



Virginia  
Retirement  
System



## Hybrid Retirement Plan

Handbook for Members

Helping you plan  
for tomorrow, today







## Virginia Retirement System Hybrid Retirement Plan

### Handbook for Members

You are covered under the VRS Hybrid Retirement Plan if your membership date is on or after January 1, 2014, and you are:

- A general state employee.
- A teacher or other professional employee of a local public school division.
- A general employee of a VRS-participating political subdivision (city, county, town, authority, commission) or non-professional employee of a public school division.
- A local law enforcement officer, firefighter or emergency medical technician whose employer does not provide enhanced hazardous duty benefits.
- An employee who elected the Hybrid Retirement Plan instead of an optional retirement plan (ORP) authorized or administered by VRS.
- A justice or judge of a court of record of the Commonwealth of Virginia, judge of a district court of the Commonwealth of Virginia other than a substitute judge, or a commissioner of the State Corporation Commission of the Virginia Workers' Compensation Commission if you were appointed or elected to an original term on or after January 1, 2014. *Please see the Judicial Retirement System Handbook for Members for your plan information.*

#### **VRS Mission:**

VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

OPT-IN MEMBERS: IF YOUR MEMBERSHIP DATE IS BEFORE JANUARY 1, 2014, and you elected to transfer to the VRS Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, your coverage became effective July 1, 2014. If you were previously employed in a covered position and took a refund of your defined benefit member contributions and interest or withdrew your full account balance in an optional retirement plan (ORP), you will be rehired under the Hybrid Retirement Plan if you return to a position eligible for the plan. If you return to a position providing eligibility for either the hybrid plan or an ORP, you will elect one of these retirement plans upon reemployment.

† Some provisions related to the voluntary contributions and associated employer match may differ for school division employees who have elected to use an employer-sponsored hybrid 403(b). For additional information, contact your human resource office.



## Contact VRS

Website: [www.varetire.org/hybrid](http://www.varetire.org/hybrid)

Toll-free telephone number: 1-855-291-2285

TDD: 804-289-5919

Email: [vrs@varetire.org](mailto:vrs@varetire.org). Important email notice: Do not send personal or confidential information, such as your Social Security number, by email. VRS will send only non-confidential replies.

VRS Retirement Counseling Center: 1111 East Main Street,  
Richmond, VA 23219

Hours: 8:30 a.m. – 4 p.m., Monday-Friday

VRS Administrative Offices: 1200 East Main Street,  
Richmond, VA 23219

Mailing Address: P.O. Box 2500, Richmond, VA 23218-2500

## Contact ICMA-RC

Website: [www.varetire.org/hybrid](http://www.varetire.org/hybrid)

Toll-free telephone number: 1-877-327-5261, select option 1

TDD: 1-800-669-7471

Email: [InvestorServicesCommonwealthofVA@icmarc.org](mailto:InvestorServicesCommonwealthofVA@icmarc.org)

ICMA-RC Virginia Service Center: 919 E. Main Street,  
Suite 1604 (SunTrust Building) Richmond, VA 23219

Hours: Monday-Friday 8:30 a.m. – 5 p.m. ET

Mailing Address: 777 N. Capitol St. NE, Suite 600,  
Washington, DC 20002

The information contained in this document is governed by Title 51.1 of the *Code of Virginia*. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the *Code of Virginia*, which may be amended from time to time.

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# Welcome to VRS 1

Helping you prepare to meet your future retirement goals.

## Plan Eligibility • How Your Plan Works • What to do if I...

As a member covered under the Virginia Retirement System (VRS) Hybrid Retirement Plan, you have an opportunity to actively prepare for meeting your future retirement needs.

In practical terms, preparing for retirement is about taking the steps necessary to ensure you can meet your retirement income needs. Most financial planning experts recommend 80 percent of your current earnings as a retirement income target. The basic components are:

- Your retirement benefit and retirement savings through the defined benefit and defined contribution components of the VRS Hybrid Retirement Plan;
- Social Security; and
- Additional savings you put aside for your future. You may be eligible to participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, which includes a Roth option, a 403(b) plan or another supplemental retirement plan your employer may offer. You may choose a Roth contribution option if you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan. Roth contributions are made on an after-tax basis to your 457 account. Contact your employer, your financial institution or a financial advisor for more information.

Even if you're not sure what retirement means to you, increasing the amount you save throughout your career and understanding how your plan fits into your financial planning strategy will help you prepare for your future.

### Getting started is easy:

1. Make saving for retirement a regular part of your budgeting.
2. Take time to learn how to maximize your plan's features to meet your future retirement needs.
3. Take advantage of online planning tools and member education and counseling about your retirement and other VRS benefits, financial planning and investments. These resources are free to members.



## **Employer-Sponsored 403(b) Option for School Division Employees**

Beginning January 1, 2016, school divisions may elect to offer Hybrid Retirement Plan employees an employer-sponsored hybrid 403(b) option for employee voluntary contributions.

Between November 1-30 of each year, if you are a hybrid plan member at a school division that elects to offer an employer-sponsored hybrid 403(b) plan, you may elect to direct your voluntary contributions to the employer-sponsored plan. If you do not make an election, you may continue, or you may begin, to make voluntary contributions to the VRS Hybrid 457 Deferred Compensation Plan.

If you elect the employer-sponsored hybrid 403(b) for your voluntary contributions, your employer will contribute the corresponding employer match to an employer-sponsored hybrid 403(b) or 401(a) plan. If you elect to continue, or start to make, voluntary contributions to the VRS Hybrid 457 Deferred Compensation Plan, your employer will contribute the corresponding employer match to the VRS Hybrid 401(a) Cash Match Plan.

Employers may elect annually to offer an employer-sponsored 403(b) plan and then provide an annual election window for their hybrid plan members to participate in the employer-sponsored plan or the VRS plan.

You have plenty of help. Your employer and VRS are here to support you as you work toward your retirement goals:

- In addition to your own contributions, your employer contributes to the defined benefit and defined contribution components of your plan and also participates in Social Security. Your employer also helps coordinate your VRS benefits.
- VRS administers retirement and other benefit programs, manages the investments of the VRS fund and pays benefits to you and your beneficiaries. VRS also has partnered with ICMA-RC, the record keeper for VRS defined contribution plans, to assist you with understanding your investment options and making investment decisions through the defined contribution component of your plan.

The VRS Hybrid Retirement Plan Handbook for Members is one of your most important resources. It explains the components of your plan and how they work together to provide for your future retirement. It also describes other benefits that protect you and your loved ones while you are employed and after you retire.





## Plan Eligibility

You are eligible for the VRS Hybrid Retirement Plan if your membership date is on or after January 1, 2014, and you are:

- A general state employee.
- A teacher or other professional employee of a local public school division.
- A general employee of a VRS-participating political subdivision (city, county, town, authority, commission) or non-professional employee of a public school division.
- A local law enforcement officer, firefighter or emergency medical technician whose employer does not provide enhanced hazardous duty benefits or the hazardous duty alternate option.
- An employee who elected the Hybrid Retirement Plan instead of an optional retirement plan (ORP) authorized or administered by VRS.

If your membership date is before January 1, 2014, and you elected to transfer to the VRS Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, your coverage became effective July 1, 2014. If you were previously employed in a covered position and took a refund of your defined benefit member contributions and interest or withdrew your full account balance in an ORP, you will be rehired under the Hybrid Retirement Plan if you return to a position eligible for the plan. If you return to a position providing eligibility for either the hybrid plan or an ORP, you will elect one of these retirement plans upon reemployment.

Most positions covered under the hybrid plan are full-time permanent salaried positions. Some part-time permanent salaried state and non-adjunct faculty positions requiring at least 20 hours but fewer than 40 hours a week also are covered under the hybrid plan.

You are not eligible for the Hybrid Retirement Plan if:

- You are returning to VRS-covered employment and have creditable service under the defined benefit Plan 1 or Plan 2 before January 1, 2014.
- Your position is covered under the State Police Officers' Retirement System (SPORS) or the Virginia Law Officers' Retirement System (VaLORS).
- You are a local law enforcement officer, firefighter or emergency medical technician, and your employer provides enhanced hazardous duty benefits or a hazardous duty alternate option.

For more information about your plan, visit [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

## How Your Plan Works

A quick look at how your plan works to provide for your future benefit.

A hybrid retirement plan is a combination of two types of plans: a defined benefit plan and a defined contribution plan. These plans form the components of the VRS Hybrid Retirement Plan:

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### Defined Benefit Component

Providing the foundation of your future retirement benefit when you qualify. VRS manages the investments and related risk for this component.



### Defined Contribution Component

Providing you tax-deferred savings to build on your benefit under the defined benefit component. You manage the investments and related risk for this component.



**Your  
Retirement  
Benefit**

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## Defined Benefit (DB) Component

### How is the benefit determined?

See Chapter 2 –  
Your Retirement.

Under this component, the benefit is determined (“defined”) by a formula based on your age, years of creditable service and average final compensation at retirement. This benefit is paid monthly after you retire. Average final compensation is the average of your 60 consecutive months of highest creditable compensation as a covered employee.

### Where does the money come from?

Your contributions to both components are tax-deferred until you receive them as part of your retirement benefit or as a refund or distribution.

See Chapter 2 –  
Your Retirement.

You contribute a mandatory 4 percent of your creditable compensation each month to your defined benefit member contribution account. Your employer makes a separate contribution directly to VRS on behalf of all covered employees. VRS manages the investments and related risk for member and employer contributions under this component.

If your membership date is before January 1, 2014, and you elected to transfer to the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, your member contribution account may include member contributions paid by your employer.

† Some provisions related to the voluntary contributions and associated employer match may differ for school division employees who have elected to use an employer-sponsored hybrid 403(b). For additional information, contact your human resource office.

## Defined Contribution (DC) Component

Under this component, the benefit is determined (“defined”) by the amount of contributions and net investment earnings on contributions. You select a distribution (payment) option at retirement.

The defined contribution component provides two plans:

- Hybrid 401(a) Cash Match Plan allows you to contribute a mandatory 1 percent of your creditable compensation each month to your 401(a) plan account. Your employer also contributes a mandatory 1 percent as well as matching contributions on any voluntary contributions you make, which are deposited to this account.<sup>†</sup> You invest these contributions through your hybrid 401(a) plan.<sup>†</sup>
- Hybrid 457 Deferred Compensation Plan<sup>†</sup> allows you to accumulate additional voluntary contributions<sup>†</sup> you make tax-deferred until you leave or retire and withdraw the money from your plan. The maximum amount of voluntary contributions you can contribute is 4 percent of your creditable compensation.

You can invest these contributions in a variety of investment options offered by the plan.

Beginning January 1, 2016, school divisions may elect to offer Hybrid Retirement Plan employees an employer-sponsored hybrid 403(b) option for employee voluntary contributions.

Between November 1 - 30 of each year, if you are a hybrid plan member at a school division that offers an employer-sponsored hybrid 403(b) plan, you may elect to direct your voluntary contributions to the employer-sponsored plan. If you do not make an election, you may continue, or you may begin, to make voluntary contributions to the VRS Hybrid 457 Deferred Compensation Plan.<sup>†</sup>

## Defined Benefit (DB) Component

## Defined Contribution (DC) Component

### Where does the money come from?

*Continued*

The employer match:

- If you elect an employer-sponsored hybrid 403(b) for your voluntary contributions, your employer will contribute the corresponding employer match to an employer-sponsored hybrid 403(b) or 401(a) plan.
- If you elect to continue or start to make voluntary contributions to the VRS plan, your employer will contribute the corresponding employer match to the VRS Hybrid 401(a) Cash Match Plan.

Employers may elect annually to offer an employer-sponsored 403(b) plan and then provide an annual election window for their hybrid plan members to participate in a 403(b) plan or the VRS plan.

If you are a member who elects the employer-sponsored hybrid 403(b) plan, the VRS Hybrid 457 Deferred Compensation Plan information may not apply.<sup>†</sup>

<sup>†</sup> Some provisions related to the voluntary contributions and associated employer match may differ for school division employees who have elected to use an employer-sponsored hybrid 403(b). For additional information, contact your human resource office.

## Total Possible Hybrid Retirement Plan Contributions

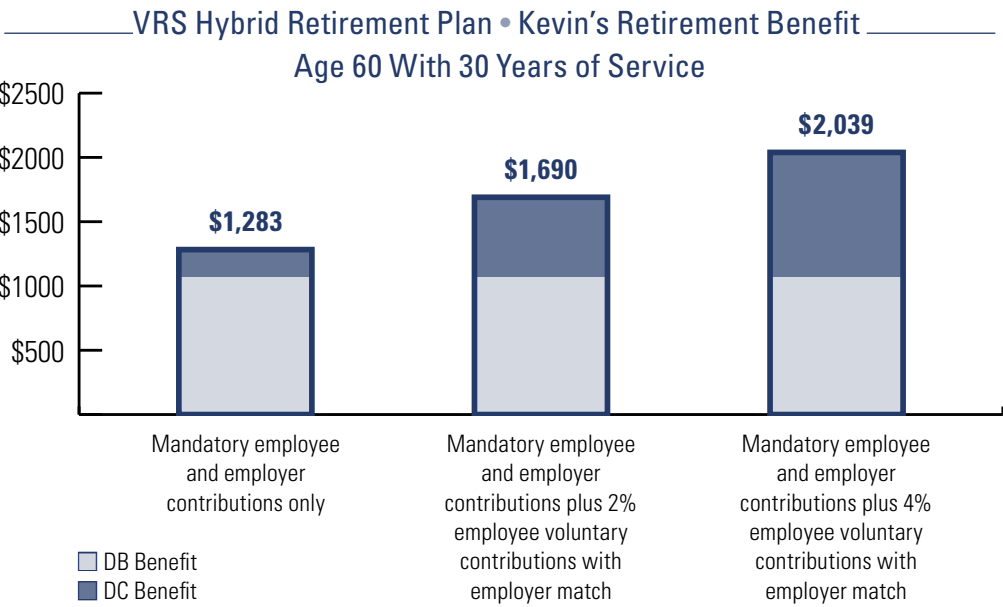
Your Contributions		Your Employer's Contributions	
Defined benefit mandatory contributions	4.00%	Defined benefit mandatory contributions	Actuarially determined rate
Defined contribution mandatory contributions	1.00%	Defined contribution mandatory contributions	1.00%
Defined contribution voluntary contributions if you contribute the maximum amount	Up to 4.00%	Defined contribution employer matching contributions if you contribute additional voluntary contributions	Up to 2.50%
<b>Total Possible Member Contributions</b>	<b>9.00%</b>	<b>Total Employer Contributions</b>	<b>Actuarially determined rate and up to 3.50% to the DC component of the Hybrid Retirement Plan</b>

	Defined Benefit (DB) Component	Defined Contribution (DC) Component
<p><b>When do I qualify for retirement under the Hybrid Retirement Plan?</b></p> <p>See Chapter 2 – Your Retirement.</p>	<p>You qualify for an unreduced retirement when you reach your normal Social Security retirement age and have at least five years of creditable service or when your age and service equal 90 (Rule of 90). <i>Example:</i> Age 60 with 30 years of creditable service.</p> <p>You can retire with a reduced benefit as early as age 60 if you have at least five years of creditable service.</p>	<p>Upon retiring or leaving employment, you can withdraw up to 100 percent of your Hybrid 457 Deferred Compensation Plan account balance.</p> <p>You also are eligible to withdraw your Hybrid 401(a) Cash Match Plan account balance. Withdrawals of your 401(a) employer contributions and net investment earnings on employer contributions are subject to a vesting schedule (see “When do I become vested?”).</p> <p>There are a variety of distribution options under the defined contribution component.<sup>†</sup></p>

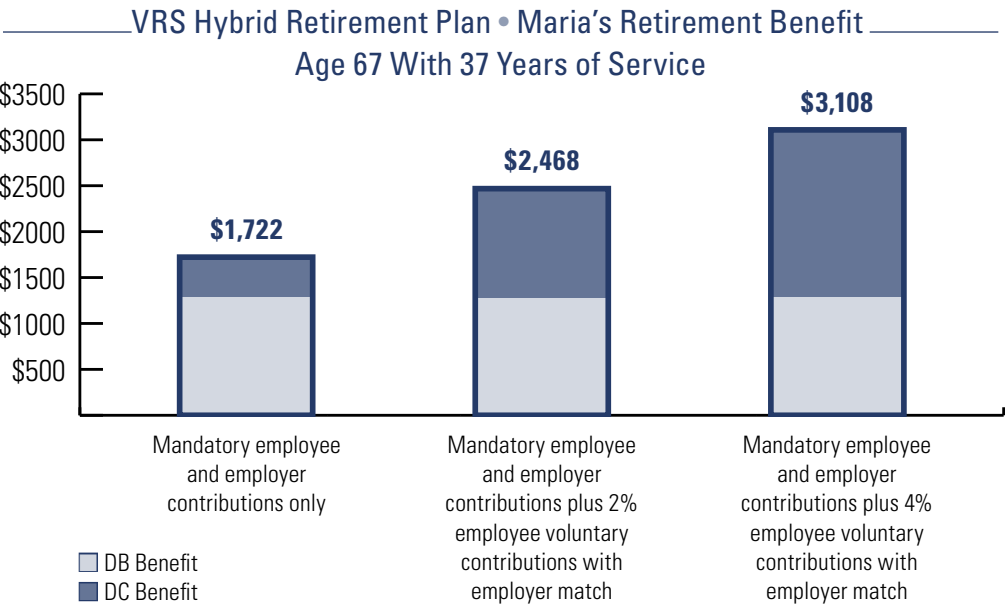
Here’s how the two components work together to provide for your future retirement benefit

Your Hybrid Retirement Plan benefit can increase when you make additional voluntary contributions to the defined contribution (DC) component of the plan. In each example below, the graph shows, first, the mandatory contributions only, then the increased value when adding 2 percent voluntary contributions and the increase in value with 4 percent voluntary contributions to the DC component.

**Kevin’s retirement.** Kevin was hired at age 30. His salary increases have averaged 2 percent per year. He is retiring at age 60 with 30 years of creditable service (Rule of 90) and an average final compensation of \$42,000, giving him a monthly benefit payable from the defined benefit component of \$1,050.



**Maria’s retirement.** Like Kevin, Maria was hired at age 30 and has received salary increases averaging 2 percent per year. She is retiring at age 67, her normal Social Security retirement age, with 37 years of creditable service and an average final compensation of \$42,000, giving her a monthly retirement from the defined benefit component of \$1,295.



**Disclaimer:** The examples above are estimates of hybrid retirement plan benefits under different voluntary savings levels and should not be viewed as guaranteed levels of benefits. Due to the nature of hybrid retirement plans, the defined contribution component can and will vary based on your voluntary contribution level, future market conditions and the performance of investment options you select. The final account balance does not account for plan fees or expenses, which would reflect lower net returns. Investment return and principal value will fluctuate, so when shares are redeemed, they may be worth more or less than the original cost. For purposes of illustration only, the benefits include a 2 percent annual salary increase and the defined contribution component assumes a 6 percent pre-retirement investment return. In this example, the defined contribution balance is converted to an annuity at retirement assuming a 4 percent post-retirement rate of return with an average cost-of-living increase of 2.5 percent.



## Defined Benefit (DB) Component

## Defined Contribution (DC) Component

### When do I become vested?

See Chapter 2 –  
Your Retirement.

You become vested when you have at least five years (60 months) of creditable service.

Vesting is one of the requirements for retirement under the defined benefit component. If you leave employment and request a refund, you will receive your own contributions and interest; vesting will be required to receive any contributions made by your employer to your member contribution account after July 1, 2010, and the interest on these contributions (see, “If I leave employment before retirement, what are my options”).

