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SENATE BILL NO. 507

Offered January 14, 2026

Prefiled January 13, 2026

A *BILL to amend and reenact §§ 51.1-124.30, 51.1-803, and 51.1-1003 of the Code of Virginia and to amend the Code of Virginia by adding in Article 3.1 of Chapter 1 of Title 51.1 a section numbered 51.1-124.41, relating to Virginia retirement system; investments in companies with elected official interests.*

Patron—McPike

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That §§ 51.1-124.30, 51.1-803, and 51.1-1003 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding in Article 3.1 of Chapter 1 of Title 51.1 a section numbered 51.1-124.41 as follows:

§ 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. *On and after January 1, 2027, the Board shall also comply with § 51.1-124.41 to satisfy the standard of care described in this subsection.*

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.

E. In the case of a plan administered by the Board which provides individual accounts permitting an employee or beneficiary to exercise discretion over assets in his account, the Board shall not be liable for any loss resulting from such employee's or beneficiary's (i) exercise of discretion over the assets in his account or (ii) inaction with respect to the assets in his account that results in such assets being placed in a default investment option selected by the Board.

F. In the case of an automatic rollover of a mandatory cash-out, as that term is defined under I.R.C. § ~~401(a)(31)(B)~~ 401(a)(31)(B) of the United States Internal Revenue Code of 1986 (including as such section is amended or renumbered, or any successor provision thereto) and regulations thereunder applicable to governmental plans, the Board shall not be liable for any loss resulting from the Board's selection of an individual retirement plan provider and investment product where the selection is made in accordance with guidelines to be adopted by the Board that are similar to the safe harbor guidelines adopted by the ~~United States~~ U.S. Department of Labor for this purpose.

§ 51.1-124.41. Limitation on investments in entities with certain elected official interests.

A. As used in this section:

"Covered company" means a company in which a covered official holds, owns, and controls a majority interest.

"Covered official" means an official elected to any office or position in the federal government by the voters of the Commonwealth or the United States of America.

B. 1. *On and after January 1, 2027, the Board shall neither directly nor indirectly invest any assets in (i) the stocks, securities, or other obligations of a covered company; (ii) any subsidiary, affiliate, or parent of a covered company; or (iii) any investment fund with holdings in its portfolio that include the stocks, securities, or other obligations of a covered company or any subsidiary, affiliate, or parent of a covered company.*

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59 2. The provisions of subdivision 1 shall not apply to a covered company when the covered official owning
 60 a majority interest therein has, prior to any investment of assets by the Board on and after January 1, 2027,
 61 in such covered company, established a qualified blind trust pursuant to 5 C.F.R. Part 2634, Subpart D, that
 62 holds such majority interest and is in compliance with all applicable provisions of federal law.

63 C. On and after January 1, 2027, the Board shall conduct annual reviews of any erroneous or
 64 unintentional investments or holdings in the stocks, securities, or other obligations of any covered company
 65 or any subsidiary, affiliate, or parent of any covered company in violation of this section. Upon discovering
 66 any investments or holdings in a covered company that violate the provisions of this section, the Board shall
 67 divest any interest in any such investments or holdings as soon as practicable. The Board shall make a report
 68 to the General Assembly describing such discovery and divestment.

69 D. 1. Nothing in this section shall be construed to require divestment of any investments and holdings of
 70 the Board acquired before January 1, 2027. Any Board investments or holdings in the stocks, securities, or
 71 other obligations of any covered company or any subsidiary, affiliate, or parent of any covered company that
 72 were acquired before January 1, 2027, shall be described in a report to the General Assembly no later than
 73 September 1, 2027.

74 2. Nothing in this section shall preclude de minimis exposure of any funds held by the Board to the stocks,
 75 securities, or other obligations of any covered company or any subsidiary, affiliate, or parent of any covered
 76 company.

77 E. The Board's compliance with this section shall satisfy the standard of care described in subsection C of
 78 § 51.1-124.30.

79 **§ 51.1-803. Investments of retirement systems.**

80 A. If the governing body of any county, city, or town establishes a retirement system pursuant to the
 81 provisions of this article, any funds that may be allocated, segregated, or otherwise designated for the
 82 retirement system, which are on hand at any time and are not necessary for immediate payment of pensions or
 83 benefits, shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing
 84 that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an
 85 enterprise of like character and with the same aims. Such investments shall be diversified so as to minimize
 86 the risk of large losses unless under the circumstances it is clearly prudent not to do so.

