treasury. The Division shall make such purchases in conformity with this article.

B. *The provisions of subsection A shall not apply to the purchase of materials, equipment, supplies, printing and nonprofessional services of every description by the Virginia Retirement System; however, the Board of Trustees of the Virginia Retirement System shall promulgate rules and regulations made in accordance with the Virginia Public Procurement Act (§ 11-35 et seq.) that specify policies and procedures which are based on competitive principles and which are generally applicable to procurement of such goods and services by comparably situated state agencies. Exemption from subsection A shall be applicable only so long as such rules and regulations, or other rules and regulations meeting the requirements of this subsection, remain in effect at the Virginia Retirement System.*

§ 51.1-124.20. Board of Trustees reconstituted and reestablished; members of Board.

A. The Board of Trustees of the Virginia Retirement System holding office on the effective date of this section is dissolved and the appointees are discharged from any further duties and shall exercise no further powers or authority by virtue of their office.

B. The Board of Trustees is hereby reestablished and reconstituted as follows:

1. The Board shall consist of nine members. The Governor shall appoint five members of the Board who shall be confirmed by the affirmative vote of a majority of those voting in each house of the General Assembly. The Joint Rules Committee shall appoint the other four members of the Board who shall be confirmed by the affirmative vote of a majority of those voting in each house of the General Assembly. The Joint Rules Committee shall designate the term of its appointees under subdivision B 3 below for the term for which each appointee is a candidate.

2. Members shall be appointed for five-year terms with such members leaving the Board on a staggered basis.

3. For the initial term of the Board of Trustees, the schedule below shall be followed:

a. One gubernatorial appointee, who shall be the Governor's designee to serve as chairman, shall be appointed for a term of one year;

b. One gubernatorial and one legislative appointee shall be appointed for a term of two years;

c. One gubernatorial and one legislative appointee shall be appointed for a term of three years;

d. One gubernatorial and one legislative appointee shall be appointed for a term of four years; and

e. One gubernatorial and one legislative appointee shall be appointed for a term of five years.

C. Appointments to fill vacancies shall be for the unexpired terms. A vacancy of a legislatively appointed trustee shall be filled by the Joint Rules Committee, and any such appointee shall enter upon and continue in office, subject to confirmation at the next session of the General Assembly. If the General Assembly refuses or fails to confirm his appointment, such person shall not be eligible for reappointment.

D. No member shall be eligible to serve for more than two successive five-year terms. After the expiration of an unexpired term to which appointed, or for an appointment described in subdivision B 3 a, b, c, or d of this section, a member may serve one additional five-year term.

E. Subject to confirmation by the affirmative vote of a majority of those voting in each house of the General Assembly, the Governor shall designate the chairman of the Board from among the Board members described in subsection B above. A chairman may be reappointed and confirmed for additional two-year terms, not to exceed a total of two. However, the initial chairman's one-year term shall not be counted against the two-term limitation, and such person may serve as chairman for five successive

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57 years if appointed and confirmed as aforesaid. The chairman shall (i) preside over meetings of the
 58 Board; (ii) communicate on behalf of the Board to outside entities interested in the Retirement System;
 59 and (iii) perform additional duties as may be set by resolution of the Board. The Board shall elect one
 60 of its members as vice chairman and appoint a secretary who may or may not be a member of the
 61 Board. A majority of the members of the Board shall constitute a quorum.

62 F. Trustees shall receive an initial stipend of \$3,000 for each calendar quarter they may serve and a
 63 per diem of \$300 for each Board meeting attended not to exceed one meeting per day. Commencing
 64 July 1, 1995, the stipend shall be increased annually by a percentage equal to the most recent salary
 65 structure adjustment as provided in the general appropriations act. The chairman shall receive an
 66 additional \$1,500 for each calendar quarter served in such capacity. Government employees, still actively
 67 employed by any governmental entity, shall receive a per diem of \$300 for each Board meeting
 68 attended, not to exceed one meeting per day, but shall receive no stipend for their service. Retired
 69 government employees shall be entitled to receive a stipend of \$3,000 for each calendar quarter they
 70 may serve and a per diem of \$300 for each Board meeting attended not to exceed one meeting per day.
 71 Each Board member shall be entitled to receive reimbursement for his actual reasonable and necessary
 72 expenses incurred for attending Board meetings. *Any member of the Board who also serves as an*
 73 *officer, director, or member of the board of any corporation organized by the Virginia Retirement*
 74 *System or RF&P Corporation and its wholly owned subsidiaries, shall be entitled to receive*
 75 *compensation and expenses pursuant to this subsection in addition to any remuneration to which he is*
 76 *entitled by virtue of his service as an officer, director, or member of the board of any corporation*
 77 *organized by the Virginia Retirement System or RF&P Corporation and its wholly owned subsidiaries.*

78 G. No elected or appointed official shall serve on the Board of Trustees. Except for the faculty
 79 member or employee of a state-supported institution of higher education, none of the gubernatorial
 80 appointees shall be an employee of state government.

81 H. The gubernatorial appointees shall be as follows: two shall have a minimum of five years of
 82 experience in the direct management, analysis, supervision, or investment of assets; one shall have at
 83 least five years of direct experience in the management and administration of employee benefit plans;
 84 one shall be a local employee; and one shall be a faculty member or employee of a state-supported
 85 institution of higher education.

