

# Retiree Handbook



# Handbook for Retirees Virginia Retirement System



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# Retiree Handbook

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## Your Retirement And Your Benefits

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This Virginia Retirement System (VRS) publication gives you information about your benefits after retirement. It also includes information for your beneficiary. Keep this handbook with your important papers so that you can use it as a reference. VRS hopes this handbook helps make your transition to retirement easier and your retirement more pleasant and rewarding.

You can find answers to most of your retirement questions either in this publication or on the VRS Web site at [www.varetire.org](http://www.varetire.org).

You can access your own VRS retirement account information through *myVRS*, a secure online system available on the VRS Web site. Through *myVRS* you can look up your benefit payment information, tax, health insurance and health insurance credit information, life insurance and more.

### Contact Information

The Virginia Informational Phone System (VIPS) is an interactive voice response system that gives you a quick and easy way to get information about VRS benefits. You can use VIPS seven days a week from 7 a.m. to midnight. You can find out about your taxes, life insurance and direct deposit. In addition, you may listen to details about your most recent benefit payment and the payment option you selected at retirement.

You can register for VIPS by calling toll-free 1-888-VARETIR (1-888-827-3847). During your first call, you provide your Social Security number and date of birth. You then select a four-digit personal identification number (PIN). Make sure to record your PIN for future use. VRS does not keep track of PINs. To maintain security, do not share your PIN with anyone else.

VRS is open from 8:30 a.m. to 5:00 p.m., Monday through Friday, except during state holidays. The VRS telephone number is:

Toll free: 1-888-VARETIR (1-888-827-3847)

VRS receives a high volume of calls at the beginning of each month and at the beginning of each week. The best times to call are Wednesdays through Fridays during the middle of the month. When calling VRS, please have your Social Security number available.

Information about your account cannot be released to anyone other than you over the phone unless VRS has received a written authorization from you.



Address all correspondence to:  
Virginia Retirement System  
P. O. Box 2500  
Richmond, VA 23218-2500  
Fax: 804/786-1541  
E-Mail: [vrs@varetire.org](mailto:vrs@varetire.org)

When writing to VRS, include your full name and Social Security number so that VRS can respond to your request accurately.

The VRS e-mail is not a secured system. To protect your personal information, please do not include your Social Security number or any other personal or financial identification when e-mailing VRS. VRS will send only non-confidential replies.

Questions about Basic Group Life Insurance or Optional Group Life Insurance should be addressed to:

Minnesota Life  
P.O. Box 1193  
Richmond, VA 23218-1193  
Toll free: 1-800-441-2258

Questions about long-term care coverage should be addressed to Aetna U.S. Healthcare toll free at 1-877-894-2470 or through Aetna's Web site at [www.aetna.com/group/commonwealthva](http://www.aetna.com/group/commonwealthva).

You can find a list of other resources on page 17 of this handbook.



*For up-to-date  
information,  
visit the VRS Web site:  
[www.varetire.org](http://www.varetire.org)*

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## Welcome to Retirement

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As a retiree, you are among more than 133,000 retired state employees, teachers, local government and school board employees. Most retirees remain in Virginia, but other popular states are Florida, North Carolina, Maryland, Tennessee and West Virginia. Many VRS retirees live in other parts of the country and others live as far away as Australia, Spain and Israel.



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## The Virginia Retirement System and Your Benefits

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The Virginia Retirement System, an independent state agency, provides financial security for Virginia public employees. VRS funds are separate from other state funds and can be used only to pay administrative costs and benefits to retirees and beneficiaries of the retirement system.

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## Some Basic Facts About Your Retirement Benefit

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VRS is a defined benefit plan. This means that your retirement benefit is not based on your contributions to the system, but instead is based on your age at retirement, your average final compensation (the average of your three consecutive years of highest compensation) and your years of service. Your benefit amount also depends on the type of retirement option you chose. If you chose the Survivor Option or the Advance Pension Option, or if you received a Partial Lump-Sum Option Payment, your benefit is different than if you chose the Basic Benefit.

During your retirement, your benefit payment is funded first from your member account, then from employer contributions and VRS investment earnings. The member contributions provide a retirement benefit for only a short period of time, usually just over three years.

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## Your VRS Retirement Options

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When you retired, you had a choice of one of these options for how VRS pays your retirement benefit to you:

### Basic Benefit

If you chose the Basic Benefit, you receive an amount based on your average final compensation, your years of service and your age at retirement. It is a lifetime benefit and continues until your death. It does not continue to another person at your death. If you die before the amount credited to your member account has been paid to you, the remaining funds are paid in a lump sum to your designated beneficiary. If you selected the Basic Benefit at retirement, you cannot change this option after your effective date of retirement.