87 B. The selection of services related to the management, purchase, or sale of investments authorized by this
 88 section, including but not limited to actuarial services, shall be governed by the standard of care set forth in
 89 this section and shall not be subject to the provisions of the Virginia Public Procurement Act (§ 2.2-4300 et
 90 seq.) of Title 2-2.

91 C. In the case of an automatic rollover of a mandatory cash-out, as that term is defined under I.R.C.
 92 Section 401 (a) (31) (B) § 401(a)(31)(B) of the United States Internal Revenue Code of 1986 (including as
 93 such section is amended or renumbered or any successor provision thereto) and regulations thereunder
 94 applicable to governmental plans, the governing body shall not be liable for any loss resulting from the
 95 governing body's selection of an individual retirement plan provider and investment product where the
 96 selection is made in accordance with guidelines to be adopted by the governing body that are similar to the
 97 safe harbor guidelines adopted by the United States Department of Labor for this purpose.

98 D. 1. For purposes of this subsection, "covered company" and "covered official" mean the same as such
 99 terms are defined in § 51.1-124.41.

100 2. On and after January 1, 2027, any retirement system established pursuant to the provisions of this
 101 article shall neither directly nor indirectly invest any assets in (i) the stocks, securities, or other obligations
 102 of a covered company; (ii) any subsidiary, affiliate, or parent of a covered company; or (iii) any investment
 103 fund with holdings in its portfolio that include the stocks, securities, or other obligations of a covered
 104 company or any subsidiary, affiliate, or parent of a covered company, unless the covered official owning a
 105 majority interest in a covered company has, prior to any investment of assets by the retirement system
 106 established pursuant to the provisions of this article in such covered company, established a qualified blind
 107 trust pursuant to 5 C.F.R. Part 2634, Subpart D, that holds such majority interest and is in compliance with
 108 all applicable provisions of federal law.

109 3. On and after January 1, 2027, each retirement system shall conduct annual reviews of any erroneous
 110 or unintentional investments or holdings in the stocks, securities, or other obligations of any covered
 111 company or any subsidiary, affiliate, or parent of any covered company in violation of this section. Upon
 112 discovering any investments or holdings in a covered company that violate the provisions of this section, the
 113 retirement system shall divest any interest in any such investments or holdings as soon as practicable. Each
 114 retirement system shall make a report to the General Assembly describing such discovery and divestment.

115 4. Nothing in this section shall be construed to require divestment of any investments and holdings of each
 116 retirement system acquired before January 1, 2027. Any retirement system investments or holdings in the
 117 stocks, securities, or other obligations of any covered company or any subsidiary, affiliate, or parent of any
 118 covered company that were acquired before January 1, 2027, shall be described in a report to the General
 119 Assembly no later than September 1, 2027. Nothing in this subsection shall preclude de minimis exposure of
 120 any funds held by a retirement system to the stocks, securities, or other obligations of any covered company

121 *or any subsidiary, affiliate, or parent of any covered company.*

122 *5. Compliance with this subsection by each retirement system shall satisfy the standard of care described*
123 *in subsection A.*

124 **§ 51.1-1003. Financial reports by retirement systems; auditor to promulgate standards.**

125 A. Every retirement system shall publish an annual report, which shall contain statements prepared in
126 conformance with the standards for public employee retirement systems issued by the Governmental
127 Accounting Standards Board. Such annual report need not contain the disclosure document reporting soft
128 dollar transactions as provided in subdivision 3 of § 51.1-1000, which may be provided as a separate annual
129 supplemental document, but the annual report shall include a certification that such system is in compliance
130 with criterion (i) of subsection A of § 51.1-800 *and subsection D of § 51.1-803*. Every retirement system shall
131 transmit its annual report to the Virginia Retirement System at the same time such report is made available to
132 members and beneficiaries.

133 B. The Auditor of Public Accounts shall incorporate GASB standards for financial reporting by public
134 employee retirement systems into the Uniform Financial Reporting Manual and such incorporation of
135 standards shall be implemented on or before July 1, 1991. All retirement systems' annual reports for
136 retirement system plan years beginning on and after January 1, 1992, shall comply with the Auditor's
137 Uniform Financial Reporting Manual. As GASB standards are modified or changed, the Auditor and the
138 retirement systems shall update their standards and reports as may be necessary to ensure accurate and
139 complete disclosure to members and beneficiaries.

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