86 I. The legislative appointees shall be as follows: two shall have a minimum of five years of
 87 experience in the direct management, analysis, supervision, or investment of assets; and one shall be a
 88 state employee and one shall be a teacher, as such terms are defined in § 51.1-124.3.

89 J. State and local government employees appointed to the Board pursuant to this section shall be
 90 members of the Retirement System at the time of their appointment and may be actively employed or
 91 retired.

92 K. Members of the Board shall be subject to removal from office only as set forth in Article 7
 93 (§§ 24.2-230 through 24.2-238) of Chapter 2 of Title 24.2. The Circuit Court of the City of Richmond
 94 shall have exclusive jurisdiction over all proceedings for such removal.

95 L. Faculty members of state-supported institutions of higher education shall be eligible to serve on
 96 the Board pursuant to this section if they are members of the Retirement System at the time of their
 97 confirmation to the Board or become members of the Retirement System within eighteen months after
 98 their confirmation to the Board.

99 § 51.1-124.26. Advisory Committees to the Board of Trustees; membership; terms; qualifications;
 100 duties.

101 To further assist the Board of Trustees in fulfilling its fiduciary duty as trustee of the funds of the
 102 Retirement System, the Board shall immediately elect an Investment Advisory Committee and a Real
 103 Estate Advisory Committee to provide the Board with sophisticated, objective, and prudent investment
 104 advice.

105 A. Each Committee shall consist of seven members and each member shall be elected by a
 106 two-thirds vote of the Board. Committee members shall serve at the pleasure of the Board and may be
 107 removed by a majority vote of the Board.

108 B. Each Advisory Committee shall include no more than two Board members and no individual
 109 Board member shall serve on more than one Committee.

110 C. Except for any Board member who serves on an Advisory Committee, no elected or appointed
 111 official shall serve on either Advisory Committee.

112 D. *Except for any trustee appointed to the Board between February 28, 1994, and July 1, 1995, no*
 113 *former trustee of the Virginia Retirement System or its predecessors in interest shall, during the*
 114 *five-year period after the termination of his service as a Board member, serve on either Advisory*
 115 *Committee.*

116 E. Except for Board members, members of the Investment Advisory Committee and the Real Estate
 117 Advisory Committee shall receive an initial stipend of \$1,875 for each calendar quarter they may serve

and a per diem of \$300 for each meeting attended not to exceed one meeting per day. Commencing July 1, 1995, the stipend shall be increased annually by a percentage equal to the most recent salary structure adjustment as provided in the general appropriations act. Government employees shall receive no stipend for their service but shall be entitled to receive a per diem of \$300 for each Committee meeting attended not to exceed one meeting per day. Each Committee member shall be entitled to receive reimbursement for his actual reasonable and necessary expenses incurred for attending Committee meetings. *Any member of any advisory committee who also serves as an officer, director, or member of the board of any corporation organized by the Virginia Retirement System or RF&P Corporation and its wholly owned subsidiaries, shall be entitled to receive compensation and expenses pursuant to this subsection in addition to any remuneration to which he is entitled by virtue of his service as an officer, director, or member of the board of any corporation organized by the Virginia Retirement System or RF&P Corporation and its wholly owned subsidiaries.*

F. Any Board member who serves on an Advisory Committee shall not receive the quarterly stipend for Committee members provided for in subsection E above, but shall receive the per diem applicable to Committee meetings attended in that section plus reasonable and necessary expenses incurred.

G. The disclosure requirements of subsection B of § 2.1-639.13 of the State and Local Government Conflict of Interests Act shall apply to members of the Advisory Committees who are not also Board members.

H. Members of the Real Estate Advisory Committee shall demonstrate extensive experience with substantial real estate investments. Members of the Investment Advisory Committee shall demonstrate extensive experience in any one or more of the following areas: domestic or international equity or fixed-income securities, cash management, alternative investments, or managed futures. By resolution of the Board, additional qualifications for members of the Advisory Committees may be set.

I. On all matters involving real estate, the Real Estate Advisory Committee shall (i) review, evaluate, and monitor investments and investment opportunities and (ii) make appropriate recommendations to the Board about such investments and investment opportunities. The Investment Advisory Committee shall have the same duties with regard to all other investment matters, and shall also make recommendations to the Board about overall asset allocation, including real estate investments. The recommendations of the Advisory Committees are not binding upon the Board of Trustees.

§ 51.1-124.30. Board as trustee of funds; investments; standard of care; liability for losses.

A. The Board shall be the trustee of the funds of the Retirement System that it administers and of those resulting from the abolished system. Subject to the provisions of this chapter, the Board shall have full power to invest and reinvest such funds as authorized by law.

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

C. The Board shall discharge its duties with respect to the Retirement System solely in the interest of the beneficiaries thereof and shall invest the assets of the Retirement System with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. The Board shall also diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

D. No officer, director, or member of the Board or of any advisory committee of the Retirement System or any of its tax exempt subsidiary corporations whose actions are within the standard of care in subsection C above shall be held personally liable for losses suffered by the Retirement System on investments made under the authority of this chapter.