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## Survivor Option

You may have chosen to receive a benefit amount less than the Basic Benefit during your lifetime in order to provide a benefit at your death to your survivor (called your contingent annuitant). Your contingent annuitant may be your spouse or any other individual you select.

At retirement you had the choice of any whole percentage of your monthly benefit to be paid to your contingent annuitant after your death, from 10 percent to 100 percent. When you die, your contingent annuitant receives a monthly amount that is a percentage of the benefit you were receiving at the time of your death. This benefit continues to your contingent annuitant for life.

There are a few situations that allow you to change the Survivor Option. (see below).

## Advance Pension Option

Perhaps you chose the Advance Pension Option when you retired. The Advance Pension Option allows you to temporarily increase your VRS retirement benefit from the time you retire to an age you selected (at least age 62, but no later than your normal retirement age under the Social Security Act).

When you reach the age you selected, your retirement benefit will be decreased by the amount shown on the Social Security estimate you provided to VRS at your retirement. The reduced benefit will not be less than 50 percent of your Basic Benefit. The reduction remains in effect for life.

This option provides a level income throughout your retirement when coordinated with your Social Security benefit.

Cost-of-living increases are based on the Basic Benefit you would have received had you not selected the Advance Pension Option.

This option does not provide a survivor benefit.

## Partial Lump-Sum Option Payment

If you chose the Partial Lump-Sum Option Payment (PLOP), you received a lump-sum payment of up to three times your annual benefit amount at retirement if you worked past the date you became eligible for unreduced retirement.

Your monthly retirement was reduced on an actuarially equivalent basis to reflect the payment of the lump-sum distribution.

## Changing Your Option

If you selected the Basic Benefit, the Basic Benefit with the PLOP or the Advance Pension Option, you may not change the option.

If you selected the Survivor Option or the Survivor Option with the PLOP, you may revert to the Basic Benefit or you may name another person to receive survivor benefits if:

- Your contingent annuitant dies, or



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- You divorce your contingent annuitant after fewer than 20 years of marriage, or
  - You supply VRS with written consent from your contingent annuitant relinquishing claim to a benefit, along with satisfactory evidence of his or her good health.

If you chose the Survivor Option or the Survivor Option with the PLOP, you may elect to change your survivor only once.

If you return to VRS-covered employment and retire a second time, you must choose the same payout option you chose in your first retirement.



*You are eligible for a COLA on July 1 of the second calendar year after you retire.*

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## Cost-of-Living Adjustments

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You will be eligible for a cost-of-living adjustment (COLA), beginning July 1 of the second calendar year after you retire. For example, if you retired on December 1, 2009, you'll receive a COLA effective July 1, 2011. Any increases after that will be yearly. Cost-of-living adjustments take effect July 1 of each year and are reflected in your August 1 payment.

The amount of the adjustment is equal to the full amount of the first 3 percent increase in the Consumer Price Index - Urban, and half of the increase from 3 to 7 percent. Under current law, cost-of-living adjustments may not exceed 5 percent.

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## Direct Deposit

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VRS uses electronic funds transfer to deposit your benefit payment directly into your bank or credit union account on the first business day of each month. This deposit is your benefit payment for the previous month. If the first day of the month falls on a weekend or holiday, VRS deposits the payments on the last business day of the preceding month.

If you change financial institutions, you need to fill out a new Authorization of Direct Deposit of Monthly Benefit (VRS-57). Attach a voided check with your new account information and return the form to VRS. It takes approximately 60 days before VRS is able to change your deposit to a new financial institution. It is important that you do not make changes to your old account until your monthly benefit is being deposited into your new account.

VRS will send you a statement of monthly earnings any time the net amount of your deposit changes.

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## Change of Address

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VRS sends your annual tax form, the retiree newsletter and other important information to you throughout the year. If you move, please notify VRS of your new address by completing a Name/Address Declaration for Retirees (VRS-58). If you use the United States Postal Service Change of Address form to notify VRS of your address change, be sure to include your Social Security number, sign the card, and send it in an envelope so that your Social Security number is not visible.

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You can also write a letter to VRS to change your home mailing address. Include your name, Social Security number, new address and signature in the letter.

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## Federal and State Income Tax Withholding

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In most cases, you must pay federal and state taxes on your retirement benefit. Your benefit is exempt from taxes only if you have taken the guaranteed benefit under work-related disability retirement. As a convenience to you, VRS withholds state and federal taxes from your retirement benefit.

When you retired, you submitted a Request for Income Tax Withholding (VRS-15) with your retirement application. This form tells VRS the amount of taxes you want withheld from your monthly benefit.

If you do not want taxes withheld, notify VRS (by submitting the VRS-15, available on the VRS Web site at [www.varetire.org](http://www.varetire.org)). If you decide not to have taxes withheld, you may be responsible for paying estimated taxes, and there may be tax penalties if your withholding and estimated tax payments are not sufficient.