If your membership date is before January 1, 2014, and you elected to transfer to the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, your member contribution account may have some member contributions paid by your employer.

You are immediately vested in any funds that you contribute to the hybrid plan. This includes all voluntary contributions you make to the Hybrid 457 Deferred Compensation Plan<sup>†</sup> as well as the 1 percent mandatory contributions you make to the Hybrid 401(a) Cash Match Plan.

You become vested in funds your employer contributes over a period of four years according to the following schedule:

- If you have fewer than two years of creditable service, you will forfeit the employer contributions and the net investment earnings on these contributions if you take a distribution or a refund of your defined benefit member account.
- After two years of creditable service, you will be 50 percent vested in the employer contributions and may be eligible to withdraw 50 percent of these contributions plus net investment earnings.
- After three years of creditable service, you will be 75 percent vested in the employer contributions and may be eligible to withdraw 75 percent of these contributions plus net investment earnings.
- After four or more years of creditable service, you will be 100 percent vested in the employer contributions and may be eligible to withdraw 100 percent of these contributions plus net investment earnings.

**Creditable service** includes active service as well as credit for any service you may purchase or additional service you may be granted. Creditable service counts toward vesting under the defined benefit and defined contribution components of the Hybrid Retirement Plan.

## Defined Benefit (DB) Component

## Defined Contribution (DC) Component

### If I leave employment before retirement, what are my options?

See Chapter 2 – Your Retirement, and Chapter 4 – If You Leave Employment Before Retirement.

You can take a refund of your defined benefit member contributions and interest. Taking a refund cancels your VRS membership and eligibility for any future VRS benefits.

You must be vested (have at least five years of creditable service) to be eligible for any member contributions in your account made by your employer after July 1, 2010, and the interest on these contributions, unless you are involuntarily separated from employment for causes other than job performance or misconduct.

You have the option of leaving your member contributions and interest with VRS and becoming a deferred member. As a deferred member, you will retain your VRS membership and eligibility for any future benefits.

Taking a refund cancels your VRS membership and eligibility for any future VRS benefits.

You can withdraw 100 percent of your Hybrid 457 Deferred Compensation Plan account balance. You also are eligible to withdraw your Hybrid 401(a) Cash Match Plan account balance. Withdrawals of your 401(a) employer contributions and net investment earnings on employer contributions are subject to a vesting schedule (see, “When do I become vested?”). There are several distribution options.<sup>†</sup>

You have the option of leaving your money in your hybrid 401(a) plan and/or your hybrid 457 plan and continuing to manage your investments.

If you leave employment and wish to withdraw your retirement money, you are not required to withdraw all of your account balances. You can withdraw and/or leave your money in one or more of your accounts.

### Am I eligible to participate in an employer-sponsored tax-deferred savings or supplemental retirement plan?

See Defined Contribution Component in Chapter 2 – Your Retirement.

Saving through payroll deduction is one of the easiest ways to put aside additional income for retirement. You may be eligible to participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, which includes a Roth option, a 403(b) plan or another supplemental retirement plan your employer may offer.

If your employer participates in the Virginia Cash Match Plan, you are eligible for the employer match only after you make the maximum 4 percent voluntary contributions to the defined contribution component of the Hybrid Retirement Plan (see “Where does the money come from?”).

If your employer does not provide a supplemental plan, consider saving through another retirement vehicle. Contact your financial institution or a financial advisor for more information.

### Defined Benefit (DB) Component

### Defined Contribution (DC) Component

#### **If I die while I am an active member, will my beneficiary or survivor receive a benefit?**

You must complete two beneficiary forms: One for the defined benefit component and one for the defined contribution component.

See Chapter 3 – Protection for You and Your Loved Ones.

Your named beneficiary or your spouse, natural or legally adopted minor child or parent may be eligible for a death-in-service benefit under the defined benefit component. The benefit may be a refund of your member contributions and interest, a monthly benefit or both. This is in addition to any VRS group life insurance benefits you may have.

Your named beneficiary or survivor may be eligible for a distribution from your accounts in the defined contribution component. There are a variety of distribution options.



## Other VRS Benefits

### Do I have other benefits in addition to retirement?

You must maintain your defined benefit member contribution account to remain eligible for other VRS benefits.

See Chapter 3 – Protection for You and Your Loved Ones.

Other VRS benefits include:

- Coverage under the VRS Group Life Insurance Program, if your employer provides this program. If you are covered under the Group Life Insurance Program, you may purchase additional coverage for yourself through the Optional Group Life Insurance Program.
- If you are a state employee, you are eligible for disability and long-term care coverage through the Virginia Sickness and Disability Program (VSDP). There are qualifying periods for some disability benefits. For more information, please refer to the VSDP handbook.
- If you are a school division or a political subdivision employee, disability and long-term care coverage through the Virginia Local Disability Program (VLDP), if your employer provides this program. There are qualifying periods for some disability benefits. You are not covered under VLDP if your employer provides a comparable disability program. For more information, please refer to the VLDP handbook and contact your employer.
- A health insurance credit in retirement for eligible employees.

**Contact your human resource office for more information about your other benefit coverage.**



## What to do if I . . .

### Want to access my member information?

See Financial Planning Tools and Resources in Chapter 2 – Your Retirement.

myVRS provides secure online access to information from your VRS record. That includes your current creditable service, defined benefit member contribution account balance, account balances under the defined contribution component<sup>†</sup> and account balances in your Commonwealth of Virginia 457 Deferred Compensation Plan, if you participate in this plan. Thirty days after enrollment, you can create a secure online account by selecting myVRS at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

You may manage your defined contribution component through the Account Access page at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). This includes managing your investments and voluntary contributions.<sup>†</sup>

### Want to update my personal information or beneficiary designation?

For more information about beneficiary designations, see Chapter 3 – Protection for You and Your Loved Ones.

If you change your name, your human resource office will handle updating your record. Your human resource office also can assist you with a change of address, or you can change your address by updating your Personal Profile in myVRS.<sup>†</sup>

You can designate a beneficiary or beneficiaries for your accounts under the defined benefit and defined contribution components of your plan as well as the Commonwealth of Virginia 457 Deferred Compensation Plan, if you participate in this plan. You must complete two beneficiary forms: One for the defined benefit component and one for the defined contribution component.<sup>†</sup> However, you can name the same beneficiary (or beneficiaries) for all accounts or different beneficiaries for each account. Forms are available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid) to make your beneficiary designations.

**If your personal or family situation changes, review your beneficiary designations as soon as possible.** VRS is required by law to pay benefits according to the latest beneficiary designation in your record. If there is no valid beneficiary designation on file at the time of your death, VRS will be required to pay benefits according to the legal order of precedence in the *Code of Virginia*.

### Want to make arrangements for someone to act on my behalf?

See VRS Durable Power of Attorney in Chapter 3 – Protection for You and Your Loved Ones.

If you no longer can take actions on your own behalf, an agent named under a power of attorney can act on your behalf. To name an individual as your agent for VRS matters, submit a VRS Durable Power of Attorney (VRS-901). The form is available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

### Want to know more about your benefits as a retiree?

See Chapter 5 – Benefits in Retirement at a Glance.

In addition to a retirement benefit, you may be eligible to qualify for a cost-of-living adjustment (COLA) for your benefit under the defined benefit component during years a COLA is provided. You also may qualify for other VRS retiree benefits.

### Have a question or need assistance?

**For the defined benefit component**, contact your human resource office or call VRS toll-free at 1-855-291-2285. **For the defined contribution component**, call toll-free 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) to speak to an Investor Services Representative.<sup>†</sup>

## Benefit Information and Planning Resources at a Glance

### Member Resources and Education at [www.varetire.org/hybrid](http://www.varetire.org/hybrid)

The VRS website at [www.varetire.org/hybrid](http://www.varetire.org/hybrid) is your online resource for secure access to your member information. You also can find the latest publications and forms, and sign up for member education sessions offered online and on-site. These resources are free to members.

### Counseling

- Defined benefit component. Meet with a counselor at the VRS Retirement Counseling Center at 1111 East Main Street, Richmond, VA 23219. Sessions are held on a first-come, first-served basis with limited scheduled appointments available. The hours are 8:30 a.m.-4 p.m., Monday through Friday. Go to [www.varetire.org/directions](http://www.varetire.org/directions) for directions to the center and the parking deck.
- Defined contribution component. VRS has contracted with ICMA-RC as the third-party record keeper for the defined contribution component of the Hybrid Retirement Plan and other defined contribution plans administered by VRS. ICMA-RC's services include education and counseling about your investment and distribution options under this component. To speak to a Defined Contribution Plans Retirement Specialist, call toll-free at 1-VRS-DC-Plan1 (1-877-327-5261, select option 2').

### Other Key Contacts

- American Association of Retired Persons: 1-888-OUR-AARP (1-888-687-2277); [www.aarp.org](http://www.aarp.org)
- Anthem Blue Cross/Blue Shield (State Employees): 1-800-552-2682; [www.anthem.com/cova](http://www.anthem.com/cova)
- Commonwealth of Virginia 457 Defined Contribution Plan: 1-VRS-DC-Plan1 (1-877-327-5261, select option 1).
- Group Life Insurance Program: Minnesota Life, 1-800-441-2258
- Internal Revenue Service: 1-800-829-1040; [www.irs.gov](http://www.irs.gov)
- Medicare: 1-800-MEDICARE (1-800-633-4227); [www.medicare.gov](http://www.medicare.gov)
- Social Security Administration: 1-800-772-1213; [www.ssa.gov](http://www.ssa.gov)
- Virginia Department of Human Resource Management (state employees): [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov)
- Virginia Department of Taxation: 804-367-8031; [www.tax.virginia.gov](http://www.tax.virginia.gov)
- Virginia Local Disability Program (VLDP) for School Division and Political Subdivision Employees, if provided by your employer: Reed Group, 1-877-928-7021, [www.reedgroup.com/vldp-claims](http://www.reedgroup.com/vldp-claims); VLDP Long-Term Care Plan: Long Term Care Group, Inc., 1-800-761-4057. Contact your human resource office regarding your disability coverage.
- Virginia Sickness and Disability Program (VSDP) for State Employees: Reed Group, 1-877-928-7021, [www.reedgroup.com/vsdp-claims](http://www.reedgroup.com/vsdp-claims); VSDP Long-Term Care Plan: Long Term Care Group, Inc., 1-800-761-4057
- Virginia Workers' Compensation Commission: 1-877-664-2566; [www.vwc.state.va.us](http://www.vwc.state.va.us)



## About VRS

**Plan:** The Virginia Retirement System (VRS) administers defined benefit, defined contribution and hybrid plans qualified under Section 401(a) of the Internal Revenue Code, based on a plan year of July 1 to June 30.

**Administration:** VRS is an independent state agency. As provided under the *Constitution of Virginia*, VRS funds are separate from other state funds and can be used only to administer and pay benefits for members, retirees and beneficiaries. Benefit plans include defined benefit plans through VRS, the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) and the Judicial Retirement System (JRS); the VRS Hybrid Retirement Plan; defined contribution plans, including optional retirement plans for certain employees and the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans; VRS Group Life Insurance Program; Virginia Sickness and Disability Program (VSDP) and VSDP Long-Term Care Plan for state employees; Virginia Local Disability Program (VLDP) and VLDP Long-Term Care Plan for eligible school division and political subdivision employees; Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program; disability retirement option for members not covered under VSDP or VLDP; and the Retiree Health Insurance Credit Program.

A board of trustees administers the investment program and benefit plans of VRS. Nine members serve on the VRS Board of Trustees. Their appointment is shared between the executive and legislative branches of state government. The Governor appoints five members, including the chairman. The Joint Rules Committee of the Virginia General Assembly appoints four members. The General Assembly confirms all appointments. Of the nine Board members, four must be investment experts; one must be experienced in employee benefit plans; one must be a local government employee; one must be an employee of a Virginia public institution of higher education; one must be a state employee; and one must be a public school teacher. The public employee members may be active or retired. The following individuals currently serve on the Board of Trustees:

Robert L. Greene, Chairman	William H. Leighty
Diana F. Cantor, Vice Chairman	Joseph W. Montgomery
The Honorable J. Brandon Bell, II	Mitchell L. Nason
Wallace G. "Bo" Harris, Ph.D.	Troilen Gainey Seward, Ed.S.
W. Brett Hayes	

The Board appoints the director of the Virginia Retirement System, as well as the chief investment officer and the internal audit director.

**Employees Eligible for Membership:** Membership in VRS is automatic with employment in a covered position. Covered employment is a full-time permanent, salaried position with a VRS-participating employer. Some part-time permanent, salaried state positions also are covered under VRS. Participating employers include state agencies, public colleges and universities, local public school divisions and political subdivisions that have elected to participate in VRS.

**VRS' Relationship with Employers:** VRS administers benefits on behalf of employers that participate in VRS. Employers are not agents of VRS nor do they act at the direction of VRS. A list of participating employers is available at [www.varetire.org/about](http://www.varetire.org/about).



# Your Retirement 2

Learn more about your plan and the member resources available to help you arrive at your retirement destination.

## Defined Benefit Component

### The Foundation of Your Retirement Benefit

The defined benefit component of the VRS Hybrid Retirement Plan provides the foundation of your retirement benefit. The benefit under this component is based on your age, total creditable service and average final compensation at retirement. VRS manages the investments and related risk for member and employer contributions under this component. If you are eligible for retirement, you will receive this benefit monthly over your lifetime. On this foundation you will build retirement income through the defined contribution component of your plan to meet your retirement goals.

### Retirement Contributions

The defined benefit component of the Hybrid Retirement Plan is funded through contributions you make to your member contribution account and a separate contribution your employer makes to VRS on behalf of hybrid-covered employees. These funds are held in a trust protected by Article X, Section 11 of the *Constitution of Virginia*. This trust may be used only to administer and pay benefits for VRS members, retirees and beneficiaries.

### Your Contributions

You contribute a mandatory 4 percent of your creditable compensation each month to your defined benefit member contribution account on a pre-tax salary reduction basis. Your contributions are tax-deferred until you withdraw them as part of your retirement benefit or as a refund. Your member contribution account accrues 4 percent interest, which is compounded annually on the balance as of the previous June 30. The *Code of Virginia* prohibits borrowing from your member contribution account.

#### What is creditable

**compensation?** Creditable compensation is your annual salary, not including overtime pay, payment of a temporary nature or payments for extra duties, such as pay for teachers who provide coaching or act as an advisor for special activities.

**Learn more about your options if you leave your job.** See Chapter 4 – If You Leave Employment Before Retirement.

**Learn more about beneficiary designations for your accounts** under the defined benefit and defined contribution components. See Chapter 3 – Protection for You and Your Loved Ones.

**Covered employment** is a full-time permanent salaried position with a VRS-participating employer. Some part-time permanent salaried state and non-adjunct faculty positions requiring at least 20 hours but fewer than 40 hours a week also are covered under VRS.

If you leave your position before retirement, you can request a refund of your member contributions and interest. If you are vested (you have at least five years of creditable service) or involuntarily separated from employment for causes other than job performance or misconduct, you will receive a full refund of your account balance, including any member contributions made to your account by your employer after July 1, 2010, and the interest on these contributions. If you are not vested, you will forfeit these employer-paid member contributions and interest, if any.

**Taking a refund cancels your VRS membership and eligibility for any future VRS benefits except for the funds remaining in your defined contribution plan.**

### Your Employer's Contributions

The separate contributions your employer makes directly to VRS are based on the payroll of all covered employees. The VRS actuary determines the rate your employer pays. This rate is based on several factors, including the number of employees eligible for benefits; the number of retired employees; and employee salaries, ages and mortality rates and the investment returns. You are not eligible for a refund of the separate employer contributions made to the defined benefit component.

### Creditable Service

You earn service for each month you are working in a covered position and are being reported to VRS by your employer. This is called “creditable service.” In addition creditable service can include credit for prior service you may purchase or additional service you may be granted.

Creditable service is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit under the defined benefit component. It also counts toward vesting in the defined benefit and defined contribution components of your plan.



Vesting and Eligibility for Retirement

You become vested in the defined benefit component of your plan when you have at least five years (60 months) of creditable service. Vesting under this component means you are eligible to qualify for retirement, if you meet the age and service requirements for your plan, or to receive a full refund of your member contribution account balance, if you leave employment before retirement and request a refund.

Is your membership date before January 1, 2014? If you elected to transfer to the Hybrid Retirement Plan from the VRS Plan 1 or VRS Plan 2 and had at least five years of creditable service by July 1, 2014, you will be vested in the defined benefit component of your plan. If you had fewer than five years of service as of July 1, 2014, you will need to earn the remaining service to become vested. *Example:* If you had three years of defined benefit creditable service as of July 1, 2014, you must accrue two more years of service to become vested in the defined benefit component.

Eligibility for Retirement

**Unreduced retirement.** You become eligible for an unreduced retirement benefit under the defined benefit component when you reach your normal Social Security retirement age and have at least five years of creditable service or when your age and service equal 90 (Rule of 90) and you have at least five years of creditable service. *Example:* Age 60 with 30 years of creditable service.

Social Security Retirement Ages for Full Benefits

Year of Birth	Normal Retirement Age	Year of Birth	Normal Retirement Age
1937 or earlier	65 years	1955	66 + 2 months
1938	65 + 2 months	1956	66 + 4 months
1939	65 + 4 months	1957	66 + 6 months
1940	65 + 6 months	1958	66 + 8 months
1941	65 + 8 months	1959	66 + 10 months
1942	65 + 10 months	1960 or later	67 years
1943-54	66 years		

**Reduced retirement.** You may retire with a reduced benefit as early as age 60 if you have at least five years of creditable service. To determine your reduced benefit, VRS will apply an early retirement reduction factor to the benefit you would receive if you retired with an unreduced benefit.

**Non-covered employment is a part-time position** with a VRS-participating employer. Non-covered positions do not provide eligibility for benefits. Part-time positions typically require 80 percent or less of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require 80 percent or less of the hours per year that would be considered full-time and permanent for that position.



## Calculating the Defined Benefit

The retirement benefit under the defined benefit component of your plan is calculated using the following formula:

$$\text{Average Final Compensation} \times \begin{matrix} 1.0\% \\ \text{(Retirement Multiplier)} \end{matrix} \times \text{Total Creditable Service} = \text{Annual Basic Benefit Amount}$$

**Average final compensation** is the average of your 60 consecutive months of highest creditable compensation as a covered employee.

**Creditable compensation** is your salary reported to VRS by your employer. It does not include payments for overtime, temporary duties or extra duties, such as pay for coaching or special advising if you are a teacher. It does not include additional payments such as bonuses.

### Average Final Compensation Example

60 consecutive months (five years) of highest creditable compensation over your career	\$ 40,650
	41,463
	42,293
	42,455
	43,139
<hr/>	
Total	\$ 210,000
	÷ 5
<hr/>	
<b>Average final compensation</b>	<b>\$ 42,000</b>

### Defined Benefit Multiplier for Opt-In Members

For members who opted into the Hybrid Retirement Plan, the defined benefit multiplier will change to reflect the period under which the member earned the service.

A Plan 1 member who opted into the Hybrid Retirement Plan would have a 1.7 percent multiplier applied to any service earned, purchased or granted prior to July 1, 2014, and a 1 percent multiplier applied to any earned, purchased or granted service that occurs after July 1, 2014.

Plan 2 members who opted into the Hybrid Retirement Plan would have a 1.7 percent multiplier applied to any earned, purchased or granted service that occurred prior to January 1, 2013; a 1.65 percent multiplier for the service that occurred between January 1, 2013, and June 30, 2014; and a 1 percent multiplier for service after July 1, 2014.



## Unreduced Basic Benefit Calculation Examples

The following examples are in today's dollars.

