

COUNTY OF CAROLINE, VIRGINIA
Notes To Financial Statements – (Continued)
As Of June 30, 2006

NOTE 7-EMPLOYEE PENSION BENEFIT OBLIGATIONS (Continued)

annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Caroline County has also chosen to offer special optional retirement benefits available under the provisions of the Code of Virginia to deputies of the County Sheriff and to personnel in medical response/firefighter positions employed by the County's Department of Fire and Rescue. These special benefits, referred to as Law Enforcement Officer Coverage (LEOS), allow Sheriff's deputies and certified firefighters to retire with an unreduced pension at age 60 with 5 years of service or at age 50 with 25 years of service.

VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from the VRS web site at <http://www.varetire.org/Pdf/2005AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, Virginia 23218-2500.

Funding Policy:

Primary Government:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by Caroline County. In addition, the County is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County's contribution rate for the Fiscal Year ended June 30, 2006 was 6.00% of the annual covered payroll.

Discretely Presented Component Unit-School Board:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The 5% member contribution has been assumed by the Caroline County School Board. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The school Board's contribution rate for the fiscal year ended June 30, 2006 was 1.00% of the annual covered payroll.