You may also need to change your withholding if you have married, divorced or had other changes affecting your tax status during the past year. You can change the withholding amount at any time during the year by filing a new VRS-15. If you are not claiming residence status in Virginia and will not file income taxes with the Commonwealth of Virginia, you must complete the VRS-15 and mark the block indicating “non-resident” status for state taxes.

*myVRS* features an income tax calculation tool which allows you to submit tax withholding changes online. Your account is updated automatically to reflect the changes. You can find the tax calculation tool on your tax information page in *myVRS*.

The value of your basic life insurance coverage in excess of \$50,000 is subject to FICA and federal and state income tax. The amount is reported each year on your W-2 form received from VRS.



*Moving? Download and submit a Name/Address Declaration for Retirees (VRS-58) available on the VRS Web site at [www.varetire.org](http://www.varetire.org)*

The Internal Revenue Service (IRS) or your personal tax advisor can help you determine your actual federal tax liability. Contact the taxpayer assistance unit of the Virginia Department of Taxation (804-367-8031) to help you determine your Virginia state tax liability.

VRS makes every effort to provide you with the best tax information available. It is your responsibility to ensure compliance with federal and state tax laws.

### Non-Taxable Portion of After-Tax Contributions

If you made contributions to VRS on an after-tax basis, or if you purchased service credit on an after-tax basis while actively employed, a portion of each benefit payment may be excluded from your taxable income. This is called the safe harbor amount. It is not taxable for federal and state withholding purposes. Refer to your retirement certificate for any safe harbor amount. Under the safe harbor, the number of monthly benefit payments you are expected to receive is

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determined based on your life expectancy when you retire. This number is divided into the amount of your member contribution account on which you have already paid taxes. The result is the dollar amount of each benefit payment on which no taxes are due. If you chose the Survivor Option, the combined life expectancy of you and your survivor is used. If you live longer than your life expectancy, the entire benefit becomes subject to state and federal income tax.

If, at your death, the full after-tax contributions have not been recovered for tax purposes, the IRS allows the balance to be used as a deduction in the filing of the final tax report.

Further information on the safe harbor method for tax reporting purposes is available in the instructions for completing the IRS form 1040.



*For more information on your health benefits, see the DHRM Web site: [www.dbrm.virginia.gov](http://www.dbrm.virginia.gov)*

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## Health Insurance

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### Health Insurance Benefits – State Retirees

The Department of Human Resource Management (DHRM) administers your health benefits if you enrolled in the State Retiree Health Benefits Program. VRS deducts the premiums from your monthly benefit payment and updates your premium information when your coverage changes. If your benefit is not sufficient to cover the insurance deduction, you are billed directly by your health insurance carrier.

If you are eligible for Medicare, regardless of your age, you must secure both Hospital Part A and Medical Part B of Medicare and must select a health insurance plan that coordinates with your Medicare benefits. If you continue to participate in the State Retiree Health Benefits Program and enroll in one of the Medicare Coordinating plans that provides prescription drug coverage, you will be automatically enrolled in Medicare Part D prescription drug coverage. Contact your local Social Security Administration office to enroll in Medicare.

Your eligible spouse and dependents may enroll in the State Retiree Health Benefits Program after your death if you selected a survivor retirement option, as long as they apply within 60 days after your death and you were covered at the time of your death.

If you did not choose a survivor retirement option, your eligible spouse and dependents may enroll in the State Retiree Health Benefits Program as non-annuitant survivors, as long as they apply within 60 days after your death and they were covered at the time of your death.

You may cancel your coverage at any time after you retire by completing the “cancel/waive” portion of the State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD (Long-Term Disability) Participants or by sending VRS a written request. Include your name, Social Security number and signature on the request to cancel. You also may cancel coverage through E-Direct, a secure, online service that allows you to view and change your state coverage through the DHRM Web site at [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov). Once you cancel your coverage you will not have another opportunity to enroll in the State Retiree Health Benefits Program unless you return to work in a classified position in a

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state agency, or are the dependent of a Commonwealth of Virginia employee enrolled in the State Health Benefits Program. If your coverage under these conditions ends, you have 31 days from the date of termination to enroll in the State Retiree Health Benefits Program.

If you cancel your coverage, you also cancel coverage for your covered dependents. For additional health benefits information, visit the DHRM Web site at [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov).

You are not eligible to enroll in the State Retiree Health Benefits Program when you retire if you terminated employment and deferred retirement (did not take an immediate retirement benefit). There is one exception to this rule: if you met the requirements under section 51.1-155.1 of the *Code of Virginia* for an involuntary separation with at least 20 years of creditable service.