### KEVIN'S BENEFIT

*Kevin is retiring under the Rule of 90 at age 60 with 30 years of creditable service.*

Average final compensation	\$ 42,000.00 <sup>1</sup>
x 1.0% retirement multiplier <sup>2</sup>	x .01
x Years of creditable service at retirement	x 30
<b>Annual benefit amount</b>	<b>\$ 12,600.00</b>
÷ 12 months	÷ 12
<b>Monthly benefit amount before taxes and other deductions</b>	<b>\$ 1,050.00</b>

### MARIA'S BENEFIT

*Maria is retiring at age 67, with 37 years of creditable service.*

Average final compensation	\$ 42,000.00 <sup>1</sup>
x 1.0% retirement multiplier <sup>2</sup>	x .01
x Years of creditable service at retirement	x 37
<b>Annual benefit amount</b>	<b>\$ 15,540.00</b>
÷ 12 months	÷ 12
<b>Monthly benefit amount before taxes and other deductions</b>	<b>\$ 1,295.00</b>

<sup>1</sup>The Internal Revenue Code limits the amount of compensation that may be used to calculate retirement benefits. The current limits are \$265,000 for those whose membership date is on or after April 9, 1996, and \$395,000 for those whose membership date is before April 9, 1996.

<sup>2</sup>If you were employed before January 1, 2014, and elected to transfer to the Hybrid Retirement Plan, service you earned, purchased or were granted prior to January 1, 2014, will be based on different retirement multipliers.

### What is a retirement

### multiplier? A retirement

multiplier is the percentage of the average final compensation that will be used to calculate the retirement benefit.

**See Chapter 1 – How Your Plan Works for how Kevin and Maria will build on their benefit.**

**How do contributions and interest finance my benefit under the defined benefit component?** When you retire, your benefit is paid first from your member contribution account. After these funds have been paid out, your benefit is paid from the separate contributions your employer makes to the VRS defined benefit and investment earnings.

**Non-covered employment is a part-time position with a VRS-participating employer.**

Non-covered positions do not provide eligibility for benefits. Part-time positions typically require 80 percent or less of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require 80 percent or less of the hours per year that would be considered full-time and permanent for that position.

**Learn more about beneficiary designations.**

See Chapter 3 – Protection for You and Your Loved Ones.

## Benefit Payout Options

When you apply for retirement, you choose how you want to receive your benefit. The payout options under the defined benefit component are the Basic Benefit, Survivor Option, Partial Lump-Sum Option Payment (PLOP) and Advance Pension Option.

The option you elect is irrevocable; you cannot change it after you retire, with the exception of the Survivor Option under some conditions.

The retirement benefit begins following a *bona fide break in service*. A bona fide break in service is a break of at least one full calendar month from your last day of employment that occurs over a period you normally would work. Leave with or without pay, summer breaks, intersession periods, educational leave and sabbaticals do not count toward satisfying this break in service.

### Basic Benefit

The Basic Benefit is a monthly benefit in retirement based on a formula (see “Vesting and Eligibility for Retirement”). You can elect this option with an unreduced or reduced benefit. If you retire with a reduced benefit, VRS will first determine the amount of your unreduced benefit and then apply an early retirement reduction factor to calculate your reduced benefit.

The Basic Benefit does not provide a continuation of a benefit to a survivor. However, any balance remaining in your member contribution account upon your death will be paid in a lump sum to your named beneficiary.

### Survivor Option

With this option, you elect to receive a lower monthly benefit during your retirement so that your survivor can receive a monthly benefit after your death. You can elect this option with an unreduced or a reduced benefit. You will choose a whole percentage of your benefit, between 10 percent and 100 percent, to go to your survivor. A survivor reduction factor will be applied to your unreduced benefit amount based on the percentage you choose to continue to a survivor, your age and the age of your survivor at your retirement date.

*Naming a survivor.* You can name any living person as your survivor; you also can name more than one survivor. The Internal Revenue Service (IRS) may limit the amount of your benefit that can go to a non-spouse survivor. Additional information, including a chart on maximum survivor option percentages, is available at [www.irs.gov](http://www.irs.gov).

After you retire, you can name a new survivor or revert to the Basic Benefit under one of the following conditions. You can change your survivor only once when:

- Your survivor dies;
- Your survivor is your spouse and you divorce with fewer than 20 years of marriage;
- Your survivor is your spouse, you divorce after 20 or more years of marriage, and your spouse dies, remarries or consents in writing to a change in benefit; or
- You provide VRS a written consent from your survivor giving up claim to a benefit along with proof of your survivor's good health.

If VRS has an Approved Domestic Relations Order (ADRO) on file, your benefit will be paid as directed by the ADRO. For more information, see [www.varetire.org/adro](http://www.varetire.org/adro).

### Partial Lump-Sum Option Payment (PLOP)

If you work at least one year beyond the date you first become eligible for an unreduced retirement benefit, you can elect to receive a one-time Partial Lump-Sum Option Payment (PLOP) with the Basic Benefit or Survivor Option. This option reduces the amount of your monthly benefit and will reduce the balance in your member contribution account available to your beneficiary upon your death in retirement, if you choose the PLOP with the Basic Benefit. If you choose the PLOP with Survivor Option, your designated survivor will receive a monthly retirement benefit in lieu of a refund of contributions and interest.

### Felony Conviction

If you are convicted of a felony related to your VRS-covered employment, your employer may direct that your employer contributions and related benefits be forfeited. If you have questions, please contact your human resource office.



## Partial Lump-Sum Payment (PLOP) Amounts

You can choose a lump sum equal to one, two or three times the amount of your annual Basic Benefit. The amount depends on how long you work beyond the date you first become eligible for an unreduced retirement benefit, as shown in the following table:

Active Service after Reaching Unreduced Retirement Eligibility	PLOP Amount	Example <i>Based on an annual Basic Benefit of \$12,600</i>
12 months	1 x annual Basic Benefit amount (one-year PLOP)	\$12,600
24 months	1 or 2 x annual Basic Benefit amount (one- or two-year PLOP)	\$12,600 or \$25,200
36 months or more	1, 2 or 3 x annual Basic Benefit amount (one-, two- or three-year PLOP)	\$12,600, \$25,200 or \$37,800

**Lump-sum payments of pre-tax member contributions and interest are subject to income taxes.** The Internal Revenue Service (IRS) also may impose an additional 10 percent tax penalty on member contributions received before age 59½; there are exceptions to this rule.

**To defer taxes,** the payment can be rolled over to an Individual Retirement Account (IRA) or another qualified plan that accepts rollovers. For more information, read the IRS 402(f) Special Tax Notice available at [www.varetire.org/irs402f](http://www.varetire.org/irs402f); or contact a tax advisor or the IRS toll-free at 1-800-829-1040 or [www.irs.gov](http://www.irs.gov).

**Qualifying for the PLOP.** Prior service credit or credit for other service you may be granted counts toward eligibility for unreduced retirement. However, to qualify for a PLOP, you must be working as an active member beyond the date you become eligible for an unreduced retirement benefit. Prior service credit or granted service credit cannot substitute for this active service.

**Taxes on the PLOP.** If you have the PLOP paid directly to you, VRS will deduct 20 percent for federal income taxes and, if you live in Virginia, 4 percent for state income taxes. The IRS also may impose an additional 10 percent tax penalty if you receive the PLOP before age 59½; there are exceptions to this rule. You can roll over the PLOP to a qualified plan that accepts rollovers, including the Hybrid 457 Deferred Compensation Plan. For more information, read the IRS 402(f) Special Tax Notice available at [www.varetire.org/irs402f](http://www.varetire.org/irs402f); or contact a tax advisor or the IRS toll-free at 1-800-829-1040 or [www.irs.gov](http://www.irs.gov).

## Advance Pension Option

With this option, you elect to increase your monthly benefit temporarily. The temporary increase will begin when you retire and continue until an age you choose, between age 62 and the age you become entitled to a full Social Security benefit. At that point, your benefit will be permanently reduced.

You can elect this option with an unreduced or reduced retirement benefit. You cannot elect this option with other benefit payout options. The Advance Pension Option also does not provide a continuation of a benefit to a survivor; however, any balance remaining in your member contribution account will be paid in a lump sum to your named beneficiary upon your death.

**Calculating the Advance Pension Option.** To figure your benefit amount, VRS will add a percentage of your estimated monthly Social Security benefit to your monthly Basic Benefit amount. The percentage is based on several factors, including your age when you retire and the age you want your benefit to permanently reduce. When the temporary increase ends, your benefit will be reduced by the estimated Social Security benefit used to determine your temporary increase. However, it will never be reduced by more than 50 percent of your Basic Benefit amount.

**Estimating and electing the Advance Pension Option.** You will need a Social Security benefit estimate adjusted for purposes of estimating and electing this option. The estimate must be less than 12 months old, assume you will have no future earnings after leaving your position and be based on your Social Security earnings record. For detailed instructions, go to [www.varetire.org/lapo](http://www.varetire.org/lapo).

## Benefit Payout Options and the COLA

The cost-of-living adjustment (COLA) is an annual increase in the retirement benefit under the defined benefit component of your plan, which you will begin receiving after you qualify for the COLA. The VRS COLA is based on the Consumer Price Index for all Urban Consumers (CPI-U) and is calculated according to the benefit payout option you elect at retirement:

- For the Basic Benefit or Advance Pension Option, the calculation is based on the Basic Benefit amount.
- For the Basic Benefit with the PLOP, the Survivor Option or the Survivor Option with the PLOP, the calculation is based on the reduced benefit amount.

During years of no inflation or deflation, the COLA will be 0 percent. For more information about the COLA, see Chapter 5 – Benefits in Retirement at a Glance.

**The Advance Pension Option does not affect the amount of your Social Security benefit.** You also may draw your Social Security when you are eligible for it, regardless of the age you choose for your VRS benefit to reduce. For more information about Social Security, visit [www.ssa.gov](http://www.ssa.gov).

## Death-in-Service Benefits

Under the defined benefit component of your plan, a death-in-service benefit is a payment of any member contributions and interest in your defined benefit member contribution account to your named beneficiary or to your spouse, natural or legally adopted minor child or parent in the event of your death as an active member (while you are in service). The benefit may be a lump-sum payment, a monthly benefit or both. This payment is in addition to any VRS group life insurance benefits you may have.

## Non-Work-Related Cause of Death

If you die while you are an active member from a non-work-related cause, your named beneficiary or your spouse, natural or legally adopted minor child or parent will be eligible for a death-in-service benefit according to whether or not you are vested (you have at least five years of creditable service) at the time of your death:

- If you are vested and your spouse, natural or legally adopted minor child or parent is one of your named beneficiaries, or is your beneficiary based on order of precedence, he or she will be eligible for a lump-sum payment of any balance remaining in your member contribution account or a monthly benefit to the exclusion of all other primary beneficiaries. Any other named beneficiary will be eligible for a lump sum payment only.
- If you are not vested, either your designated beneficiary or, if none, your beneficiary based on order of precedence will be eligible for a lump-sum payment only.

**Non-work-related monthly benefit calculation.** The non-work-related monthly benefit is calculated based on your average final compensation, your total creditable service, your age and the age of your named beneficiary or your spouse, natural or legally adopted minor child or parent at the time of your death. Your age and the age of your named beneficiary or survivor are calculated as follows:

- If you die before age 60, you are presumed to be age 60 for purposes of calculating the benefit. If your named beneficiary or your spouse, natural or legally adopted minor child or parent is younger than you, the age difference is subtracted from age 60 to arrive at his or her adjusted age. If your named beneficiary is older than you, the age difference is added to age 60 to arrive at his or her adjusted age.
- If you die at age 60 or older, your age and the actual age of your named beneficiary or your spouse, natural or legally adopted minor child or parent are used to calculate the benefit.



## Work-Related Cause of Death

A work-related cause of death is the result of an occupational illness or injury that occurs on the job and the cause is determined to be compensable under the Virginia Workers' Compensation Act. If you die while you are an active member from a work-related cause, your named beneficiary or your spouse, natural or legally adopted minor child or parent will be eligible for a lump-sum payment of any balance remaining in your member contribution account. In addition, your spouse, natural or legally adopted minor child or parent will be eligible for a monthly benefit according to an order of precedence. If this individual also is your named beneficiary, he or she will receive both benefits.

Work-related monthly benefit calculation:

- If your spouse, natural or legally adopted child or parent is eligible for Social Security survivor benefits, the VRS work-related benefit will be equal to 33 $\frac{1}{3}$  percent of your average final compensation at the time of your death. If your spouse, natural or legally adopted child or parent is not eligible for Social Security survivor benefits, the VRS work-related benefit will be equal to 50 percent of your average final compensation at the time of your death.
- If your spouse, natural or legally adopted child or parent is eligible for a workers' compensation survivor benefit, the VRS work-related benefit will be offset by the workers' compensation benefit. The VRS benefit also may be exempt from income taxes.

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**More information.** In the event of your death while in service, your beneficiary or survivor should first contact your employer's human resource office for assistance with applying for death-in-service benefits and distributions under the hybrid plan, as well as other applicable benefits, such as life and health insurance.

- For additional information about death-in-service benefits under the defined benefit component, your beneficiary or survivor can call the Virginia Retirement System toll-free at 1-888-VARETIR (1-888-327-3847). The publication *Losing a Loved One: Guide for Families* also provides guidance regarding benefit claims and is available online at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).
- For more information about distributions under the defined contribution component, your beneficiary or survivor can call ICMA-RC toll-free at 1-VRS-DC-Plan1 (1-877-327-5261, select option 1 and press 0) and ask to speak to an Investor Services Representative.
- For more information about Social Security survivor benefits, your beneficiary or survivor should contact the Social Security Administration toll-free at 1-800-772-1213 or visit [www.ssa.gov](http://www.ssa.gov).

Death-in-Service Order of Precedence

As required by law, VRS will pay a death-in-service benefit according to the following order of precedence if you die from a non-work-related cause and there is no valid beneficiary designation on file or your named beneficiary is deceased. If you die from a work-related cause, your spouse, natural or legally adopted child or parent will be eligible for a monthly benefit as well as a lump-sum payment of any balance remaining in your member contribution account, if he or she also is your named beneficiary.

<b>First, to your spouse</b>	If your spouse is eligible for a monthly benefit, the benefit will continue if your spouse remarries. It will end when your spouse dies.
<b>If no spouse, to your natural or legally adopted minor child or children</b>	If you have more than one natural or legally adopted minor child, each child will receive an equal share of the death-in-service benefit. If they are eligible for a monthly benefit, the youngest child's age will be used to calculate the benefit. As each child reaches age 18, his or her share of the benefit will be redistributed equally among the remaining minor children. The benefit will end when the last child reaches age 18.
<b>If none of the above, to your parent or parents</b>	If both parents are living, each parent will receive an equal share of the death-in-service benefit. If they are eligible for a monthly benefit, the youngest parent's age will be used to calculate the benefit. When one parent dies, the other parent will receive the deceased parent's share. The benefit will end when the surviving parent dies.
<b>If none of the above</b>	<p>Any balance remaining in your member contribution account will be paid in a lump sum accordingly:</p> <ul style="list-style-type: none"><li>• To your natural or legally adopted adult child or children</li><li>• If none, to the descendants of your deceased natural or legally adopted adult child or children</li><li>• If none, to the duly appointed executor or administrator of your estate</li><li>• If none, to your next of kin under the laws of the state where you resided at the time of your death</li></ul> <p>A cost-of-living adjustment (COLA) will be applied to the monthly death-in-service benefit, if your beneficiary or survivor is eligible for a monthly benefit. The COLA will go into effect on July 1 following one full calendar year (January 1-December 31) from the date the monthly benefit begins. For more information about the COLA, see Chapter 5 – Benefits in Retirement at a Glance.</p>

## Purchase of Prior Service

You may be eligible to purchase prior service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in your plan. Purchasing prior service counts toward vesting and eligibility for retirement and the health insurance credit.

To purchase prior service, you must be an active VRS member. You are not eligible to purchase prior service if you are employed in a non-covered position, on a leave of absence without pay, a deferred member or a retiree.

*Note:* If you leave VRS-covered employment and take a refund of your member contributions and interest, membership in VRS is canceled and you are no longer eligible for VRS benefits. If you return to VRS-covered employment, you will be rehired under the applicable plan. You may purchase the prior refunded service upon reemployment.

### Prior Service Eligible for the Hazardous Duty Supplement

If you are eligible for enhanced hazardous duty coverage and have at least 20 years of hazardous duty service credit at retirement, you may qualify for a supplement to your monthly retirement benefit until you reach normal Social Security age (or age 65 for members of the Virginia Law Officers' Retirement System). Prior service credit for refunded VRS hazardous duty service or for an eligible period of leave while covered under VRS in a hazardous duty position may count toward eligibility for the hazardous duty supplement, provided you purchase or are granted this service. Other types of prior service you may purchase, such as active duty military service or hazardous duty service with a non-VRS participating employer, do not count toward the supplement.

## Types and Purchase Amounts of Prior Service

### Unlimited Purchase Amounts

Purchases of VRS-refunded service, no-cost military leave, sick leave or disability credit conversion at retirement and workers' compensation are unlimited.

- **Refunded service:** If you leave VRS-covered employment and take a refund of your member contributions and interest, your membership and eligibility for any future benefits will be canceled. If you return to covered employment, you will be rehired under the applicable retirement plan for that position. You may purchase the refunded service as service credit in your current plan. The purchase cost is based on the refund amount, plus interest compounded annually from the date of the refund to the date you buy back the service.

The interest rate is 7 percent, which is the assumed rate of return of the VRS fund. You may purchase all of your refunded service or a portion at any time while an active VRS member.

- **No-cost military leave:** You can receive prior service credit at no cost for each occurrence of leave from a VRS-covered position for active duty military service. You can apply for no-cost military leave at any time, provided your discharge is not under dishonorable conditions and you return to covered employment within one year of discharge.
- **Sick leave conversion at retirement:** If you are eligible for a payment of unused sick leave at retirement, you may elect to have this payment converted to service credit that will count toward your benefit calculation.
  - Your employer will deduct the appropriate tax withholding from the payment and then send the funds to VRS for this purchase.
  - VRS will calculate the service credit amount represented by the remainder of the payment based on an actuarial equivalent rate. If you wish to apply the full sick leave payment amount toward the conversion, you may make a lump-sum payment to cover the difference between the full payment amount and the amount withheld for taxes.
- **Disability credit conversion at retirement:** If you are eligible for a payment of unused disability credits under the Virginia Sickness and Disability Program (VSDP) at retirement, you may elect to convert the disability credit to service credit toward your benefit calculation. You will receive one month of service for each 173 hours of disability credits you have to convert.
- **Workers' compensation:** If you go on workers' compensation and member contributions are not withheld from your workers' compensation payment or any compensation you receive from your employer, you may be eligible to purchase service credit for this period. For leave without pay, the maximum amount eligible for purchase is 24 months per occurrence.

#### Limited Purchase Amounts

You may purchase up to a combined total of 48 months of the following types of prior service. With the exception of some types of active duty military service, the service must not be used to qualify you for a benefit under another retirement plan.

- **Educational leave:** Approved leave from a VRS-covered position.
- **Family and Medical Leave Act (FMLA) leave:** Leave—up to 12 workweeks in a 12-month period—for your own serious health condition or that of your immediate family member (spouse, child or parent), both as defined under FMLA and approved by your employer at the time of the leave. The FMLA defines “serious health condition” as an illness, injury, impairment or physical or mental condition that involves a) inpatient care in a hospital, hospice or residential medical care facility, or b) continuing treatment by a health care provider.

- **Federal service (salaried, full-time):** Service in a civilian position with the federal government.
- **Leave for the birth, adoption or death of a child:** Approved leave—up to 12 months maximum per occurrence—from a VRS-covered position. If your spouse is also an active VRS member and was also granted leave for birth, adoption or death of a child, he or she also may purchase this leave.
- **Non-covered service with a VRS-participating employer:** Service in a temporary, part-time or other non-covered position for an employer that participates in VRS. Total hours must be confirmed by the employer where you previously worked.
- **Public service (salaried, full-time) other than VRS:** Service with a Virginia public employer that does not participate in VRS, or with a public employer or a school system of another state or U.S. territory.

If you are eligible, you may purchase additional months above the limited purchase amounts if you have active duty military service or are a vested school superintendent.

- **Active duty military service:** You may purchase up to an additional 48 months of active duty military service, provided your discharge is not under dishonorable conditions, was full-time service of at least 180 consecutive days and at the time of purchase it does not qualify you for a military pension in the U.S. Army, Navy, Air Force, Marines, Coast Guard or reserve components.

*Exception:* If you were in the U.S. Armed Forces Reserves or the National Guard, you may purchase up to an additional 48 months of active duty military service, even if it will be used to qualify you for a military pension.

- **Additional public service for school superintendents:** If you are a vested school superintendent, you may purchase an additional 10 years of public service with a Virginia public employer that does not participate in VRS, or with a public employer or a school system of another state or U.S. territory. You have one year from the date you become vested to purchase additional service at the 10 percent rate. After the one-year period, the cost will be actuarial.

## Cost Windows

You are eligible to purchase your prior service at any point while an active VRS member. However, you have a two-year window of time to purchase most types of service at approximate normal cost before the cost changes to an actuarial equivalent cost. If prior service eligibility was added to your member record before January 1, 2017, the cost to purchase will be based on the cost window in effect at the time the service was added.

*Note:* The two-year window does not apply to refunded service, which can be purchased at any time during active membership. Also, see above for additional service purchased by school superintendents.

### Refunded Service Cost

Refunded service cost is based on the return of the refunded amount plus interest from the date of refund to the purchase date, using a 7 percent interest rate compounded annually. The interest rate is based on the assumed rate of return of the VRS fund. You may purchase all of your refunded service or a portion at any time while an active VRS member.

### Approximate Normal Cost

Approximate normal cost is the average cost of one year of VRS service credit. The cost is based on a percentage of your creditable compensation or average final compensation at the time of purchase, whichever is higher.

### Actuarial Equivalent Cost

Actuarial equivalent cost represents the amount of money needed in today's dollars to pay for the total value of the increase in your future retirement benefit or earlier retirement eligibility date resulting from purchasing prior service. If you purchase prior service after your two-year approximate normal cost window, your cost will be actuarial.

### Within the Two-Year Window

Your two-year cost window to purchase most types of service at approximate normal cost begins upon employment in a VRS-covered position or following an eligible period of leave.

*Note:* See variations for refunded service and public service purchased by school superintendents.

If you do not purchase your prior service within the two-year window and leave your job or take a leave of absence without pay, your window temporarily closes until you return to active VRS-covered employment.

*Example:* You work two years in federal service. You then get a new job with the Commonwealth of Virginia, where you work for one year but do not purchase your previous federal service during that time. You subsequently leave your state job and take a private industry job. A few years later, you switch jobs again, returning to VRS-covered employment. At that point, you would have one year remaining in your original cost window to purchase your federal service at approximate normal cost.

### After the Two-Year Window

If you do not purchase the service within your two-year window, your cost shifts to an actuarial equivalent cost.

### Prior Service Cost Estimates

Register for or log into your myVRS account ([myVRS.varetire.org](https://myVRS.varetire.org)) for access to a variety of resources to help you in making a purchase decision. You can explore purchase options and evaluate the impact of purchasing service on your future retirement benefit as well as the time it will take to recover your purchase cost in retirement.

### Applying for Purchase of Prior Service

Register for or log into your myVRS account ([myVRS.varetire.org](https://myVRS.varetire.org)) to review prior service in your record that is eligible for purchase. Your employer's human resource office also can offer assistance. Using myVRS, you can:

- Select the type and amount of prior service to purchase.
- Choose the order in which you wish to purchase service.
- Calculate the cost to purchase service.
- See the impact of purchasing service on your future retirement benefit.
- Evaluate the time it will take to recover the purchase cost in retirement.

Your online myVRS account includes counseling tips to guide you through each step of the purchase process. Once you commit to the purchase online, you may make a lump-sum payment directly to VRS. Or, you can set up a purchase payment agreement by printing your cost estimate page and working with your employer. VRS must receive your lump-sum payment or employer-approved agreement within 90 days of your confirmation, or you must reapply. Please note that, generally, the cost to purchase service increases over time.

#### Eligibility for Service From Non-VRS-Participating Employers

In the following cases, the previous employer with which you earned the service will need to certify your prior service before you can complete the purchase:

- Military leave (no cost). A copy of your DD214 or a copy of your orders for National Guard service may be required.
- Full-time salaried federal service or other public service. If you participated in the federal retirement system or the retirement system of another public employer, you also must obtain certification from your previous retirement system that you are no longer eligible for a retirement benefit under that employer's plan.

#### Eligibility for Service From VRS-Participating Employers

In the following cases, the previous VRS employer with which you earned the service will need to enter your prior service eligibility in the VRS system before you can complete the purchase.

- Non-covered service with a VRS-participating employer.
- Leave for the birth, adoption or death of a child.
- Educational leave.
- Family and Medical Leave Act (FMLA) leave for your own serious health condition or that of your immediate family member, both as defined under FMLA, and approved by your employer at the time of the leave.

## Payment Methods

You may initiate purchase of prior service through your myVRS account ([myvrs.varetire.org](http://myvrs.varetire.org)) and select from among the following payment methods:

- **Lump-sum payment.** You can purchase prior service by paying for the service in full with a personal check, funds from another retirement plan to VRS using a trustee-to-trustee transfer or a pre-tax rollover of funds from another retirement account. You may also use funds from a supplemental defined contribution plan, such as the Commonwealth of Virginia 457 Deferred Compensation Plan. Generally speaking, you cannot use funds from the defined contribution component of the Hybrid Retirement Plan to purchase service in the defined benefit component. The only exception to this is funds

### Changing Jobs While Purchasing Service?

If you have a purchase agreement in place and move from one state employer to another without a break in service, VRS will continue the agreement automatically. Purchase agreements will end if you move among other employer types or have a break in service.

### Should You Move Out of State

If in the future, you leave VRS-covered service and move to another state and need certification of your prior service with VRS, call 1-888-827-3847 or email [vrs@varetire.org](mailto:vrs@varetire.org) for assistance.



that have been rolled into the Hybrid 457 Deferred Compensation Plan from an outside qualified plan.

- **Purchase Payment Agreements**
  - **After-tax payroll-deduction agreement.** You may purchase prior service through an after-tax payroll-deduction agreement during any period of active employment. The agreement may be made for a minimum of six months (unless there are fewer than six months of prior service eligible for purchase) to a maximum of 12 months in duration. Payments will be deducted from your paycheck.
  - **Pre-tax salary-reduction agreement.** You may purchase prior service through a pre-tax salary-reduction agreement, if your employer offers this option. The agreement may be made for a minimum of six months (unless there are fewer than six months of prior service eligible for purchase) or a maximum of 12 months in duration. Payments will be deducted from your paycheck.

When you complete your agreement, you can enter into another agreement or make a lump-sum purchase of your remaining service. If your two-year approximate normal cost window has ended and you wish to purchase the balance, either through an agreement or lump-sum payment, your cost will be the actuarial equivalent cost.

- **Combination lump-sum payment and purchase payment agreement.** You may purchase a portion of your prior service in a lump sum and the remainder with a purchase payment agreement, as described above.

## Purchase Agreement Requirements

- An agreement may include multiple types of prior service, provided that all types have the same cost basis (e.g., all are at approximate normal cost or all are at actuarial equivalent cost).
- Purchase agreements may be made for a minimum of six months (unless there are fewer than six months to purchase) or a maximum of 12 months.
- You may purchase a minimum of one month of service per month of an agreement, up to a maximum of four months of service per month of an agreement.
- You can make only one purchase agreement at a time.
- The duration of an agreement may not extend beyond the two-year approximate normal cost window. However, you may enter into another agreement to purchase any remaining service at actuarial equivalent cost.
- Purchase payment agreements are executed through your employer.
- Each agreement to purchase service is calculated on a stand-alone basis, meaning that the agreement cannot be renewed, and the terms and cost in effect at the end of an agreement will not carry forward to the next agreement.

# Defined Contribution Component

## Building Your Retirement Benefit

The defined contribution component of the VRS Hybrid Retirement Plan is based on contributions and net investment returns on contributions. You manage the investments and related risk for this component to build on the retirement benefit provided through the defined benefit component.

### Mandatory Contributions and Employer Matching Contributions

The defined contribution component of the Hybrid Retirement Plan provides the Hybrid 401(a) Cash Match Plan. You contribute a mandatory 1 percent of your creditable compensation each month to your 401(a) plan account. Your employer also contributes a mandatory 1 percent as well as matching contributions on any voluntary contributions you make, which are deposited to this account.<sup>†</sup> You invest these contributions through your hybrid 401(a) plan.<sup>†</sup>

### Employee Voluntary Contributions

The defined contribution component also provides the Hybrid 457 Deferred Compensation Plan, which allows you to contribute additional voluntary contributions<sup>†</sup> tax-deferred until you leave or retire and withdraw the money from your plan. The maximum amount of voluntary contributions you can contribute is 4 percent of your creditable compensation. You may be able to contribute additional money to a supplemental defined contribution plan.

### Manage your defined contribution plans online<sup>†</sup>

through the Account Access page at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). See Chapter 4 – Defined Contribution Component Account Access, Counseling and Education Resource Overview.

### Learn more about beneficiary designations

for your accounts under the defined benefit and defined contribution components. See Chapter 3 – Protection for You and Your Loved Ones.



### Defined Contribution (DC) Component Contributions

Employee Mandatory Contributions Hybrid 401(a)	Employer Mandatory Contributions Hybrid 401(a)	Employee Voluntary Contributions Hybrid 457 <sup>†</sup>	Employer Matching Contributions Hybrid 401(a) <sup>†</sup>
1.00%	1.00%	0.00%	0.00%
		0.50%	0.50%
		1.00%	1.00%
		1.50%	1.25%
		2.00%	1.50%
		2.50%	1.75%
		3.00%	2.00%
		3.50%	2.25%
		4.00%	2.50%

To recap, the chart below provides an overview of the contributions that you and your employer make to your retirement plan.

### Total Possible Hybrid Retirement Plan Contributions

Your Contributions		Your Employer's Contributions	
Defined benefit mandatory contributions	4.00%	Defined benefit mandatory contributions	Actuarially determined rate
Defined contribution mandatory contributions	1.00%	Defined contribution mandatory contributions	1.00%
Defined contribution voluntary contributions if you contribute the maximum amount	Up to 4.00%	Defined contribution employer matching contributions if you contribute additional voluntary contributions	Up to 2.50%
<b>Total Possible Member Contributions</b>	<b>9.00%</b>	<b>Total Employer Contributions</b>	<b>Actuarially determined rate and up to 3.50% to the DC component of the Hybrid Retirement Plan</b>

### **Auto-Escalation Effective January 1, 2017**

A feature that will automatically increase your voluntary contributions by 0.5 percent every three years began in January 2017. This feature is independent of your membership date. The automatic increase will continue until you reach the maximum 4 percent in voluntary contributions. Before each auto-escalation date, members will receive opt-out information.

#### **EXAMPLES:**

**Ellen** Ellen's hybrid plan membership date is March 1, 2014. Her first automatic 0.5 percent increase will occur when auto-escalation goes into effect on January 1, 2017. Her next automatic 0.5 percent increase will occur on January 1, 2020, and so on every three years until she reaches the maximum 4 percent in voluntary contributions or opts out.

**Steve** Steve's hybrid plan membership date is November 1, 2019. His first automatic 0.5 percent increase will occur on January 1, 2020. His next automatic 0.5 percent increase will occur on January 1, 2023, and so on every three years until he reaches the maximum 4 percent in voluntary contributions or opts out.



Increasing your voluntary contributions. You can change the amount of your voluntary contributions at any time in increments of 0.5 percent up to 4 percent. If you request a change up until 4:00 p.m. ET on the 15th of the last month of the quarter (March, June, September and December), it will go into effect in the next quarter; if you request a change after the 15th, it will go into effect in the subsequent quarter.<sup>†</sup> *Example:* You are currently contributing 1.5 percent in voluntary contributions and want to increase your voluntary contribution to 2.5 percent. If you request an increase on March 1, it will take effect on April 1; if you request an increase on March 18, the increase will take effect on July 1, which is the beginning of the next quarter.<sup>†</sup>

### How Voluntary Contributions Increase Your Retirement Benefit

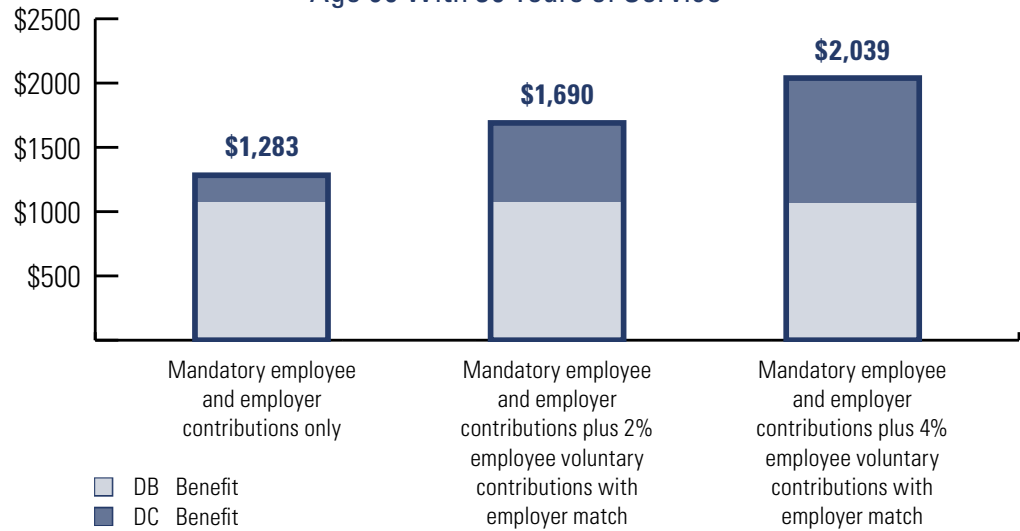
The following examples are in today's dollars and do not include a Social Security benefit. For an example of an estimated benefit with Social Security, see Saving for Retirement Through Other Plans.

Kevin's estimated retirement benefit before taxes and other deductions.

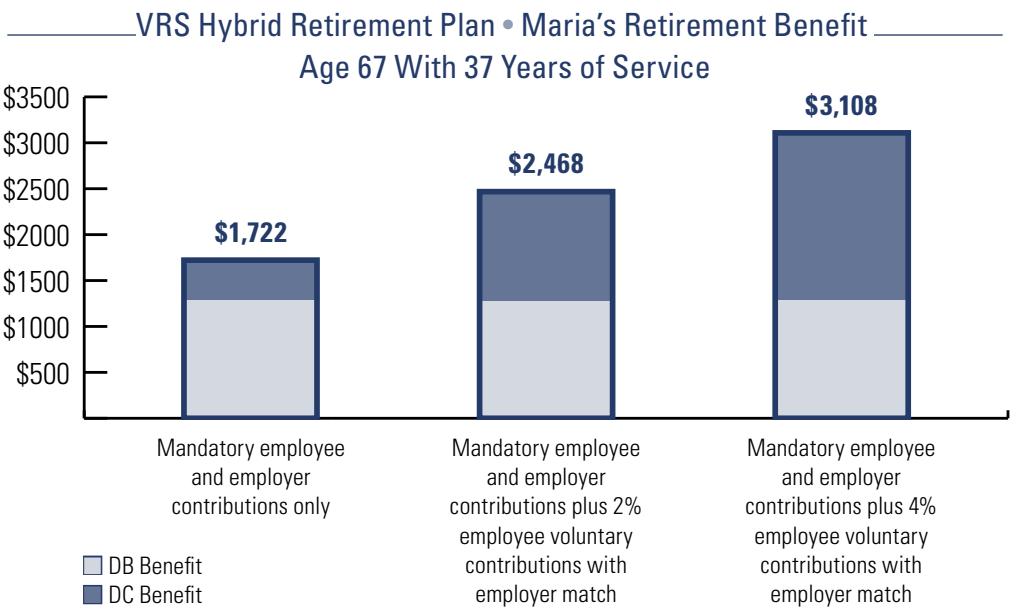
VRS Hybrid Retirement Plan • Kevin's Retirement Benefit

Age 60 With 30 Years of Service

See the Defined Benefit Component for how Kevin's and Maria's benefit under this component was calculated.



Maria’s estimated retirement benefit before taxes and other deductions.



**Disclaimer:** The examples above are estimates of hybrid retirement plan benefits under different voluntary savings levels and should not be viewed as guaranteed levels of benefits. Due to the nature of hybrid retirement plans, the defined contribution component can and will vary based on your voluntary contribution level, future market conditions and the performance of investment options you select. The final account balance does not account for plan fees or expenses, which would reflect lower net returns. Investment return and principal value will fluctuate, so when shares are redeemed they may be worth more or less than the original cost. For purposes of illustration only, the benefits include a 2 percent annual salary increase and the defined contribution component assumes a 6 percent pre-retirement investment return. The defined contribution balance is converted to an annuity at retirement assuming a 4 percent post-retirement rate of return with an average cost-of-living increase of 2.5 percent.

Rollover to Your Plan:

You can roll over money from other plans from which you are eligible to take distributions to your Hybrid 457 Deferred Compensation Plan. A rollover is a contribution of a pre-tax, lump-sum payment to another qualified plan. A rollover allows you to continue to defer income taxes until you withdraw the money from your plan.

Eligible plans:

- 401(a) plan other than the Hybrid 401(a) Cash Match Plan (you cannot roll over money from other plans to your hybrid 401(a) plan)
- 401(k)
- 457(b) and 403(b) plans
- Federal Thrift Savings Plan
- Traditional Individual Retirement Account (IRA)

## Vesting

Vesting in your contributions in your Hybrid 457 Deferred Compensation Plan is immediate. Upon retiring or leaving employment, you can withdraw 100 percent of your hybrid 457 plan account balance.

**What are net investment earnings?** Net investment earnings include investment gains and losses on contributions.

You also are eligible to withdraw from your Hybrid 401(a) Cash Match Plan balance upon retiring or leaving employment. Withdrawals of your 401(a) employer contributions and net investment earnings on employer contributions are subject to the following vesting schedule:

### Employer Contribution Vesting Schedule

Years of Creditable Service	Vesting Schedule	Allowable Withdrawals
One year	You will be 0 percent vested in the employer contributions.	You will forfeit the employer contributions and the net investment earnings on these contributions if you take a distribution.
Two years	You will be 50 percent vested in the employer contributions.	You may be eligible to withdraw 50 percent of these contributions plus net investment earnings.
Three years	You will be 75 percent vested in the employer contributions.	You may be eligible to withdraw 75 percent of these contributions plus net investment earnings.
Four or more years	You will be 100 percent vested in the employer contributions.	You may be eligible to withdraw 100 percent of these contributions plus net investment earnings.

Credit for prior service you may purchase or additional service you may be granted counts toward the service required for vesting in your 401(a) employer contributions and net investment earnings on employer contributions. For more information, see Purchase of Prior Service.