### Health Insurance Benefits – Non-State Retirees

If you retired from a political subdivision or school system and continue to be covered under your employer-sponsored health insurance plan, you may be eligible to have your monthly premium deducted from your VRS retirement payment. Your employer must have an agreement with VRS, however. Contact the benefits administrator of your former employer for more information.



### Health Insurance Credit

You may be eligible for a health insurance credit to assist with the cost of your insurance premium. To be eligible for the credit, you must have a minimum of 15 years of creditable service at retirement and the employer you retired from must offer the credit.

The health insurance credit is a dollar amount set by the General Assembly for each year of creditable service. State and school board retirees are eligible for a health insurance credit amount that reflects their total years of service. Other eligible retirees may receive the credit amount that reflects up to a maximum of 30 years of service. The credit applies to the retiree portion of the premium only and cannot exceed the amount of your individual health insurance premium. The credit ends upon your death.

If you are on long-term disability through the Virginia Sickness and Disability Program (VSDP) or a state employee who took disability retirement, you are eligible for a health insurance credit amount of the greater of either \$120 or \$4 a year for each year of creditable service you had at the time you became disabled.

If you are a retired teacher receiving a disability benefit, you are eligible for a health insurance credit of \$4 multiplied by the lesser of twice your creditable compensation at retirement or the amount of creditable service you would have completed had you remained in service until age 60.

If you are a non-state employee retired on disability from an employer that offers the health insurance credit, you are eligible for the maximum health insurance credit that your employer provides, regardless of your years of service. The health insurance credit is a non-taxable benefit paid as a reimbursement.

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The credit is added to your monthly retirement benefit. If you do not receive a monthly benefit from VRS, your reimbursement will be mailed directly to your home.

Qualifying health plans include:

- Individual health plans.
- Employer-sponsored health plans, including the Commonwealth of Virginia Health Benefits Program.
- Coverage as a dependent on a spouse's plan.
- Medicare Part B.
- Dental and vision plans.
- Prescription drug plans, including Medicare Part D.



Other types of plans for specific conditions or coverage are not eligible.

You are eligible for the health insurance credit if you retired as a:

- Teacher, administrator or staff member of a school board.
- State employee.
- Political subdivision employee from an employer that offers the health insurance credit.
- Local officer, general registrar, employee of a general registrar or a local social service employee.

If VRS is deducting your health insurance premiums from your benefit, you do not need to apply for the health insurance credit. The credit is automatic. If VRS is not deducting your premiums, complete and send the Request for Health Insurance Credit (VRS-45) to VRS. The credit will be added to your monthly retirement benefit. If you do not receive a monthly benefit, you will receive a check from VRS for the reimbursable amount. The VRS-45 form and more information on the health insurance credit can be found in the retiree section of the VRS Web site at [www.varetire.org](http://www.varetire.org).

To determine if you met the eligibility criteria for the health insurance credit when you were employed as a local officer, general registrar, employee of a general registrar, or as a local social service employee, complete a Certification of Employment for Health Insurance Credit Eligibility (VRS-76). The employer where you held the qualifying position must certify your eligibility in order for you to receive the health insurance credit.

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## Your Life Insurance Benefits In Retirement

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### Basic Group Life Insurance Benefit

If you were covered under the VRS Basic Group Life Insurance Program when you retired with an unreduced or reduced benefit, you are eligible for basic group life insurance at no cost to you. Your coverage includes:

- A death benefit equal to twice your annual compensation at retirement, payable to your beneficiary upon your death. If you have 20 or more years of service, your death benefit is equal to twice your highest annual compensation in your history of VRS-covered employment, even if your compensation at retirement was lower.

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- An accelerated death benefit. If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw part or all of your basic group life insurance coverage for any purpose. Any amount remaining in your plan is paid to your beneficiary.

The death benefit is payable for natural or accidental death. The provision for double the death benefit for an accidental death ceases upon retirement. Dismemberment insurance also ceases upon retirement.

Your coverage begins to reduce on the January 1 following one calendar year of retirement. The reduction rate is 25 percent each January 1 until it reaches 25 percent of its value when you retired.

You also have life insurance coverage if you retire because of a disability. Your basic group life insurance begins to reduce on January 1 following one calendar year from your 65th birthday. The reduction rate is 25 percent each January 1 until it reaches 25 percent of its value when you retired.

Basic Group life insurance is subject to imputed income taxes. This means that if your coverage exceeds \$50,000, the value of the coverage in excess of \$50,000 is subject to FICA and federal and state income taxes. The value used to determine imputed income is based on a table provided by the Internal Revenue Service, not by VRS or the life insurance company. FICA taxes are withheld from your retirement payment based on imputed income. The imputed income is reported each year on your W-2.

If you are not eligible to continue your basic group life insurance, you may convert the coverage to an individual policy at non-group rates. Contact Minnesota Life at 1-800-441-2258 to request a conversion kit.

### **Payment of Liens for Child Support**

The Department of Social Services is authorized to file child support liens against proceeds payable under the Group Life Insurance Program. VRS will be required to pay life insurance proceeds to the Department of Social Services to satisfy outstanding child support obligations at your death.

### **Optional Life Insurance Benefit**

You may continue a portion of optional life insurance coverage for yourself, your spouse and qualifying dependents into retirement. You, your spouse and qualifying dependents must have been covered continuously under optional life insurance during the 60 months immediately preceding retirement.

You must elect to continue the optional life coverage within 31 days of retirement. Insurance amounts begin to reduce at age 65, and all optional insurance ends at age 80.

If you chose not to continue your optional life insurance into retirement, you and any of your covered qualifying dependents are eligible to convert your optional life coverage to an individual policy at non-group rates at retirement, if you do so within 31 days after the month you retire. You may convert your optional life coverage to an individual policy without providing evidence that you are in good health. Contact Minnesota Life at 1-800-441-2258 to request a conversion kit.

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*Need to change  
your beneficiary?  
Visit the VRS Web site at  
[www.varetire.org](http://www.varetire.org)  
for the form.*



## Beneficiary Designations and Your Benefits

Keep your beneficiary designations current to ensure that benefits are paid promptly and according to your wishes. If you need to change your beneficiary because of marriage, divorce, birth or adoption of a child or death in your family, complete a Designation of Beneficiary (VRS-2) and return it to VRS. You can call Minnesota Life at 1-800-441-2258 to request the VRS-2. The form is also available on the VRS Web site at [www.varetire.org](http://www.varetire.org).

You will not receive a confirmation notice when you submit a designation form, so it is important to keep a copy of the form for your files.

VRS cannot give out the name of your beneficiary over the phone. To receive this information, you must send a request in writing to Minnesota Life at:

Minnesota Life  
Richmond Branch office  
Post office Box 1193  
Richmond, VA 23218-1193

If no valid beneficiary designation is on file, or if the beneficiary you have named has died and you have not named another beneficiary, the beneficiary designation for any remaining member account contributions and for life insurance benefits are assumed to follow in an order established by law. The order is: to your spouse; if no surviving spouse, to your children and descendants of deceased children; if none, to your parents; if none, to the duly appointed executor or administrator of your estate; if none, to your other next of kin.

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## Approved Domestic Relations Orders

If you divorce, your VRS benefit could be regarded as marital property in a property settlement. The *Code of Virginia* authorizes the Virginia Retirement System to make direct payment to a former spouse if the court awards the spouse part of the VRS benefit. **The law does not require that the court divide VRS benefits. The law authorizes VRS to make direct payment if the court divides the benefit. The court, not VRS, makes the decision whether or not to divide your retirement benefit and how it is to be divided.**

VRS carries out the court decision only if it receives a certified copy of an Approved Domestic Relations Order (ADRO) and only if the order does not require VRS to make a payment contrary to the *Code of Virginia* provisions regarding payment of benefits or member contributions. Once VRS has approved the court-ordered ADRO, the payment can be stopped only with a court-ordered nullification of the current ADRO.

The language of the order must conform to the requirements of VRS. VRS has developed guidelines regarding payments to alternate payees in a divorce. You or your attorney can obtain a copy of the guidelines by contacting VRS. Your attorney should provide VRS with the order before filing it with the court to ensure that the language of the order is acceptable to VRS.

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VRS will not release information about your benefit to anyone other than yourself without your written permission. Information may be secured by a subpoena, however, without your authorization.

### Other Attachments

In certain cases, the *Code of Virginia* allows VRS benefits to be attached. For example, your benefits could be subject to attachment for IRS tax levies. You would be notified by IRS and VRS regarding the amount and duration of the attachment. Your benefits could also be subject to attachment for a debt to your employer, child support or other marital rights as stated in an ADRO or divorce decree.



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## Disability Retirement

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If you retired because of a disability and you later return to work in a VRS-covered position, your monthly benefit stops. You become a contributing member of the retirement system again. The period of your disability retirement is credited to you as earned service. If you take a position not covered under the retirement system, provide VRS with a copy of the job description of the position. Your disability benefit stops if the duties of the position are similar to those you were previously found unable to perform. See Working after Retirement page 15.

VRS may review your case on an annual basis to determine if your disability continues to exist. You may be required to undergo a physical examination. VRS pays for any consulting examinations required in addition to the review of medical information submitted by your physician.

If you are receiving a benefit from service retirement, you cannot apply for disability retirement unless you submit your intention to retire due to disability within 90 days of your termination of employment. If you meet the deadline for filing your disability retirement application and you are later approved for disability retirement, your monthly retirement benefit will be under the disability plan provisions.