Is your membership date before January 1, 2014? If you elected to transfer to the Hybrid Retirement Plan from the VRS Plan 1 or the VRS Plan 2 and have at least four years of creditable service as of July 1, 2014, you are considered fully vested in the employer contributions and net investment earnings in the defined contribution component. If you had fewer than four years of creditable service as of July 1, 2014, you will become vested when you earn the remaining creditable service. *Example:* If you had three years of creditable service from Plan 1 or Plan 2 as of July 1, 2014, you must accrue one more year of service to become fully vested in your employer contributions and net investment gains on employer contributions.



## Choosing Your Investment Path

The defined contribution component allows you to accumulate contributions and net investment earnings on contributions to build on your retirement benefit under the defined benefit component. You manage the investments and related risk for this component of your plan.

The investment options for the defined contribution component are organized into three pathways to make it easier for you to implement your investment decisions according to your knowledge of investments and investment style.<sup>†</sup> The path approach is flexible; you do not need to choose just one path or investment option. You can mix and match investment options within each or among paths to help you meet your objectives. You also can move existing balances between investment paths as well as change how your future contributions are invested.

The Target Date Portfolios included in the Do-It-For-Me Path serve as the default investment for members who choose not to make an election on their own.<sup>†</sup> These investments provide a simple way to save for retirement by offering the ease and convenience of a professionally managed, diversified portfolio in one easy step. While target date portfolios offer a simple investing solution, you should continue to monitor your plan account and increase contributions to stay on track with your retirement objectives. Learn more about these options and others available to you online at [www.varetire.org/hybrid](http://www.varetire.org/hybrid) under Investments.

VRS has contracted with ICMA-RC as the third-party record keeper for the defined contribution component of your plan.<sup>†</sup> ICMA-RC's services include education and counseling about your investments as well as distribution options and other topics to help you maximize the features of the defined contribution component in support of your retirement goals. For more information, call toll-free 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) and ask to speak to an Investor Services Representative.

A monthly record-keeping fee of \$2.54 will be deducted from your Hybrid 401(a) Cash Match Plan account (\$30.50 per year). If you participate in more than one VRS Defined Contribution Plan, only one annual fee of \$30.50 will be deducted from your account. In addition, each investment option has investment management and other fund costs that vary. Investment option fees and performance are available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid), by calling Investor Services toll-free 1-877-327-5261 or within the Investment Option Performance report included with your quarterly statement. For more information about fees associated with the Self-Directed Brokerage Account, refer to the fund profile online or call Investor Services.

### 1 Do-It-For-Me Path

The Do-It-For-Me Path includes a series of target date portfolios for participants who prefer a pre-mixed portfolio that is already diversified. Participants select portfolios based on a projected retirement date and individual needs.

### 2 Help-Me-Do-It Path

The Help-Me-Do-It Path includes a carefully selected menu of 11 funds for participants who prefer to take a more active role in investing and want to construct a portfolio that addresses their individual needs.

### 3 Do-It-Myself Path

The Do-It-Myself Path includes a Self-Directed Brokerage Account (SDBA) for those who believe they are skilled and knowledgeable about investments. Investments include mutual funds, exchange-traded funds (ETFs) and individual securities.

## Understanding Investment Basics

Managing your investments through the defined contribution component of the Hybrid Retirement Plan includes managing risk. You decide how to invest your money and assume all risk associated with your investments.

Understanding risk and other investment basics can help you design an investment strategy related to your personal circumstances, including your age, income sources, when you expect to retire and tolerance for risk, consistent with your retirement income needs.

## Types of Risk

Investing involves risk that can result in the loss of money over short or long periods of time. Risks include but are not limited to:

- **Market:** The risk that the price of securities in a fund will rise or fall, sometimes rapidly or unpredictably, due to factors such as real or perceived adverse economic conditions, political developments and/or investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously. Stocks generally have greater price volatility than bonds (see Asset Classes).
- **Inflation:** The risk that your account will lose value because your returns are not outpacing the cost of living.
- **Longevity:** The risk that you will live longer than expected, with the potential result that you run out of money before you die.
- **Interest rate:** The risk that if interest rates rise, bonds will decline in value.
- **Income:** The risk that a fund's income will decline due to falling interest rates.
- **Default (credit):** The risk that an issuer will fail to pay interest or principal when due or in a timely manner, or that negative perceptions of an issuer's ability to make such payments, will cause the price of the security to decline.
- **Business:** The risk that an investment will lose value because of a decline in a specific company or industry.
- **Country:** The risk that domestic events, laws and/or regulations will negatively impact a country's securities markets.
- **Currency:** The risk that the value of a foreign investment, measured in U.S. dollars, will have a negative impact on fund returns because of unfavorable changes in currency exchange rates.

## Asset Allocation and Diversification

Asset allocation and diversification are strategies that can help balance the risk-reward trade-off consistent with your retirement objectives:

- **Asset allocation:** Assigning specific percentages of your investments to different asset classes (see next section) according to your financial goals, risk tolerance and investment time horizon.
- **Diversification:** Involves spreading your money among different securities, sectors, industries and strategies within a number of asset classes.

Asset allocation and diversification do not guarantee a profit or protection against loss.

### Asset Classes

An asset class is a group of securities that typically behave similarly in the marketplace when compared to other groups of securities. The most well-known asset classes are stocks, bonds, cash equivalents and stable value investments. Within each class is a range of investment types or sub-asset classes, each with its own risk factors.

**Stocks.** By investing in stocks, also called equity investments, you are buying shares of ownership in companies. Stocks may have a higher potential for growth over the long term but carry a higher degree of risk.

One way of classifying stocks is through market capitalization. Market capitalization, or market cap, measures a company's size by multiplying the number of shares outstanding (shares currently owned by investors) by the stock's current market price per share. For example, if a company has 10 million shares outstanding at a price of \$50 per share, the company market cap is equal to \$500 million. Market cap size is often categorized as large ("large cap"), medium ("mid-cap") and small ("small cap").

**Bonds.** By investing in bonds, also called fixed-income investments, you are loaning money to an organization, such as a corporation or government, in exchange for interest payments. Although bond values fluctuate, they ordinarily do not fluctuate as much as stocks. Bond investment options may help offset the higher risk of stocks in a more aggressive portfolio. They also may help generate higher income than money market instruments in a more conservative investment portfolio.



Cash equivalents and stable value investments. Cash equivalents, such as money market funds and U.S. Treasury bills, are short-term securities that pay interest. Their objectives are current income and preservation of capital. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

While cash equivalent investments have a place in many portfolios, their returns may not outpace inflation. Stable value investments seek to provide safety of principal while earning interest income and providing liquidity. Stable value funds typically invest in short to intermediate duration, high-quality bonds.

For more information about investing, refer to the Investment Guide available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid) under Publications.

## Distributions

A distribution is a payment from your defined contribution component accounts, which you may request upon retiring or leaving employment. You can take a distribution from your Hybrid 401(a) Cash Match Plan and/or your Hybrid 457 Deferred Compensation Plan.<sup>†</sup> Distributions of your 401(a) employer contributions and net investment earnings are subject to a vesting schedule.

Distributions begin following a bona fide break in service from your last day of employment. A bona fide break in service is a break of at least one full calendar month from your last day of employment that occurs during a period you normally would work. Leave with or without pay, summer breaks, intersession periods, educational leave and sabbaticals do not count toward satisfying this break in service. A required minimum distribution will begin if you have not arranged to receive payments from your plan by age 70½ or when you leave your position, whichever is later.

The Hybrid Retirement Plan does not allow for loans or unforeseen emergency withdrawals.

**Upon retiring or leaving employment,** any distributions you or your named beneficiary or survivor receives will be subject to federal and state income taxes. The Internal Revenue Service (IRS) also may impose an additional 10 percent tax penalty for distributions received before age 59½; there are exceptions to this rule.

**For more information,** see the IRS 402(f) Special Tax Notice available at [www.varetire.org/irs402f](http://www.varetire.org/irs402f), or contact a tax advisor or the IRS toll-free at 1-800-829-1040 or [www.irs.gov](http://www.irs.gov).

## Distribution Options<sup>†</sup>

You can request:

- To receive a full or partial lump sum distribution of your account balance.
- To receive periodic payments.
- To receive a partial lump sum distribution combined with periodic payments.
- To purchase an annuity with all or a portion of your account balance.
- To roll over all or a portion of your account balance to another employer's plan or to another qualified plan that accepts rollovers, such as a traditional Individual Retirement Account (IRA). The Hybrid 401(a) Cash Match Plan can be rolled into the Hybrid 457 Deferred Compensation Plan.

To request a distribution you must submit the appropriate distribution form to ICMA-RC by mail or by fax. The form can be found at [www.varetire.org/hybrid](http://www.varetire.org/hybrid) under Forms. A separate form is required for distributions from both the Hybrid 457 Deferred Compensation Plan and the Hybrid 401(a) Cash Match Plan. For more information on requesting a distribution, contact ICMA-RC toll-free at 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) and ask to speak with an Investor Services Representative.<sup>†</sup>

## Death-in-Service Distributions

If you die while you are an active member, your named beneficiary or survivor may be eligible for a distribution from the defined contribution component of the Hybrid Retirement Plan. There are a variety of distribution options that may be available. Members may designate beneficiaries for the Hybrid 401(a) Cash Match Plan and the Hybrid 457 Deferred Compensation Plan by calling ICMA-RC toll-free at 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) and asking to speak to an Investor Services Representative.<sup>†</sup> If beneficiaries are not designated, funds are distributed by order of precedence (see Death-In-Service Order of Precedence in this chapter).

### More information:

In the event of your death, Losing a Loved One: Guide for Families, will help your beneficiary or survivor know what to do regarding benefit claims. The brochure is available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid), under Publications.

### Other contacts:

- For more information about distributions from your defined contribution component if you die in service, your beneficiary can call ICMA-RC toll-free at 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) and ask to speak to an Investor Services Representative.
- For more information about Social Security survivor benefits, your beneficiary or survivor should contact the Social Security Administration toll-free at 1-800-772-1213 or visit [www.ssa.gov](http://www.ssa.gov).
- For more information about workers' compensation survivor benefits, your beneficiary or survivor should contact your organization's human resource office.

## Saving for Retirement Through Other Plans: Closing the “Gap”

To maintain a reasonable standard of living when you retire, experts say you will need at least 80 percent of your current earnings during retirement. Saving on a tax-deferred basis is one of the easiest ways to help you close the gap between your total estimated retirement income and your retirement income goals.

### Saver’s Credit: An Added Bonus

If your income is low to moderate, you may be eligible for a credit on your federal taxes that can help you afford to save. The credit is available if your adjusted gross income (AGI) does not exceed \$61,000 if you are married and file a joint return, or \$30,500 as of 2015 if you are single or married and file a separate return. The following chart shows the amount of the tax credit according to your income and tax filing status:

Tax Credit	Joint Return AGI	ALL (other filers) AGI
50%	Less than \$35,500	Less than \$17,750
20%	\$35,501 - \$38,500	\$17,751 - \$19,250
10%	\$38,501 - \$59,000	\$19,251 - \$29,500
0%	\$59,901 and over	\$29,501 and over

For more information, visit [www.irs.gov](http://www.irs.gov).

Saving a little bit each month now can reap big rewards later. It may surprise you how putting aside as little as \$20 a month through a plan such as the Commonwealth of Virginia’s 457 Deferred Compensation Plan, or an employer-sponsored or individual tax-deferred savings plan, can grow over time. The Plan Features and Highlights Guide includes different savings scenarios based on when members start saving and how much they contribute, which can help you target your own savings goals according to your retirement income needs. The guide is available at [www.varetire.org/457](http://www.varetire.org/457).

**If your employer participates in the Commonwealth of Virginia 457 Deferred Compensation Plan**, be sure to sign up for a Deferred Compensation Plan Regional Education meeting. These meetings are held at sites across the state and cover topics such as long-term planning for financial security, managing your plan and distribution strategies. Find a schedule of these meetings online at [www.varetire.org/457](http://www.varetire.org/457).

## About the Commonwealth of Virginia 457 Deferred Compensation Plan

If you are a [state employee](#), you are eligible to participate in the Commonwealth of Virginia 457 Deferred Compensation Plan for additional retirement savings. If you are contributing the maximum 4 percent voluntary contribution to your Hybrid 457 Deferred Compensation Plan, and you are contributing at least \$10 per pay period to the Commonwealth's 457 Plan, you are eligible for an employer match through the Virginia Cash Match Plan equal to 50 percent of your contributions, not to exceed \$20 per pay period.

If you are a [higher education employee](#), you may be eligible to participate in a supplemental 403(b) plan as well as the Commonwealth's 457 Plan. If you participate in both plans and contribute the maximum 4 percent voluntary contribution to your Hybrid 457 Deferred Compensation Plan, you will be eligible to receive one employer match equal to 50 percent of your contributions, not to exceed \$20 per pay period.

If you are a [school division or a political subdivision employee](#), you may be eligible to participate in the Commonwealth's 457 Plan, a 403(b) plan or another supplemental retirement plan if offered by your employer, which also may provide an employer matching contribution. Contact your human resource office for more information.

With the Commonwealth's 457 Plan, you defer income taxes on your pre-tax account until you withdraw the money. Roth contributions are made on an after-tax basis to your 457 Plan. You pay taxes on the contributions now, and then when you later withdraw your Roth contributions and any associated earnings, they are tax-free as long as certain criteria are met. To withdraw your Roth assets on a tax-free basis, you must be separated from covered employment with a bona fide break in service and at least five years have passed since January 1 of the year you made your first Roth contribution; you must be at least 59 ½ years old or permanently disabled, or the assets are being paid to your beneficiaries following your death.

For more information on requesting a distribution, visit [www.varetire.org/457](http://www.varetire.org/457) or call ICMA-RC Investor Services at 1-877-327-5261.

## See Retirement

### Contributions and Rollovers

for more information about "maxing out" on your voluntary contributions to your Hybrid 457 Deferred Compensation Plan.

**Learn more about the Commonwealth of Virginia 457 Deferred Compensation Plan.** Visit [www.varetire.org/457](http://www.varetire.org/457).

**If you are a higher education or a school division employee**, contact your human resource office for more information about a supplemental 403(b) plan.

## Required Minimum Distributions

For questions about required minimum distributions, ICMA-RC Defined Contribution Plans Retirement Specialists are available across the state to assist participants. Call 1-877-327-5261 and select option 2.



**If you experience a hardship or unforeseen emergency,**

you also may be eligible for a withdrawal from the Commonwealth's 457 Plan. For more information, visit [www.varetire.org/457](http://www.varetire.org/457). You must begin a minimum distribution from the plan at age 70 ½ or when you leave public employment in Virginia in a position with retirement benefits through a plan administered or authorized by VRS, whichever is later.

## Allowable Contribution Amounts

**Regular contribution limit.** Each year, you may contribute up to 100 percent of your compensation to the Commonwealth's 457 Plan, not to exceed the limit set by the Internal Revenue Service (IRS), which is updated from time to time. For current limits, visit [www.varetire.org/457](http://www.varetire.org/457) under Plan Info. The amount you contribute to the Hybrid 457 plan also counts toward the same IRS limit. If you go on active duty military leave, you also may be able to contribute the amount of deferrals you were unable to make during this period.

If you are within three years of your normal retirement age, you are eligible for the **Standard Catch-Up**, which allows you to contribute up to twice the regular IRS contribution limit or the amount of your Standard Catch-Up credit, whichever is less. If you are age 50 or older, you are eligible for the **Age 50+ Catch-Up**, which allows you to contribute an additional amount over the regular IRS contribution limit. You cannot use the Standard Catch-Up and the Age 50+ Catch-Up in the same calendar year.

## Rollovers

If you participate in the Commonwealth's 457 Plan and have a Virginia Cash Match Plan account, you can use your account to consolidate your retirement money, for example by rolling over money from an Individual Retirement Account (IRA) or another qualified plan. Additionally, if you terminate employment or retire, the plans allow you to further consolidate by allowing rollovers between most of the VRS Defined Contribution Plans. If you retire and choose the Partial Lump-Sum Option Payment (PLOP), you may roll over some or all of it. As provided under the Internal Revenue Code, you cannot contribute cash severance payments to the Commonwealth's 457 Plan.

## Distributions

If you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan and leave your position, your contributions to your plan as well as any employer matching contributions you may be receiving will stop. However, you can continue to manage your account or request a distribution in the form of a lump-sum or partial lump-sum payment, a variety of periodic payment options or a combination of these methods.

Payments from the Commonwealth's 457 Plan and Virginia Cash Match Plan are subject to federal and state income taxes, with the exception of Roth contributions, which are made on an after-tax basis to your 457 Plan and may be withdrawn tax free provided certain criteria are met. The IRS also may impose an additional 10 percent tax penalty on Virginia Cash Match Plan distributions received before age 59½; there are exceptions to this rule. There is no penalty for early withdrawals from the Commonwealth's 457 Plan. When you reach age 70½, you can withdraw your money from your plan at any time, regardless of your employment status.



## Financial and Retirement Planning Resources

### Closing in on Your Retirement Destination

As a member of VRS, you have financial and retirement planning resources and tools to help you target your retirement income goals.

#### myVRS

You have access to myVRS, one of your most important resources. This secure, online system is your personal avenue toward preparing for your financial future. It provides up-to-date benefit information based on your member record and tools to help you plan ahead.



#### What You Can View in myVRS:

- Defined benefit member contribution account balance and total creditable service.
- Account balances under the defined contribution component.<sup>†</sup>
- Commonwealth of Virginia 457 Deferred Compensation Plan balance, if you participate in this plan.
- Compensation and employment history.
- Basic group life insurance coverage for natural death if applicable.

## Creating Your myVRS Member Online Account

Log on to myVRS at [myVRS.varetire.org](http://myVRS.varetire.org) and follow the simple step-by-step registration instructions. Each time you log into your myVRS member account, you come to your Account Home page. Here you can access your member record and other account information.

## Security and Privacy

VRS is committed to protecting the security and privacy of your information. Before you are allowed access to your information, your identity is authenticated through the online account creation process. You set up your own username and password, which you use each time you log into myVRS.

VRS does not sell your information to anyone. Information is shared only with your employer and third-party administrators authorized to help coordinate benefits and services for VRS members, retirees and beneficiaries. For security tips and more information, select myVRS Access from [www.varetire.org/hybrid](http://www.varetire.org/hybrid).



## Assistance with myVRS

Select Help from the top of any screen for general information.

You will have two attempts to register before a lockout occurs. Once registered, you can use the Forgot Password feature if you get locked out. For additional assistance, call VRS toll-free at 1-888-VARETIR (827-3847) and select option 3 for myVRS online assistance, 8:30 a.m.-5 p.m., Monday through Friday, or contact [myvrsonlineassistance@varetire.org](mailto:myvrsonlineassistance@varetire.org).

Important email notice: Do not send confidential or personal information, such as your Social Security number, by email even when you are logged into your account. VRS will send only non-confidential replies.

## Defined Benefit Member Resources

The following resources for the defined benefit component of your plan are free and convenient and help you plan a successful future.

## Member Education

Courses are offered through webinars, e-learning and on-site sessions. Topics cover your VRS benefits, planning for retirement, using myVRS and the retirement application process, among others. You also can learn more about banking, home finance, taxes and other financial topics through “Money Matters” e-learning modules.

For more information, schedules and online registration, visit [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

## Retirement Counseling

Meet with a counselor at the VRS Retirement Counseling Center at 1111 East Main Street, Richmond, VA 23219. Sessions are offered on a first-come, first-served basis between 8:30 a.m. and 4 p.m., Monday through Friday. Limited scheduled appointments are available. Go to [www.varetire.org/directions](http://www.varetire.org/directions) for directions to the center and the parking deck; the first hour of parking is free.

## Defined Contribution Component Account Access, Counseling and Education Resource Overview<sup>†</sup>

The following resources for the defined contribution component of your plan are free and convenient and can help you plan a successful future.

### Publications

Publications include the Hybrid Retirement Plan Features and Highlights Guide and Investment Guide. You can find these resources at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

## Retirement Counseling

Registered plan representatives also are available for one-on-one counseling. Call toll-free 1-VRS-DC-PLAN1 (1-877-327-5261, select option 2) or visit the local plan representative at 919 East Main Street, Richmond, VA 23219. Counseling hours are 8:30 a.m.-5 p.m., Monday through Friday. (Appointments are required between noon and 1 p.m.)

### **Registered representatives also will conduct group meetings and live webinars**

to provide information related to the investment options available in the defined contribution component. A schedule of upcoming events is available online at [www.varetire.org/hybrid](http://www.varetire.org/hybrid) under Education.

**Account Access** – To view your defined contribution component account information, manage investments and change your voluntary contribution percentage,<sup>†</sup> visit the Account Access page at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

### **Don't have an account?**

Follow the guidelines on the Account Access page for creating your user ID and password.

A black and white photograph of a man with curly hair leaning over and kissing a baby on the forehead. The baby is wrapped in a light-colored blanket and is smiling broadly. The image is set against a dark blue background with a curved white line separating the photo from the text area.

# Protection for You and Your Loved Ones

As a member of the VRS Hybrid Retirement Plan, you have other benefits\* in addition to retirement.

\*To remain eligible for these benefits after leaving employment, you must maintain your member contribution account and may be subject to additional eligibility requirements. For more information about your member contribution account, see the Defined Benefit Component in Chapter 2.

VRS Group Life Insurance Program • Beneficiary Designations and the VRS Power of Attorney • Income Protection for Non-Work-Related and Work-Related Disabilities • Long-Term Care Programs

VRS Group Life Insurance Program

As a member of the Hybrid Retirement Plan, you have group life insurance coverage through the VRS Group Life Insurance Program if your employer provides this program.

Basic Group Life Insurance Program

If you are eligible for the VRS Group Life Insurance Program, your employer may pay your portion of the premiums. Basic group life insurance coverage provides the following benefits:

<b>Natural Death Benefit</b>	The natural death benefit is equal to your creditable compensation rounded to the next highest thousand and then doubled. <i>Example:</i> If your creditable compensation is \$41,400, that amount will be rounded to \$42,000 and then doubled for a natural death benefit of \$84,000.
<b>Accidental Death Benefit</b>	The accidental death benefit is double the natural death benefit. <i>Example:</i> If your natural death benefit is \$84,000, that amount will be doubled for an accidental death benefit of \$168,000.
<b>Accidental Dismemberment Benefit</b>	For the accidental loss of one limb or the sight of one eye, the dismemberment benefit is equal to your creditable compensation rounded to the next highest thousand. For the accidental loss of two or more limbs, total loss of eyesight or the loss of one limb and the sight of one eye, the benefit is equal to your creditable compensation rounded to the next highest thousand and then doubled.

**Look up your VRS group life insurance coverage in myVRS.** If you are covered under the VRS Group Life Insurance Program, you can view the amount of your current life insurance coverage through myVRS. To log in or create a secure online account, select myVRS from [www.varetire.org/hybrid](http://www.varetire.org/hybrid)



continued



## Basic Group Life Insurance Program, cont.

**VRS has contracted with Minnesota Life as the insurer for the Group Life Insurance Program.** For more information about your coverage, call Minnesota Life toll-free at 1-800-441-2258.

**If you are not sure of your life insurance coverage,** contact your human resource office for more information.

<b>Safety Belt Benefit</b>	If you are killed or dismembered in an accident while driving or riding in a private passenger vehicle, your life insurance will pay an amount equal to 10 percent of your accidental death or dismemberment benefit, or \$50,000, whichever is less. You must have been using a safety restraint. No benefit is payable if you or another person was driving without a license or under the influence of alcohol or drugs, or was otherwise impaired.
<b>Repatriation Benefit</b>	If you die in an accident 75 miles or more from your home, your life insurance will pay up to \$5,000 for the cost of transportation to return your remains.
<b>Felonious Assault Benefit</b>	<p>Your basic group life insurance coverage provides additional benefits if you die or are dismembered as a result of a felonious assault while performing your job duties. The incident must have occurred at your employer's normal place of business or while you were on work-related travel. The assaulter must have used force with intent to cause harm and be charged with a misdemeanor or felony. No benefit is payable if the assaulter is an immediate family member. Felonious assault benefits include:</p> <ul style="list-style-type: none"><li>• \$50,000 or 25 percent of your accidental death or dismemberment benefit, whichever is less.</li><li>• Virginia Education Savings Trust account for each dependent child if you die as a result of the assault. The amount is approximately equal to in-state tuition and mandatory fees to attend a public college or university in Virginia. Your child may attend any accredited college or university in the United States that participates in federal student financial aid programs.</li></ul>
<b>Accelerated Death Benefit Option</b>	If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.



## Optional Group Life Insurance Program

If you are covered under the Basic Group Life Insurance Program, you may purchase additional coverage for yourself through the Optional Group Life Insurance Program. If you elect this coverage, you also can cover a spouse and dependent children. Optional group life insurance provides benefits for natural and accidental death or dismemberment. You pay the premiums through payroll deduction.

### Coverage Options

<b>Yourself</b>	You can select one of the four coverage options shown below to cover yourself, up to a maximum of \$750,000.		
<b>Your spouse</b>	You can cover your spouse for up to half the maximum amount of the coverage you select for yourself, not to exceed \$375,000. Coverage for your spouse ends when your coverage ends or if you and your spouse divorce. If both you and your spouse are eligible to participate in the Optional Group Life Insurance Program, neither of you can buy additional coverage for the other.		
<b>Your dependent children</b>	You can cover each dependent child who is at least 15 days old for \$10,000, \$20,000 or \$30,000, depending on the coverage option you select for yourself. Coverage for dependent children ends when your coverage ends or your child marries, becomes self-supporting, reaches age 21 or reaches age 25 as a dependent attending college full time. Coverage continues for dependent unmarried children who are disabled.		
<b>Options</b> <i>Select one of the following</i>	<b>Your insurance amount</b> <i>Not to exceed \$750,000</i>	<b>Insurance amount for your spouse</b> <i>Not to exceed \$375,000</i>	<b>Insurance amount per dependent child</b> <i>At age 15 days</i>
1	1 x your compensation	½ x your compensation	\$ 10,000
2	2 x your compensation	1 x your compensation	\$ 10,000
3	3 x your compensation	1½ x your compensation	\$ 20,000
4	4 x your compensation	2 x your compensation	\$ 30,000

**Proof of good health.** Coverage is guaranteed if you enroll in the Optional Group Life Insurance Program within 31 days of your employment date or a qualifying event, such as marriage or the birth or adoption of a child. Proof of good health (evidence of insurability) is required if:

- You apply after 31 days from your employment date or a qualifying event.
- You wish to add your spouse or dependent child to your coverage after 31 days from your employment date.
- You wish to purchase more than \$375,000 for yourself.
- You wish to increase your optional life insurance coverage for yourself or your spouse.
- Your spouse's insurance amount is more than half your salary.



Additional Information About Your Life Insurance Coverage

Coverage while on leave without pay	If you go on leave without pay, your basic group life insurance coverage will continue for up to 24 months or for as long as you are on military leave, provided the premiums are paid. If you have optional group life insurance, your coverage will continue as long as you pay the premiums and remain covered under the Basic Group Life Insurance Program.
Coverage while on military leave	If you go on military leave, your basic group life insurance will continue for as long as you are on military leave, provided the premiums are paid. If you have Optional Group Life Insurance, your coverage will continue as long as you pay the premiums and remain covered under the Basic Group Life Insurance Program.
Irrevocable assignment	You own your rights in your group life insurance coverage. That means you can designate a beneficiary or exercise the accelerated death benefit option of your policy. You may give your ownership rights to another living person or entity. However, this is an irrevocable assignment; you cannot change it once it is made. Before making an irrevocable assignment, contact a legal advisor or Minnesota Life toll-free at 1-800-441-2258 for assistance.
Loans prohibited	<p>You may not borrow from or use your group life insurance coverage to secure a loan.</p> <p>If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.</p>
Imputed income taxes	Imputed income is the cost of life insurance in excess of \$50,000, as determined by the Internal Revenue Service (IRS). It is subject to FICA (Social Security and Medicare) taxes and income taxes, and is reflected in the W-2 you receive from your employer. When you retire, VRS will deduct FICA taxes and report taxable or imputed income for as long as your group life insurance coverage exceeds \$50,000.
Child support liens	The Department of Social Services may file child support liens against proceeds payable under the VRS Group Life Insurance Program. VRS is required to pay life insurance proceeds to the Department of Social Services to satisfy any outstanding child-support obligations at your death.

**Members can designate a beneficiary for the defined contribution component of the Hybrid Plan** by filling out the Beneficiary Designation form available online at [www.varetire.org/hybrid](http://www.varetire.org/hybrid), or call Investor Services at 1-VRS-DC-PLAN1 (1-877-327-5261) and provide the change via phone. You can also designate beneficiaries by logging into Account Access. A confirmation letter will be sent out to members confirming the updated information. Current beneficiaries also appear on the quarterly statement as a reference for members.

**The following are resources that are available to hybrid members for the defined contribution component:**

- On-site seminars conducted by Defined Contribution Plans Retirement Specialists
- Recorded webinars
- Call Center: Call toll-free 1-VRS-DC-PLAN1 (1-877-327-5261)
  - Press 1 to speak with an Investor Services Representative, weekdays 8:30 a.m. – 9:00 p.m.
  - Press 2 to speak with a Defined Contribution Plans Retirement Specialist or reach the Virginia Service Center, weekdays 8:30 a.m. – 5:00 p.m.
- Quarterly Statement
- Website – Go to [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

## Beneficiary Designations and the VRS Power of Attorney

### Designating a Beneficiary

#### Defined Benefit Component

You can name any living person as your beneficiary. You also can name an entity, such as an eligible trust or charity. Upon your death, your named beneficiary will be eligible for benefits under the VRS Group Life Insurance Program, if you are covered under this program, as well as a lump-sum payment of any balance remaining in your member contribution account.

#### Primary and contingent beneficiaries:

- You can name more than one primary beneficiary to share in life insurance benefits and any balance remaining in your member contribution account upon your death, or a different primary beneficiary for each benefit.
- You can name a contingent beneficiary or beneficiaries. If your primary beneficiary or beneficiaries are deceased at the time of your death, your contingent beneficiary or beneficiaries will receive benefit payments according to your designation.

To name your beneficiary, complete and submit a Designation of Beneficiary (VRS-2) to VRS. The form is available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

Be sure to keep a copy for your records. You will not receive a copy or confirmation of receipt.

**Naming multiple beneficiaries.** The Designation of Beneficiary (VRS-2) allows you to name up to three individuals as your beneficiaries. If you wish to name more than three, list the additional beneficiaries on the Designation of Beneficiary-Continuation (VRS-2A) and submit this form with the VRS-2.

**Changing your beneficiary.** VRS is required by law to pay benefits according to the latest beneficiary designation in your VRS record. Review your beneficiary designation after a personal milestone, such as a change in marital status, the birth or adoption of a child or as you near retirement. To change your beneficiary, submit a new Designation of Beneficiary (VRS-2) to VRS as soon as possible. If you cannot remember your designation, submit a new VRS-2 or write to Minnesota Life, P.O. Box 1193, Richmond, VA 23218-1193. Neither Minnesota Life nor VRS can provide your beneficiary designation over the phone.

**Order of precedence.** If there is no beneficiary designation on file, or your primary beneficiary or beneficiaries are deceased at the time of your death and there is no contingent beneficiary or beneficiaries, VRS is required by law to pay benefits according to the following order of precedence:

- First, to your spouse
- If no spouse, to your natural or legally adopted children and descendants of your deceased natural or legally adopted children
- If none of the above, to your parents equally or to the surviving parent
- If none of the above, to the duly appointed executor or administrator of your estate
- If none of the above, to your next of kin under the laws of the state where you resided at the time of your death

The Designation of Beneficiary (VRS-2) allows you to elect the order of precedence instead of designating a beneficiary.

### VRS Power of Attorney

The **VRS Durable Power of Attorney (VRS-901)** allows you to name a person as your agent to take actions on your behalf. Your agent would also be able to take actions on your behalf in the event you can no longer handle your own affairs.

#### Your agent can:

- Sign and file your application for retirement.
- Name or update your beneficiary or survivor.
- Request information about your benefits.
- Change the investment option for your defined contribution accounts.
- Take other VRS actions on your behalf, such as setting up a direct deposit, submitting a change of address or changing your tax withholding.

The authority granted by the VRS-901 is limited to matters relating to your VRS record. The Virginia Uniform Power of Attorney Act allows you to be specific about the VRS matters your agent can handle. Be sure to submit a new VRS-901 if you need to name a new agent or update the specific authority granted to your current agent.

You can create a power of attorney by writing and signing a statement as simple as: “I hereby grant my agent the authority to do or perform all acts that I could do.” This statement would generally allow your agent to perform all acts under the Virginia Uniform Power of Attorney Act that did not require specific authority, such as creating or changing a beneficiary designation. It also would



give your agent authority over other matters besides VRS benefits, such as bank accounts and personal property. You may wish to consult a legal advisor regarding this type of power of attorney.

Authorization to Discuss VRS Account Information (VRS-900) for the defined benefit component. The VRS-900 allows you to name one or more individuals to speak to a VRS representative about your VRS benefits and account information. It does not allow individuals to take actions on your behalf.

The authority granted to an agent named in the VRS Durable Power of Attorney (VRS-901) includes speaking with a VRS representative about your information. If you want this individual to have this authority, you do not need to file a VRS-900.

The VRS-900 and the VRS-901 forms and instructions are available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

## Income Protection for Non-Work-Related and Work-Related Disabilities

State employees covered under the Hybrid Retirement Plan have disability and long-term care benefits through the Virginia Sickness and Disability Program (VSDP). VSDP provides income protection if you can't work because of a non-work-related or work-related illness, injury or other condition, such as surgery, pregnancy, complications from pregnancy or a catastrophic or major chronic condition. You must satisfy qualifying periods for some benefits. For additional information, refer to the *Virginia Sickness and Disability Program Handbook for State Employees* available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

School division or political subdivision employees covered under the Hybrid Retirement Plan have disability and long-term care benefits through the Virginia Local Disability Program (VLDP) or a comparable program provided by the employer. However, comparable plans provided by employers are not required to offer long-term care benefits. VLDP, or a comparable plan, provides income protection if you can't work because of a non-work-related or work-related illness, injury or other condition, such as surgery, pregnancy, complications from pregnancy or a catastrophic or major chronic condition. You must satisfy qualifying periods for some benefits. For additional information, refer to the *Virginia Local Disability Program Handbook for School Division and Political Subdivision Employees* available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). Members who are enrolled in a comparable disability benefits plan should see their human resource office for eligibility details.

### Authorization for the defined contribution

**component.** An Information Release Authorization allows an individual to speak with an Investor Services Representative about your defined contribution component accounts.<sup>†</sup>

**VRS has contracted with Reed Group as the third-party administrator for the Virginia Sickness and Disability Program (VSDP) and Virginia Local Disability Program (VLDP).** If you have questions about your coverage, call Reed Group toll-free at 1-877-928-7021 or visit [www.reedgroup.com/vsdp-claims](http://www.reedgroup.com/vsdp-claims) or [www.reedgroup.com/vldp-claims](http://www.reedgroup.com/vldp-claims).

## Long-Term Care Programs

The Virginia Sickness and Disability Program (VSDP) and the Virginia Local Disability Program (VLDP) provide long-term care coverage at no cost to you.

### VSDP and VLDP Long-Term Care Plans

The long-term care plans under the Virginia Sickness and Disability Program (VSDP), for state employees, and the Virginia Local Disability Program (VLDP), for school division and political subdivision employees whose employers participate in VLDP, provide assistance with the cost of:

- Care in a nursing home or hospice facility
- Assisted living facility care
- Community-based care
- Home healthcare services
- Informal care-giving
- Alternative or transitional care

You may be eligible for benefits if a licensed healthcare professional certifies that:

- You are unable to perform at least two of six activities of daily living; or
- You have a severe cognitive impairment.

The maximum daily benefit amount is \$96 with a lifetime maximum of \$70,080. Refer to the *Virginia Sickness and Disability Program Handbook for State Employees* or the *Virginia Local Disability Program: Handbook for Employees in the VRS Hybrid Retirement Plan whose School Division or Political Subdivision Participates in VLDP* for more information about covered services. The handbooks are available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

If you leave or retire from your position, your long-term care coverage will end. You can elect to continue your coverage, which will be retroactive to your last day of employment; you will pay the premiums. You will qualify for the same benefits as active participants and must meet the same eligibility requirements when submitting a claim for covered services. To continue your coverage, submit the Long-Term Care Plan Authorization of Coverage Retention (VRS-170) and the Long-Term Care Plan Protection Against Unintentional Lapse (VRS-171) to the Long Term Care Group, Inc. within 60 days of your last day of employment at P.O. Box 64011, St. Paul, MN 55164-0011. The forms are available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). This option is not available after 60 days.

**If you are a school division or a political subdivision employee** in a comparable

disability program provided by your employer, you are not eligible for the VLDP Long-Term Care Plan. However, your employer may provide a long-term care plan. Contact your human resource office for more information about long-term care coverage that may be available to you.

### Six activities of daily living:

1. Bathing
2. Transferring, such as getting in and out of bed
3. Dressing
4. Toileting (using the bathroom)
5. Continence
6. Eating (ability to feed oneself)

### How to File a Claim.

VRS has contracted with the Long Term Care Group, Inc. as the third-party administrator for the VSDP and VLDP Long-Term Care Plans. Call the Long Term Care Group, Inc. toll-free at 1-800-761-4057 within 60 days of certification by a licensed healthcare professional that you qualify for benefits.





# If You Leave Employment 4 Before Retirement

Learn more about your options for your account balances,  
impact on benefit coverage and severance benefits.

Your Options • Requesting a Refund: Defined Benefit • Requesting a Distribution: Defined Contribution • Impact of Leaving Covered Employment • Severance Benefits

## Your Options

If you separate from employment, you can take a refund of your defined benefit member contribution account and/or take a distribution from the defined contribution component. Or, you can choose to leave your retirement funds in the Hybrid Retirement Plan.

### Defined Benefit Component

You can take a refund of your defined benefit member contribution account balance or leave your member contributions and interest with VRS and become a deferred member. Taking a refund cancels your VRS membership and eligibility for any future VRS benefits. Taking a refund of the defined benefit component does not require you to take a distribution from the defined contribution component.

If you request a refund and are not vested (you have fewer than five years of creditable service), you will receive your own contributions and interest in your member contribution account, unless you have been involuntarily separated. If you have any member contributions paid by your employer in your account, you will forfeit these contributions and interest. If you are vested, you will receive a full refund of your member contribution account balance, including any employer-paid member contributions and interest.

If you leave your member contributions and interest with VRS and become a deferred member, you will retain your VRS membership and eligibility for any future benefits.

**If your membership date is before January 1, 2014**, and you elected to transfer to the hybrid plan from the VRS Plan 1 or the VRS Plan 2, your member contribution account may have member contributions made by your employer. Contact your human resource office for more information.

## Defined Contribution Component

If you separate employment, you are not required to take a distribution until the age of 70½. However, you may take a distribution from your Hybrid 401(a) Cash Match Plan and/or your Hybrid 457 Deferred Compensation Plan.<sup>†</sup> If you leave a balance in one or both plans, you will continue to manage your investments. Taking a distribution from the defined contribution component does not require you to take a refund from the defined benefit component. If you are not 100 percent vested when taking a distribution, then you will forfeit any non-vested employer contributions based on the vesting schedule (see Chapter 2 – Defined Contribution Component).