**When you apply for Social Security primary benefits, you must notify VRS of Social Security's award or denial of your Social Security benefits.**

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## Social Security

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When you become eligible, you may receive Social Security benefits in addition to your VRS benefits. Unless you receive disability retirement benefits, your Social Security income does not affect your VRS benefits. Contact your Social Security office for more information.

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## Deferred Compensation and Cash Match Plan

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If you are a state retiree or a retiree of a political subdivision participating in the Commonwealth's 457 Deferred Compensation Plan and Cash Match Plan, you were not required to take a distribution from your 457 plan at the time you



*If you return to covered employment, you and your employer must complete a Request for Termination of Monthly Benefit (VRS-7). Check with your human resource office.*

retired. You may continue to manage the account and when you are ready to use the funds, select from the payout options available. Unless you continue employment, however, you are required to begin distribution by April 1 following the year you reach age 70 1/2. For more information, call ING, the Commonwealth of Virginia 457 Deferred Compensation Plan record keeper, at 1-VRS-DC-PLAN1 (1-877-327-5261) or visit [www.varetire.org](http://www.varetire.org). Select the Defined Contribution Plans tab.

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## Working After Retirement

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If you are planning to work after retirement, you should be aware of the effect going back to work may have on your retirement benefits.

### Returning to a VRS-Covered Position

If you retire from VRS and decide to go back to work in a VRS-covered position, your retirement benefits stop, and you again become an active member. A return to employment covered by VRS also means that your group life insurance coverage resumes if your employer participates in the VRS Group Life Insurance Program. Your group life insurance coverage will be based on your new compensation (even if it is lower). However, if your first retirement was on or after July 1, 1999 and you had 20 years or more of service, your life insurance amount will be based on your highest annual compensation, wherever it occurred during your career.

When you retire again, your monthly benefit is recalculated to include the additional service as well as average final compensation (AFC) if it is higher than your previous AFC. Your AFC is the average of the 36 consecutive months of highest creditable compensation over your VRS-covered career. You must retire under the same option you chose the first time you retired. If you elected the Partial Lump-Sum Option Payment (PLOP), you will not receive another lump-sum payment. Your monthly retirement benefit will be adjusted to take into consideration the payment of the lump sum during your first retirement. If you elected the Advance Pension Option, your monthly benefit is determined by also taking into consideration the accelerated benefit payments you received during your first retirement.

There are different formula provisions and age and service requirements under VRS, JRS, SPORS and VaLORS. If you are considering returning to work, you should contact your previous employer's human resource office or VRS to discuss the effect it may have on your retirement and life insurance benefits.

If you retired for disability, your benefit must stop if you later go to work in a position covered by VRS. The period of disability retirement counts as credited service. If you take a position not covered by VRS, your disability benefit stops if the duties of the position are similar to those you were previously found unable to perform.

### Returning to Non-Covered Employment with a VRS-Participating Employer

In most cases, you continue to receive your VRS retirement benefits if you return to a VRS-participating employer in a temporary, hourly or other non-covered

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position. The Internal Revenue Service (IRS) requires that you have a *bona fide* break in service if you return to work in a non-VRS covered (part-time) position with the same employer from which you retired. VRS policy requires that you be off the payroll for one full calendar month following your date of retirement. The one full calendar month must be a month during which you would normally be working before a *bona fide* break in service is considered to have occurred. In addition, you and your employer must have no pre-arranged employment commitment and you must not have the same job duties or hours that you worked prior to retirement. The work hours must be at least 20 percent less than the work hours of a full-time position to be considered a temporary, wage or non-covered position.

State agencies are considered the same employer; therefore, you must have a *bona fide* break in service as required by the IRS. Political subdivisions and school divisions are considered separate employers. You may move from one of these employers to another, without having to meet the one full calendar month break-in-service rule.

### Teaching in Critical Shortage Areas

Retired teachers and other VRS-covered retirees who become certified to teach will continue to receive their VRS retirement benefits if they teach full time in a critical shortage area. To be eligible, you must have a one-year break in service following the effective date of your retirement and not have worked in any capacity for a VRS-participating employer, even on a part-time basis during that period. You must not have retired under an early retirement incentive program, unless you are receiving an unreduced retirement benefit. The teaching position must be one that is deemed critical by the Department of Education, school board or school superintendent. For more information, go to [www.varetire.org](http://www.varetire.org) and select “Working after Retirement” from the Retire tab.

### Returning to Work With a Non-VRS Employer

If you return to work with an employer that does not participate in VRS, JRS, VaLORS, SPORS or an Optional Retirement Plan (ORP) for Virginia public employees, you are not required to incur a one full calendar month break in service; nor will your employment have any effect on your retirement and group life insurance benefits.



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## Security For Your Loved One

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You can take steps now to make a difficult time easier for your survivor. Depending on the option you chose when you retired, your survivor may be entitled to a survivor benefit as well as a life insurance benefit in the event of your death. Your survivor should notify Minnesota Life immediately of your death to prevent an overpayment of retirement benefits. Survivors who are entitled to a monthly benefit will be placed on the VRS retirement payroll by the second month following the month that they notify VRS of a death.

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## Resources

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AARP <a href="http://www.aarp.org">www.aarp.org</a>	1-888-687-2277
Anthem <a href="http://www.Anthem.com">www.Anthem.com</a>	1-800-552-2682
Elder Care Locator <a href="http://www.eldercare.gov">www.eldercare.gov</a>	1-800-677-1116
Elderhostel <a href="http://www.elderhostel.org">www.elderhostel.org</a>	1-877-426-8056
Internal Revenue Service <a href="http://www.irs.gov">www.irs.gov</a>	1-800-829-1040
Minnesota Life	1-800-441-2258
Social Security Administration <a href="http://www.ssa.gov">www.ssa.gov</a>	1-800-772-1213
Virginia Center on Aging <a href="http://www.vcu.edu/vcoa">www.vcu.edu/vcoa</a>	804-828-1525
Virginia Credit Union <a href="http://www.vacu.org">www.vacu.org</a>	1-800-285-6609 804-323-6800
Virginia 457 Deferred Compensation Plan <a href="http://www.varetire.org">www.varetire.org</a>	1-VRS-DC-PLAN1 (1-877-327-5261) 1-800-766-4952 (TDD)
Virginia Department for the Aging <a href="http://www.vda.virginia.gov">www.vda.virginia.gov</a>	1-800-552-3402
Virginia Department of Taxation <a href="http://www.tax.virginia.gov">www.tax.virginia.gov</a>	804-367-8031

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## Glossary

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<b>Accelerated Death Benefit</b>	The payment of the value of life insurance to a member or covered dependent who is diagnosed as having a terminal medical condition that directly results in a life expectancy of 12 months or less. The terminal medical condition may be caused by sickness or accident.
<b>Advance Pension Option</b>	A retirement payout option that allows a temporary increase in retirement benefits. The increased VRS benefit continues to the age chosen for reduction. This age can be as early as age 62, but no later than the age the member is eligible for an unreduced Social Security benefit. The Advance Pension Option is designed to provide a level income throughout retirement, when coordinated with Social Security benefits.
<b>Annual Salary</b>	The full compensation payable annually to an employee working full-time in a VRS-covered position. Annual salary does not include overtime pay, extraordinary pay, bonus pay, non-permanent shift differentials or termination pay for annual or sick leave.
<b>Approved Domestic Relations Order (ADRO)</b>	An order issued by a court of competent jurisdiction that relates to child support, alimony payments or marital property rights of a spouse, former spouse, child or other dependent. An ADRO gives the person concerned rights to receive a portion of the benefits payable to a member or retiree and cannot alter the amount of those benefits. The language of the ADRO must conform to VRS requirements.
<b>Average Final Compensation (AFC)</b>	The average of the 36 consecutive months of highest creditable compensation wherever it appears in the member's VRS salary history.
<b>Basic Benefit</b>	A lifetime retirement benefit due a VRS member. It is based on age, service, creditable compensation, and any actuarial reductions that may apply. The Basic Benefit does not provide continuation of a benefit to a survivor.
<b>Basic Group Life Insurance</b>	The group life insurance plan that is provided to VRS-participating employers.
<b>Beneficiary</b>	The individual designated to receive a VRS annuity or contributions in the member contribution account, as well as any person named to receive group life insurance proceeds upon the member's death.
<b>Board of Trustees</b>	The nine-member Virginia Retirement System Board which is appointed by the governor and General Assembly, consisting of one faculty member or employee of a state-supported institution of higher education; one state employee; one public school teacher; one employee from a political subdivision; four investment experts; and one expert in employee benefit plans.
<b>Contingent Annuitant</b>	A person designated, under the VRS Survivor Option, at the time of a member's retirement to receive a lifetime annuity upon the death of the primary annuitant (the member).
<b>Cost-of-Living Adjustment (COLA)</b>	An increase in the monthly benefit beginning in the second calendar year after retirement. Increases if any, are made yearly thereafter. The amount of the COLA is equal to the first 3 percent of the increase in the Consumer Price Index (CPI-Urban), plus half of each percentage increase from 3 percent to 7 percent. By law, the COLA cannot exceed 5 percent.