If you decide to take a distribution, you may withdraw up to 100 percent of your account balance in the Hybrid 457 Deferred Compensation Plan. You also may take a distribution from the Hybrid 401(a) Cash Match Plan. However, the employer contributions are subject to a vesting schedule. Non-vested employer funds are forfeited when you receive a distribution from the 401(a) plan or from the defined benefit component. You can also continue to manage your defined contribution accounts online or by telephone.

## Requesting a Refund: Defined Benefit

Log into your myVRS account ([myVRS.varetire.org](http://myVRS.varetire.org)) and submit an online request for a refund.

**When to expect your refund.** Refunds are processed after at least one full calendar month after you have left all employment, including non-covered employment, under the defined benefit component and are no longer being reported to VRS by your employer. Periods of leave with or without pay, summer breaks, intersession periods, educational leave and sabbaticals do not count toward this break in service.

### EXAMPLES:

- You leave your job as an administrative assistant at the Virginia Department of Taxation effective June 12 and request a refund. The earliest VRS can process your refund is August.
- You are a teacher on a contract for the period August 1 to May 31. You leave your position at the end of your contract and request a refund. The earliest VRS can process your refund is September.

**Taxes on refunds.** If you have your refund paid directly to you, VRS will withhold federal taxes of 20 percent and, if you live in Virginia, state taxes of 4 percent. Any after-tax member contributions in your refund will not be taxed again. If you have your refund paid directly to you before age 59½, the Internal Revenue Service (IRS) may impose an additional 10 percent tax penalty for early withdrawal of member contributions; there are exceptions to this rule.

You can defer taxes by rolling over your refund to an Individual Retirement Account (IRA) or another qualified plan that accepts rollovers. For more information, read the IRS 402(f) Special Tax Notice available at [www.varetire.org/irs402f](http://www.varetire.org/irs402f); or contact a tax advisor or the IRS toll-free at 1-800-829-1040 or [www.irs.gov](http://www.irs.gov).

## Becoming a Deferred Member

If you leave your member contribution account balance in the defined benefit component with VRS, you will become a deferred member. You may retain your defined contribution account but it has no impact on deferred member status. If you are vested (you have at least five years of creditable service), you may be eligible for a future retirement benefit if you meet the age and service requirements for your plan. Upon reemployment to a covered position you will continue to accrue service credit. As a deferred member, you will remain eligible to request a refund of your member contributions and interest.

If you are a deferred member in VRS, SPORS, VaLORS or JRS Plan 1 or Plan 2 or the Hybrid Retirement Plan and return to covered employment, you will be rehired under the currently applicable plan.

Examples if you are a deferred member:

- If you were previously covered under the SPORS Plan 1 and return to covered employment as a teacher, you will be covered under VRS Plan 1.
- If you were previously covered under the Hybrid Retirement Plan as a local librarian and return to covered employment as a general state employee, you will be covered under the Hybrid Retirement Plan.
- If you were previously employed as a general state employee covered under the Hybrid Retirement Plan and return to work as a police officer with a political subdivision that has elected to provide police officers enhanced hazardous duty benefits, you will be covered under the enhanced hazardous duty benefits as a VRS Plan 2 member. If you later are employed as a state employee, teacher or general political subdivision employee not covered for enhanced benefits and do not take a refund of your defined benefit member contributions and interest, you will be covered under the Hybrid Retirement Plan.

### If You Return to VRS-Covered Employment After Taking a Refund

If you were previously employed in a covered position and took a refund of your defined benefit member contributions and interest, you will be rehired under the applicable VRS retirement plan for your position as follows:

Hybrid Retirement Plan	Plan 2
<ul style="list-style-type: none"><li>• A general state employee</li><li>• A teacher or other professional employee of a local public school division</li><li>• A general employee of a VRS-participating political subdivision (city, county, town, authority, commission or non-professional employee of a public school division)</li><li>• A local law enforcement officer, firefighter or emergency medical technician whose employer does not provide enhanced hazardous duty benefits</li><li>• An employee who elected the Hybrid Retirement Plan instead of an optional retirement plan (ORP) authorized or administered by VRS</li></ul>	<ul style="list-style-type: none"><li>• A position covered under the State Police Officers' Retirement System (SPORS)</li><li>• A position covered under the Virginia Law Officers' Retirement System (VaLORS)</li><li>• A position with a political subdivision that provides enhanced hazardous duty benefits or the hazardous duty alternate option</li></ul>

### Requesting a Distribution: Defined Contribution

There are a variety of distribution options available to you; see Distribution Options.<sup>†</sup> To request a distribution you must submit the appropriate distribution form to ICMA-RC by mail or by fax. The form can be found at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). A separate form is required for distributions from both the Hybrid 457 Deferred Compensation Plan and the Hybrid 401(a) Cash Match Plan. A required minimum distribution will begin if you have not arranged to receive payments from your plan by age 70½ or when you separate employment, whichever is later.

**When to expect your distribution.** You are eligible for a distribution following a bona fide break in service of at least one full calendar month after you have left all employment and are no longer being reported to VRS by your employer. Periods of leave with or without pay, summer breaks, intersession periods, educational leave and sabbaticals do not count toward this break in service. (see Requesting a Refund, When to Expect Your Refund Examples).

**For more information regarding your account,** contact ICMA-RC; call toll-free at 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) and ask to speak with an Investor Services Representative.<sup>†</sup>



**Taxes on distributions.** Generally, if you have a distribution paid directly to you, ICMA-RC will withhold federal taxes of 20 percent and, if you live in Virginia, state taxes of 4 percent. However, you may request to have additional taxes withheld at the time of distribution. If you take a distribution from the Hybrid 401(a) Cash Match Plan paid directly to you before age 59½, the Internal Revenue Service (IRS) may impose an additional 10 percent tax penalty for early withdrawal; there are exceptions to this rule. There is no early withdrawal penalty if you take a distribution from the Hybrid 457 Deferred Compensation Plan upon leaving employment. For more information, read the IRS 402(f) Special Tax Notice available at [www.varetire.org/irs402f](http://www.varetire.org/irs402f); or contact a tax advisor or the IRS toll-free at 1-800-829-1040, or [www.irs.gov](http://www.irs.gov).

## Impact of Leaving Covered Employment

### VRS Group Life Insurance

**Basic group life insurance.** If you are covered under the VRS Group Life Insurance Program and leave covered employment before you are eligible to retire, or if you take a refund of your member contributions and interest from the defined benefit component, your basic group life insurance coverage will end within 31 days of the end of the month in which the last premium is paid. If you die before the end of this period, your beneficiary will receive your natural death benefit. You can convert your coverage to an individual policy if you leave employment before you reach retirement eligibility. If you have reached retirement eligibility but defer retirement and do not take a refund of your defined benefit member contributions and interest, some basic life insurance benefits will continue after you leave your position.

**Optional group life insurance.** If you have optional group life insurance coverage and leave covered employment, you may convert your coverage to an individual policy. If you do not convert your coverage and you die within 31 days of the end of the month in which the last premium is paid, your beneficiary will receive your optional group life insurance natural death benefit.

**Converting your group life insurance.** If you wish to convert your coverage to an individual policy, you must do so within 31 days of your last day of employment; you will pay the premiums. Proof of good health will not be required. This option is not available after 31 days. Submit a Conversion of Group Life Insurance Enrollment (VRS-35E) to Minnesota Life at P.O. Box 1193, Richmond, VA 23218-1193. The form is available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). For more information, call Minnesota Life toll-free at 1-800-441-2258.

#### For more information

**about vesting,** see Chapter

2 – Defined Contribution

Component

#### Before leaving your

**position.** If you are not taking a refund, submit a Name and Address Declaration for Deferred Members (VRS-3A) to VRS. Use the VRS-3A to notify VRS of any future address changes. The form is available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid).

## Health Insurance

If you are a [state employee](#), your health insurance coverage will end on the last day of the month in which you leave covered employment. You may elect to extend your health insurance for up to 18 months from this date or convert your coverage to an individual policy; you will pay the premiums. For more information, visit the Department of Human Resource Management website at [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov), or call Anthem Blue Cross/Blue Shield toll-free at 1-800-552-2682.

If you are a [school division or a political subdivision employee](#), check with your human resource office about health insurance coverage if you leave employment.

## Disability Coverage

If you leave your position, your coverage under the Virginia Sickness and Disability Program (VSDP), if you are a state employee, or the Virginia Local Disability Program (VLDP), if you are a school division or a political subdivision employee and your employer participates in VLDP, will end with your last day of employment. Check with your HR office for more information if your employer provides a comparable plan in lieu of VLDP.

## Long-Term Care Coverage

If you are covered under VSDP or VLDP and leave or retire from your position, your long-term care coverage will end. You can elect to continue your coverage, which will be retroactive to your last day of employment; you will pay the premiums. You will qualify for the same benefits as active participants and must meet the same eligibility requirements when submitting a claim for covered services. To continue your coverage, submit the Long-Term Care Plan Authorization of Coverage Retention (VRS-170) and the Long-Term Care Plan Protection Against Unintentional Lapse (VRS-171) to the Long Term Care Group, Inc. within 60 days of your last day of employment at P.O. Box 64011, St. Paul, MN 55164-0011. The forms are available at [www.varetire.org/hybrid](http://www.varetire.org/hybrid). This option is not available after 60 days.

## Sick Leave and Annual Leave

If you are a [state employee](#) and leave your position, you are not eligible for a payment of unused sick leave; however, you may be eligible for a payment of unused annual leave. Contact your human resource office for more information.



## Severance Benefits

You may be eligible for severance benefits under the defined benefit component of your plan if you are involuntarily separated from employment. Please see your human resource office for eligibility details.

**Special waiver for selected positions.** If you hold one of the following positions, are involuntarily separated from employment for reasons other than cause and have 20 or more years of creditable service at the time of separation, you may be eligible to retire with an unreduced benefit as early as age 60:

- Agency head appointed by the Governor or a state board, commission or council
- School superintendent
- County, city or town manager or attorney
- Constitutional officer (if your position is abolished)

Your employer must certify your eligibility on the Certification of Exception from General Early Retirement Provisions (VRS-8). If you return to covered employment, you will be subject to the normal provisions for unreduced and reduced retirement under the defined benefit component, unless you are in a position that qualifies for this special waiver.

### Workforce Transition Act and Transitional Benefits Program

As a state employee, if your involuntary separation is a layoff because of a budget reduction, agency reorganization, workforce downsizing or another cause not related to job performance or misconduct, you may qualify for Workforce Transition Act benefits.

If you are a school division or political subdivision employee, you may qualify for the Transitional Benefits Program.

Sheriffs, treasurers, commissioners of revenue, commonwealth's attorneys and circuit court clerks are not eligible for the Transitional Benefits Program. However, personnel reporting to these employees are eligible for the program.

**Your employer will notify you if you are involuntarily separated from employment and coordinate your severance benefits.** For more information, contact your human resource office. For more information about your options under the defined contribution component of your plan, call toll-free 1-VRS-DC-Plan1 (1-877-327-5261, select option 1) to speak with an Investor Services Representative.

A man and a woman are looking at a laptop screen. The man is on the left, resting his chin on his hand, and the woman is on the right, smiling. They are both looking at the laptop screen. The image is in a blue-tinted, semi-transparent style.


# Benefits in 5 Retirement at a Glance

Learn more about your retirement payments and insurance eligibility.

How Can I Receive My Payments?

Direct Deposit

After you retire, your monthly benefit from the defined benefit component will be deposited to the financial institution account you designate on the Authorization for Direct Deposit of Monthly Benefit (VRS-57). Benefit payments are deposited on the first of the month for the preceding month's benefit. If the first falls on a weekend or holiday, the payment will be deposited on the last business day of the preceding month. If the net amount of your benefit changes, you will receive an earnings statement from VRS reflecting the new amount.



After you retire, you can create a secure online myVRS retiree account to access information about your benefit payments, taxes, the COLA and more. Your retiree account is based on information you provide when you apply for retirement and information your employer reports to VRS.

The defined contribution component offers a variety of distribution options.<sup>†</sup> Through ICMA-RC you can request payment via direct deposit or a check. At the time of your request, you can choose any date for direct deposit.

Taxes

Your retirement benefit under the defined benefit component will be subject to federal income taxes and, if you live in Virginia, state income taxes. Distributions from the defined contribution component will be subject to federal as well as state income taxes if you live in a state that taxes income.

**R-1099 form.** After you retire, you will receive a R-1099 form from VRS and ICMA-RC each January for the previous calendar year's benefit payments and tax withholdings. You will receive a R-1099 form from ICMA-RC for any defined contribution account distributions.<sup>†</sup> You will file this form with your federal and state income tax returns.

**Imputed income taxes.** You also will receive Form W2 from VRS if you participate in the VRS Group Life Insurance Program and have imputed income. Imputed income is the cost of VRS group life insurance over \$50,000 on the premiums paid by VRS and is subject to income taxes and FICA (Social Security and Medicare) taxes.

## Social Security

You will be eligible for a full Social Security retirement benefit when you reach your normal Social Security retirement age. Normal Social Security retirement age for people born in the year 1960 or later is age 67. You may qualify for a reduced benefit as early as age 62.

For more information, call the Social Security Administration toll-free at 1-800-772-1213, visit [www.ssa.gov](http://www.ssa.gov) or contact your local Social Security Administration office. A chart showing all normal retirement ages under Social Security is available at [www.varetire.org/retirees](http://www.varetire.org/retirees); see Receiving Your Benefit.

## If You Divorce

In the event of a divorce, your VRS retirement benefits may be regarded as marital property in a property settlement. The *Code of Virginia* authorizes a direct payment to a former spouse if he or she is awarded part of your benefit by the court. VRS implements the court decision when it receives a certified copy of an Approved Domestic Relations Order (ADRO). For more information, visit [www.varetire.org/adro](http://www.varetire.org/adro). The *Code of Virginia* also allows other attachments to your VRS benefit, such as IRS tax levies, debt to an employer, child support or other marital rights as stated in an ADRO or divorce decree.

VRS will not release information about your benefit to anyone other than you without your written authorization, unless your information is subpoenaed.

## Working After Retirement

If you decide to work after you retire, you can work for any employer that does not participate in the Virginia Retirement System (VRS) and continue to receive your retirement benefits. If you return to covered employment with a VRS-participating employer, you will become an active member and your retirement benefits and distributions will stop. Note that some part-time permanent salaried state positions are covered under VRS.

In some cases, you can work in a non-covered position with a VRS-participating employer and continue to receive your retirement benefits. Non-covered employment is a part-time position with a VRS-participating employer. Non-covered positions do not provide eligibility for most benefits. Part-time positions typically require 80 percent or less of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require 80 percent or less of the hours per year that would be considered full-time and permanent for that position.

If you return to non-covered employment with the employer from which you retired, you must have a bona fide break in service of at least one full calendar month from your retirement date over a period you normally work to continue receiving your benefits. The Commonwealth of Virginia, including all state agencies and public colleges and universities, is considered one employer. Public school divisions and political subdivisions are considered separate employers.

For more information about working after retirement, visit [www.varetire.org](http://www.varetire.org).

## Cost-of-Living Adjustment (COLA)

Cost-of-living adjustments (COLA) allow your retirement benefit under the defined benefit component to keep pace with inflation. The COLA is based on the Consumer Price Index for all Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics. The COLA is applied to your monthly retirement benefit under the defined benefit component after your COLA goes into effect. The COLA is calculated using the first 2 percent increase in the CPI-U and half of any additional increase (up to 2 percent), for a maximum COLA of 3 percent. During years of no inflation or deflation, the COLA is 0 percent.

### COLA Effective Dates

- If you retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, or if you are involuntarily separated from employment and retire under the Workforce Transition Act or the Transitional Benefits Program, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from your retirement date.
- If you retire with a reduced benefit with fewer than 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from the date you would have become eligible for an unreduced benefit.

### Exceptions to COLA Effective Dates:

- You were within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- You retire directly from short-term or long-term disability under the Virginia Local Disability Program (VLDP) or employer opt-out plan.
- You are involuntarily separated from employment for causes other than job performance or misconduct and are eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- You die in service and your survivor or beneficiary is eligible for a monthly death-in-service benefit.



## Insurance in Retirement

### Group Life Insurance

**Basic group life insurance.** If you are covered under the VRS Group Life Insurance Program and meet the qualifications for retirement upon leaving employment, your coverage will provide:

- **A death benefit** equal to your creditable compensation at retirement, rounded to the next highest thousand and then doubled. If you retire with 20 or more years of creditable service, the death benefit will be based on your highest creditable compensation as a covered employee, even if your salary at retirement is lower. This benefit is payable if you die of natural or accidental causes.
- **The accelerated death benefit option.** If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.

*Note:* If you leave employment, you have the option to convert your coverage to an individual policy.

**Life Insurance Coverage in Retirement.** Your coverage begins to reduce on January 1 following one calendar year of retirement. The reduction rate is 25 percent each January 1 until it reaches 25 percent of the total life insurance benefit value at retirement. If you have at least 30 years of creditable service, your coverage cannot reduce below \$8,000. This minimum will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation.

**Optional group life insurance.** If you are enrolled in the Optional Group Life Insurance Program, you may continue a portion of your coverage into retirement or convert your coverage to an individual policy. You as well as your spouse and dependent children, if enrolled, must have been continuously covered during the 60 months preceding your retirement date. You must elect to continue or convert your coverage within 31 days of your retirement date. This option is not available after 31 days.

### Retiree Health Insurance

**If you retire as a state employee,** you are eligible to enroll in the State Retiree Health Benefits Program. You can elect coverage when you apply for retirement or within 31 days of your last day of employment. If you defer receiving a retirement benefit, you will not be eligible to enroll in the program; if you waive coverage, you will not be able to enroll at a later date. For more information, visit the Department of Human Resource Management website at [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov).

**If you are a school division or a political subdivision employee,** contact your human resource office for more information about retiree health insurance your employer may offer. Some employers have arranged with VRS to deduct the premiums from the monthly benefit payment under the defined benefit component.

## Health Insurance Credit

If you retire with at least 15 years of creditable service, you may be eligible for the health insurance credit. This is a tax-free benefit that assists with health insurance premiums you pay for single coverage under qualifying health plans, excluding any portion of the premiums covering a spouse or dependents.

Eligible employees include:

- State employees
- Teachers and school administrators
- General registrars and their employees, constitutional officers and their employees and local social service employees
- Employees of political subdivisions that have elected to provide the health insurance credit

The health insurance credit is applied to your monthly benefit payment under the defined benefit component of your plan. If you do not receive a monthly benefit, VRS will reimburse you for the amount. The credit ends upon your death.

For health insurance credit amounts, see [www.varetire.org](http://www.varetire.org).

## Long-Term Care Coverage

**Your coverage under the Virginia Sickness and Disability Program Long-Term Care Plan or the Virginia Local Disability Program Long-Term Care Plan** will end when you retire. You can elect to continue your coverage, which will be retroactive to your last day of employment; you will pay the premiums. This option is not available after 60 days from your retirement date.

If you are a school division or a political subdivision employee and are covered under a comparable program offered by your employer, you are not eligible for the VLDP Long-Term Care Plan. Contact your human resource office about long-term care coverage your employer may offer and whether you can continue this coverage after you retire.

For more information about these retiree benefits, visit [www.varetire.org](http://www.varetire.org).



A blue-tinted photograph of a man and a woman riding a white scooter on a paved road. The woman is in the passenger seat, wearing a white helmet, sunglasses, and a light-colored dress, smiling back at the camera. She is holding a white tote bag and a clear plastic bottle. The man is driving, also wearing a white helmet. The scooter has a license plate that reads "เอส. ที. กระบี่". The background shows a road curving into the distance with some foliage on the left.