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<b>Covered Position</b>	A position in a state agency, school board or political subdivision covered by VRS or the Group Life Insurance Program considered by the employer to be permanent, full-time, and salaried. This also includes salaried, part-time state employees.
<b>Creditable Compensation</b>	Annual salary not including overtime pay, payments of a temporary nature, or payments for extra duties. The employer reports this compensation monthly to VRS.
<b>Disability Retirement</b>	A type of retirement available to all VRS members except state employees participating in the Virginia Sickness and Disability Program (VSDP). A qualifying employee may apply for a disability retirement if unable to perform job functions because of a physical or mental disability and the disability is likely to be permanent.
<b>Direct Deposit</b>	The electronic transfer of a monthly retirement benefit directly from VRS into an account with a financial institution specified by a retiree or beneficiary.
<b>Employer</b>	The entity with which a person maintains a common law employee-employer relationship. The employer must be a state agency, school division or political subdivision participating in VRS retirement or group life insurance.
<b>Health Insurance Credit</b>	A dollar amount based on years of service and type of retirement to help retirees with the cost of health insurance premiums.
<b>Imputed Income</b>	The value of life insurance coverage in excess of \$50,000 that may be subject to FICA tax and federal and state income taxes.
<b>Irrevocable Assignment</b>	A voluntary assignment of a member's ownership rights to group life insurance.
<b>Judicial Retirement System (JRS)</b>	A retirement plan administered by the Virginia Retirement System covering justices and judges of the Commonwealth of Virginia, the commissioners of the State Corporation Commission, and the commissioners of the Virginia Workers' Compensation Commission.
<b>Member</b>	An employee working in a VRS-covered position for whom contributions are made to VRS.
<b>Member Contribution Account</b>	The individual account to which a member's retirement contributions including employer-paid member contributions, monies that the member may have paid to purchase service, and accrued interest are credited. The balance of the Member Contribution Account is paid to the member's beneficiary if the member dies before retirement or before all contributions have been paid in the form of retirement benefits. A member may request a refund of the Member Contribution Account upon termination of VRS-covered employment if the member is not retiring.
<b>Minnesota Life Insurance Company</b>	The carrier for VRS Basic Group Life Insurance and Optional Group Life Insurance programs.
<b>Optional Group Life Insurance</b>	A supplemental group life insurance plan that allows employees of participating employers to purchase additional insurance at group rates for themselves, their spouses, and their dependents.
<b>Optional Retirement Plan (ORP)</b>	A defined contribution pension plan offered to certain teaching, administrative and research faculty at participating institutions of higher education, to political appointees, and to superintendents of public schools.

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<b>Order of Precedence</b>	The order in which proceeds are paid to persons surviving at the member's death if the member has not made a beneficiary designation, or if all named beneficiaries have predeceased the member. The order of precedence varies for the payout of retirement contributions and group life insurance.
<b>Partial Lump-Sum Option Payment (PLOP)</b>	A lump-sum distribution paid at the time of service retirement of up to three times the annual benefit amount if working the required years past eligibility for an unreduced benefit.
<b>Participating Employer</b>	A state agency, school division, or political subdivision in Virginia that provides retirement and life insurance to its employees through VRS.
<b>Per stirpes</b>	When the share of an estate that would have gone to a deceased beneficiary is divided among that person's children in equal shares.
<b>Political Subdivision</b>	Any county, city, or town, any political entity, subdivision, branch, or unit of the Commonwealth, or any commission, public authority, or body corporate created by or under an act of the General Assembly specifying the powers, privileges, or authority capable of exercise by the commission, public authority, or body corporate.
<b>Premium</b>	The amount paid by the employee or employer for basic group life insurance. The premium is set by the VRS Board of Trustees based on recommendations of the VRS actuary.
<b>Retire</b>	To stop working in a VRS-covered position and start receiving an immediate monthly retirement benefit.
<b>Retiree</b>	A former employee of a VRS-participating employer who is receiving a retirement benefit based on service earned while in a covered position.
<b>Service Retirement</b>	A type of retirement available to members who meet certain age and service requirements. Members may take an unreduced service retirement as early as age 50 with 30 years of service credit (some political subdivisions require members to be older). In addition, members may take a reduced retirement as early as age 50 with 10 years of service credit.
<b>State</b>	Commonwealth of Virginia
<b>State Police Officers' Retirement System (SPORS)</b>	A retirement plan administered by the Virginia Retirement System that provides retirement benefits for all state police officers in Virginia.
<b>Survivor Option</b>	A retirement benefit payout option that allows a retiree to receive a decreased benefit during the retiree's life to provide for a monthly benefit of between 10 percent and 100 percent of the retiree's monthly retirement benefit to a designated contingent annuitant for life, payable at the death of the retiree.
<b>Virginia Law Officers' Retirement System (VaLORS)</b>	A retirement plan administered by the Virginia Retirement System that covers certain designated state employees such as correctional officers and campus police officers.
<b>VRS</b>	Virginia Retirement System