# Frequently Used Terms 6

## A reference for Hybrid Retirement Plan members.

<b>Active Member</b>	You are an active member if you are working in a covered position with an employer that participates in the Virginia Retirement System (VRS).
<b>Active Service</b>	Active service is the number of months and years you work in a covered position. You earn service for each month you are employed and being reported to VRS by your employer.
<b>Actuarial Equivalent Cost</b>	Actuarial equivalent cost represents the amount of money needed in today's dollars to pay for the total value of the increase in your future retirement benefit or earlier retirement eligibility date resulting from purchasing prior service. If you purchase prior service after your two-year approximate normal cost window, your cost will be based on this rate.
<b>Actuarially Determined Rate</b>	A contribution rate established by the Plan actuary, using the actuarial methods, assumptions and funding policy approved by the VRS Board that are used to generate employer and employee contributions necessary to fund the full amount of money needed to pay member benefits by the time a member retires. These contributions rates take into consideration the employee's life expectancy, normal retirement age, annual retirement benefit amounts and the potential for employee turnover using past experience as a guide. The actuarially determined rate consists of a normal cost rate, the cost to pay for an additional year of service, plus a contribution to make up any unfunded liabilities that may have occurred due to past experience or plan changes.
<b>Advance Pension Option</b>	The Advance Pension Option is one of the benefit payout options available at retirement under the defined benefit component. This option allows you to temporarily increase your monthly benefit amount until an age you select, between age 62 and your normal retirement age under Social Security. At that point, your benefit is permanently reduced.
<b>Approved Domestic Relations Order (ADRO)</b>	An Approved Domestic Relations Order (ADRO) is a court order related to marital property rights and other attachments to your benefit, such as child support, at the time of divorce. If you divorce, your VRS benefit may be regarded as marital property in a property settlement.
<b>Approximate Normal Cost</b>	Approximate normal cost is the average cost of one year of VRS creditable service. The cost is based on a percentage of your creditable compensation or average final compensation at the time of purchase, whichever is higher.
<b>Asset Allocation</b>	A method of investing by which investors include a range of different investment classes, such as stocks, bonds and cash equivalents, in their portfolios.

<b>Asset Classes</b>	A group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds) and cash equivalents (e.g., money market funds).
<b>Auto-Escalation</b>	The defined contribution component provides a feature that automatically increases your voluntary contributions 0.5 percent every three years thereafter. This feature goes into effect on January 1, 2017. Before each auto-escalation date, members will receive opt-out information.
<b>Average Final Compensation</b>	Average final compensation is the average of your 60 consecutive months of highest creditable compensation as a covered employee. It is one of the factors used to calculate your retirement benefit under the defined benefit component.
<b>Basic Benefit</b>	The Basic Benefit is a monthly benefit in retirement under the defined benefit component. It is based on your age, total creditable service and average final compensation. The Basic Benefit does not provide a continuation of a benefit to a survivor; however, any balance remaining in your member contribution account upon your death will be paid in a lump sum to your named beneficiary.
<b>Beneficiary Designations</b>	Upon your death, your named beneficiary is eligible for a payment of any balances remaining in your accounts under the defined benefit and defined contribution components as well as any VRS group life insurance benefits you may have. Beneficiary designations for each account are separate; you can designate the same or different beneficiaries for each account.
<b>Benefit Payout Options</b>	When you apply for service retirement under the defined benefit component, you elect how you want to receive your benefit. You choose from four benefit payout options, depending on your eligibility: Basic Benefit, Survivor Option, Partial Lump-Sum Option Payment (PLOP) or Advance Pension Option. The option you elect is irrevocable; you cannot change it once you retire, with the exception of the Survivor Option under some conditions.
<b>Bona Fide Break in Service</b>	A bona fide break in service is a break of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. Periods of leave with or without pay, summer breaks, intersession periods, educational leave or sabbaticals do not count toward satisfying this break in service.
<b>Child-Support Liens</b>	The Department of Social Services may file child-support liens against proceeds payable under the VRS Group Life Insurance Program. VRS is required to pay life insurance proceeds to the Department of Social Services to satisfy any outstanding child-support obligations at your death.
<b>Consumer Price Index for all Urban Consumers</b>	The VRS cost-of-living adjustment (COLA) is based on the Consumer Price Index for all Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics. The CPI-U is defined as a measure of the average change over time in the prices paid by urban consumers for goods and services, such as food, housing, apparel, transportation, medical care, recreation, education, communication and other goods and services.
<b>Cost-of-Living Adjustment (COLA)</b>	Cost-of-living adjustments (COLAs) allow your retirement benefit under the defined benefit component to keep pace with inflation once you retire and qualify for the COLA. It is based on the Consumer Price Index for all Urban Consumers (CPI-U), published by the U.S. Bureau of Labor Statistics and updated each July 1. During years of no inflation or deflation, the COLA will be 0 percent.
<b>Covered Employment</b>	Covered employment is a full-time permanent salaried position with a VRS-participating employer. Some part-time permanent salaried state and non-adjunct faculty positions requiring at least 20 hours but fewer than 40 hours a week also are covered under VRS.

<b>Creditable Compensation</b>	Creditable compensation is your annual salary, not including overtime pay, payment of a temporary nature or payments for extra duties, such as pay for teachers who provide coaching or act as an advisor for special activities.
<b>Creditable Service</b>	Creditable service includes active service for each month you are working in a covered position as well as credit for prior service you may purchase or additional service you may be granted. Creditable service counts toward vesting in the defined benefit component. Creditable service is used to determine your eligibility for retirement and to calculate your retirement benefit under the defined benefit component. It also counts toward qualifying for the retiree health insurance credit if offered by your employer.
<b>Death-in-Service Benefit</b>	If you die while you are an active member ("in service"), your named beneficiary or your survivor may be eligible for a death-in-service benefit in addition to any VRS group life insurance benefits for which you may be eligible under the defined benefit component.
<b>Deferred Member</b>	You are considered a deferred member if you have left covered employment but have not retired or withdrawn your defined benefit member contributions and interest and have defined benefit service credit with VRS.
<b>Defined Benefit Component</b>	The defined benefit component provides a retirement benefit based on your age, total creditable service and average final compensation at retirement. VRS manages the investments and related risk for member and employer contributions under this component.
<b>Defined Contribution Component</b>	The defined contribution component of the Hybrid Retirement Plan provides a retirement benefit based on member and employer contributions and net investment gains on contributions. You manage the investments and related risk for this component.
<b>Defined Contribution Plans</b>	The defined contribution plans administered or authorized by VRS include the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans; the Hybrid 457 Deferred Compensation Plan and Hybrid 401(a) Cash Match Plan; the Optional Retirement Plan for Political Appointees, Optional Retirement Plan for School Superintendents and Optional Retirement Plan for Higher Education; and the Virginia Supplemental Retirement Plan for certain school employees. The benefit under a defined contribution plan is based on contributions and net investment gains on contributions.
<b>Distribution</b>	<p>A distribution is a lump-sum payment, a periodic payment or an annuity. Upon leaving employment, you can elect one of these payments methods for your account balances in the Hybrid 401(a) Cash Match Plan and the Hybrid 457 Deferred Compensation Plan.<sup>†</sup> The employer contributions and net investment earnings on employer contributions are subject to a vesting schedule; see Vesting-Defined Contribution Component.</p> <p>If you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, you can request a lump-sum payment, a periodic distribution or a combination of these methods upon retiring or leaving employment.</p>
<b>Diversification</b>	The practice of investing in multiple asset classes and securities with different risk characteristics to reduce the risk of owning any single investment. Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.
<b>Employer Contributions</b>	<p>Your employer makes a separate contribution to VRS toward funding current and future benefits for all covered employees in the defined benefit Plan 1 and Plan 2 and the defined benefit component of the Hybrid Retirement Plan. Members are not eligible for a refund of this separate employer contribution. See Actuarially Determined Rate.</p> <p>Your employer also contributes a mandatory 1 percent of your creditable compensation each month to the Hybrid 401(a) Cash Match Plan under the defined contribution component as well as matching contributions if you make additional voluntary contributions through the Hybrid 457 Deferred Compensation Plan.<sup>†</sup></p>

<b>R-1099 Form</b>	After you retire, you will receive a R-1099 from VRS each January for the previous year's benefit payments and tax withholdings. You will file this form with your income tax returns.
<b>Full-Time Employment</b>	Full-time employment is typically 40 hours a week. Thirty-two hours a week is considered the minimum number for full-time employment. Employers, not VRS, classify positions as full time or part time and define the hours applicable to each classification.
<b>Hybrid 401(a) Cash Match Plan</b>	The Hybrid 401(a) Cash Match Plan is a defined contribution plan provided through the defined contribution component. Member and employer mandatory contributions and employer matching contributions <sup>†</sup> are deposited to this plan.
<b>Hybrid 457 Deferred Compensation Plan</b>	The Hybrid 457 Deferred Compensation Plan is a tax-deferred savings plan provided through the defined contribution component. Member voluntary contributions <sup>†</sup> are deposited to this plan.
<b>Hybrid Retirement Plan</b>	<p>You are covered under the Hybrid Retirement Plan if your membership date is on or after January 1, 2014. This includes judges elected or appointed to an original term on or after January 1, 2014, regardless if vested in VRS Plan 1 or VRS Plan 2. You are not eligible to participate in the hybrid plan if you are a member of SPORS, VaLORS or an employee of a political subdivision covered by enhanced benefits for hazardous duty employees or the hazardous duty alternate option. If you were hired on or after January 1, 2014, and are eligible for an Optional Retirement Plan, you must elect the ORP or the VRS Hybrid Retirement Plan. If you have prior service under Plan 1 or Plan 2, you are not eligible to elect the hybrid plan and will choose between the ORP or the applicable VRS defined benefit plan.</p> <p><i>Note:</i> Plan 1 and Plan 2 state, school division and political subdivision employees had the opportunity to make an irrevocable decision to elect the Hybrid Retirement Plan during an election period held January 1 to April 30, 2014. If elected, participation in the hybrid plan began July 1, 2014.</p>
<b>Imputed Income</b>	Imputed income is the cost of life insurance in excess of \$50,000, as determined by the Internal Revenue Service (IRS). It is subject to FICA (Medicare and Social Security) taxes and income taxes, and is reflected in your W-2 you receive from your employer. If you are covered under the VRS Group Life Insurance Program when you retire, VRS will deduct FICA taxes and report taxable or imputed income for as long as your group life insurance exceeds \$50,000.
<b>Irrevocable Assignment</b>	Irrevocable assignment means assigning your ownership rights in your life insurance coverage to another person or an entity, such as an eligible trust or charity. You cannot change this assignment once it is made.
<b>Mandatory Employer Defined Benefit Contributions</b>	For the defined benefit component of your hybrid plan, your employer contributes an actuarially determined rate, on behalf of all covered employees.
<b>Mandatory Employer Defined Contributions</b>	For the defined contribution component of your hybrid plan, your employer contributes a mandatory 1 percent as well as matching contributions, up to 2.5 percent, on any voluntary contributions you make. You invest these contributions through your Hybrid 401(a) Cash Match Plan.

<b>Mandatory Retirement Distribution</b>	If you defer retirement under the defined benefit component and do not apply for retirement by April 1 following the calendar year in which you turn age 70½, VRS will be required by law to begin paying you a monthly retirement benefit. If you do not submit a retirement application, you will receive the Basic Benefit. See Benefit Payout Options. If you are not vested, you will receive a refund of your defined benefit member contribution account balance, excluding any member contributions made by your employer to your account after July 1, 2010, and the interest on these contributions.
<b>Market Capitalization (Market Cap)</b>	The market value of a company's outstanding securities. Market capitalization can be determined by multiplying the number of outstanding shares of a company's stock by the stock's current market price per share.
<b>Member Contributions</b>	<p>You contribute a mandatory 4 percent of your creditable compensation each month to your member contribution account under the defined benefit component and a mandatory 1 percent of your creditable compensation each month to the Hybrid 401(a) Cash Match Plan under the defined contribution component.</p> <p>Your employer contributes a mandatory 1 percent of your creditable compensation as well as any matching contributions on voluntary contributions<sup>†</sup> to your hybrid 401(a) plan. You can make voluntary contributions of up to 4 percent of your creditable compensation through the Hybrid 457 Deferred Compensation Plan.<sup>†</sup></p> <p>Your contributions are made on a pre-tax salary reduction basis. You pay taxes only when you receive the money from your accounts as part of your retirement benefit, a refund or a distribution.</p>
<b>Membership Date</b>	Membership is based on the date you are first reported to VRS in a covered position. If you have previous VRS service but took a refund, your membership is the date you return to covered employment.
<b>Member Voluntary Contributions</b>	As a hybrid plan member, you have the opportunity to make voluntary contributions through the defined contribution component of your plan. You may contribute up to 4 percent of your creditable compensation, with a maximum employer match of 2.5 percent. You invest these contributions in the Hybrid 457 Deferred Compensation Plan. <sup>†</sup> Contributions are tax-deferred until you leave or retire and withdraw your money from your plan. In addition, you may be able to contribute additional money to a supplemental defined contribution plan, if offered by your employer.
<b>Net Investment Earnings</b>	Net investment earnings represent gains and losses on contributions in your accounts under the defined contribution component.
<b>Non-Covered Employment</b>	Non-covered employment is a part-time position with a VRS-participating employer. Non-covered positions do not provide eligibility for benefits. Part-time positions typically require 80 percent or less of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require 80 percent or less of the hours per year that would be considered full-time and permanent for that position. Note that some part-time permanent salaried state positions are covered under VRS.
<b>Order of Precedence</b>	If there is no valid beneficiary designation on file or your beneficiary is deceased at the time of your death, VRS is required by law to pay benefits according to an order of precedence.



<b>Part-Time Employment</b>	Part-time employment is typically less than 80 percent of full-time employment. Employers, not VRS, classify positions as full-time or part-time and define the hours applicable to each classification.
<b>Partial Lump-Sum Option Payment (PLOP)</b>	The Partial Lump-Sum Option Payment (PLOP) is one of the benefit payout options available at retirement under the defined benefit component. You may elect a PLOP if you work at least one year beyond the date you first become eligible for an unreduced retirement benefit. You can choose an amount equal to one, two or three times your annual retirement benefit amount, depending on how long you work beyond your unreduced retirement eligibility date. This option is paid from your defined benefit member contribution account and reduces your monthly benefit.
<b>Plan 1</b>	You are covered under Plan 1 if your membership date is prior to July 1, 2010, and you were vested before January 1, 2013, and have not taken a refund. You are covered under Optional Retirement Plan 1 if you have an ORP membership date before July 1, 2010. If you have a pre-July 1, 2010, ORP account balance and moved to a defined benefit plan, you must have any combination of VRS creditable service and/or ORP participation that totals five years as of January 1, 2013, to be considered a Plan 1 member.
<b>Plan 2</b>	You are covered under Plan 2 if your membership date is from July 1, 2010, to December 31, 2013, and you have not taken a refund. Additionally, you are covered under Plan 2 if you have a membership date prior to July 1, 2010, but you were not vested before January 1, 2013. You are covered under Optional Retirement Plan 2 if you have an ORP membership date after July 1, 2010. If you are a member of VaLORS or SPORS, or an employee of a political subdivision that covers you with enhanced hazardous duty benefits or the hazardous duty alternate option and were hired on or after July 1, 2010, you are in Plan 2, even if your membership date is after December 31, 2013.
<b>Plan Provisions</b>	Plan provisions are the requirements that govern the plans or programs under which you are covered based on your current position.
<b>Power of Attorney</b>	Under a power of attorney, you can name an individual as your agent to take actions on your behalf and in accordance with your wishes. To name an agent for VRS matters, submit a VRS Durable Power of Attorney (VRS-901).
<b>Prior Service Credit</b>	Eligible prior service includes federal and other public service, active duty military service, certain types of leave and VRS refunded service. If you have prior service, you may be eligible to purchase this service as credit in your plan. Prior service credit counts toward vesting in the defined benefit and defined contribution components, eligibility for retirement and eligibility for the health insurance credit, if offered by your employer.
<b>Refund</b>	<p>A refund is a lump-sum payment of your member contribution account balance under the defined benefit component. Taking a refund cancels your membership and eligibility for any future benefits.</p> <p>If you leave covered employment, you can request a refund of your defined benefit member contribution account. You become vested in the defined benefit component of your plan when you have at least five years (60 months) of creditable service. Vesting under this component means you are eligible to qualify for retirement, if you meet the age and service requirements for your plan, or to receive a full refund of your member contribution account balance, if you leave employment before retirement and request a refund.</p>
<b>Required Minimum Distribution</b>	A required minimum distribution will begin if you have not arranged to receive distributions from the Hybrid 401(a) Cash Match Plan, the Hybrid 457 Deferred Compensation Plan or the Commonwealth of Virginia 457 Deferred Compensation Plan (if you participate in this plan) by age 70½ or when you leave a position with an employer providing the plan, whichever is later.



<b>Retiree</b>	You are a retiree if you are no longer employed in a covered position and are receiving a VRS monthly retirement benefit through the defined benefit component.
<b>Retirement Benefit – Reduced</b>	You are eligible for a reduced benefit under the defined benefit component beginning at age 60 with at least five years of creditable service.
<b>Retirement Benefit – Unreduced Retirement Date</b>	You are eligible for an unreduced benefit under the defined benefit component when you reach your normal Social Security retirement age and have at least five years of creditable service or when your age and service credit equal at least 90 (Rule of 90). Example: Age 60 with 30 years of creditable service. The effective date of retirement is the first of the month.
<b>Retirement Multiplier</b>	<p>The retirement multiplier under the defined benefit component of the Hybrid Retirement Plan is 1.0 percent. A retirement multiplier is a factor that determines how much of your average final compensation will be used to calculate your retirement benefit under the defined benefit component.</p> <p>If your membership date is before January 1, 2014, and you elected to transfer to the Hybrid Retirement Plan from the VRS Plan 1 or VRS Plan 2, service you earned, purchased or were granted before January 1, 2014, will be calculated using different retirement multipliers. Visit <a href="http://www.varetire.org">www.varetire.org</a> for more information about retirement multipliers for different VRS plans.</p>
<b>Rollover</b>	A rollover is a transfer from one qualified plan to another qualified plan that allows you to consolidate your retirement assets.
<b>Survivor Option</b>	The Survivor Option is one of the benefit payout options available at retirement under the defined benefit component. Under the Survivor Option, you elect to continue a monthly benefit to a survivor upon your death. This option reduces your monthly benefit. You can name any living person as your survivor; you also can name more than one survivor.
<b>Vesting – Defined Benefit Component</b>	You become vested in the defined benefit component when you have at least five years (60 months) of creditable service. Vesting is the minimum length of service needed to qualify for a retirement benefit, if you meet the age and service requirements for your plan. If you leave employment, you can request a refund of your defined benefit member contributions and interest; you must be vested to receive any member contributions made by your employer after July 1, 2010, and the interest on these contributions, unless you are involuntarily separated for causes other than job performance or misconduct.
<b>Vesting – Defined Contribution Component</b>	You become fully vested in the employer contributions and net investment earnings on employer contributions in the Hybrid 401(a) Cash Match Plan when you have four years of creditable service; Vesting in the Hybrid 457 Deferred Compensation Plan is immediate. Upon retiring or leaving employment, you can withdraw 100 percent of your hybrid 457 plan account balance.

† Some provisions related to the voluntary contributions and associated employer match may differ for school division employees who have elected to use an employer-sponsored hybrid 403(b). For additional information, contact your human resource office.







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