

GLOSSARY

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Absolute Assignment

An irrevocable decision to transfer ownership of member or retiree life insurance coverage to an individual or organization. An absolute assignment does not transfer ownership of the dependents' insurance or change a beneficiary.

Accelerated Death Benefit

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.

Accidental Death

A death that is caused directly by an unintended and unexpected injury. Death must occur within 90 days after the date of the injury while the employee's coverage is still in effect for the beneficiary to receive double the natural death benefit for accidental death.

Active Member

An employee of a VRS-participating employer who is working in a VRS-covered position whose contributions for retirement and, in most cases, for life insurance are being paid to VRS.

Actuarial Equivalent Cost

The full cost associated with paying for a benefit. Factors that determine actuarial equivalent cost include age and life expectancy, investment earnings, inflation, unemployment rates and retirement patterns.

Advance Pension Option

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.

After-Tax Payroll Deduction

Method of purchasing service in which the amount of the purchase is deducted from the member's pay after payroll taxes have been applied.

Annual Salary

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.

Approved Domestic Relations Order (ADRO)

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.

Assignee

The person to whom the right of a member's group life insurance is legally transferred when an absolute assignment is made.

Average Final Compensation (AFC)

For Plan 1 members (those with a membership date before July 1, 2010), the average of the 36 consecutive months of highest creditable compensation wherever it appears in the member's VRS salary history. For Plan 2 members (those with a membership date on or after July 1, 2010), the average of the 60 consecutive months of highest creditable compensation wherever it appears in the member's VRS salary history.

Basic Benefit

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.

Basic Group Life Insurance

The group life insurance plan that is provided to VRS-participating employers.

Beneficiary

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.

Board of Trustees

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.

Break in Service

The IRS requires a bona fide break in service from active employment before a pension plan may distribute retirement benefits. VRS requires a full calendar month break in service over a period the member normally would work before he or she can return to non-covered employment with the member's former employer.

Cash Match Plan

An employer-paid incentive for eligible employees who participate in their employer-sponsored tax-deferred savings plan.

Commonwealth of Virginia Deferred Compensation Plan

Tax deferred savings plan through payroll deduction, available to all state employees, including colleges and universities and political subdivisions and school divisions that elect to participate. The deferred compensation plan is established under Section 457 of the Internal Revenue Code.

Contingent Annuitant

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).

Contingent Beneficiary

The individual or entity named on the Designation of Beneficiary (VRS-2) to receive the benefit if the primary beneficiary is not living at the time of the member's death, if a member chooses to designate beneficiaries rather than to follow the order of precedence.

Conversion Privilege

The right of a member, retiree or dependent who is no longer eligible to continue to be insured under basic group life insurance, to buy an individual non-term policy without evidence of insurability. Conversion coverage is at non-group rates.

Cost-of-Living Adjustment (COLA)

An increase in the monthly benefit given in the second calendar year after retirement. Increases if any, are made yearly thereafter. Because COLAs are based on the rate of inflation, they are not guaranteed to occur each year. If there is no increase or even if there is a decrease in the CPI-U, the monthly retiree benefit amount will not be reduced.

Covered Position

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 classified, salaried, part-time state employees and part-time higher education non-adjunct faculty who work at least 20 but less than 40 hours a week.

Creditable Compensation

Annual salary not including overtime pay, payments of a temporary nature, or payments for extra duties, such as pay for teachers who provide coaching or act as advisor for special activities. The employer reports this compensation monthly to VRS.

Critical Shortage

A provision in accordance with the Code of Virginia which permits eligible VRS retirees who are licensed to teach in Virginia to continue to receive retirement benefits. These retirees must teach or serve as a principal or assistant principal in a designated assignment, as defined annually by the Department of Education.

Death In Service

The death of a member while actively employed in a VRS-covered position. A monthly benefit instead of a refund of the member's retirement contributions may be payable to certain beneficiaries.

Dependents

The VRS member's spouse and any unmarried children who can be claimed on the member's federal tax return.

Disability Retirement

A type of retirement available to all VRS members except state employees who elected to participate in the Virginia Sickness and Disability Program (VSDP), and all state employees hired on or after January 1, 1999. A qualifying employee may apply for a disability retirement if unable to perform job functions because of a physical or mental disability and if the disability is likely to be permanent.

Direct Deposit

The electronic transfer of a monthly retirement benefit directly from VRS into an account with a financial institution specified by a retiree or beneficiary.

Dismemberment

The accidental permanent and irrecoverable loss of sight in one or both eyes or loss of one or more limbs. Permanent and irrecoverable loss of sight means that sight cannot be corrected by medical, surgical, or artificial means. The loss of a limb is defined as a complete severance at or above the wrist or ankle joint. Dismemberment coverage is available under the VRS Group Life Insurance Plan.

Early Retirement Incentive Program (ERIP)

A program offered by employers that provides enhancement to an individual's basic benefit package available to a specific group of employees who retire during a limited period of time or as the result of reaching specific eligibility criteria. The enhancements may include items such as credit for additional age or service toward pension benefits, additional payments without regard to age or service, or enhanced retiree health benefits. An ERIP does not affect the VRS retirement calculation.

Early Retirement Reduction Factor (ERF)

A factor applied to the basic benefit if a member retires before requirements for an unreduced retirement have been met.

Educator

A member employed by a public school division or institution of higher education who may work fewer than 12 months per year but who earns 12 months of VRS service credit by completing the contract.

Employer

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.

Employer Contribution

The amount that must be paid by the employer to fund retirement allowances and other benefits payable to employees who become VRS members. This is a percentage that is applied to the employer's total covered payroll. The plan's actuary determines what contribution rate is required to meet current and future benefit payments.

Enhanced Health Insurance Credit

An increased health insurance credit amount provided by a political subdivision to certain eligible employees. When elected by the employer, eligible employees receive a \$1 per month addition to the health insurance credit for each full year of creditable service not to exceed a maximum of \$30 at the time of retirement.

Entity

A VRS-covered school board, political subdivision or state agency.

Group Life Insurance Evidence of Insurability (EOI)

The form on which members demonstrate satisfactory health status allowing an employee to secure group life insurance coverage after an initial waiver of coverage. Minnesota Life, the group life insurance provider, must approve this form for coverage to become effective. It is also used to allow a member to purchase optional group life insurance beyond guaranteed issue.

Guaranteed Issue

The 31-day period after a member or dependent first becomes eligible for optional group life insurance during which coverage is guaranteed for certain insurance amounts without demonstrating evidence of insurability.

Health Insurance Credit

A dollar amount set by the General Assembly based on creditable years of service, type of retirement, employer type and employer election to help retirees with the cost of health insurance premiums.

Imputed Income

The value of life insurance coverage in excess of \$50,000 that may be subject to FICA tax and federal and state income taxes.

Irrevocable Assignment

A voluntary assignment of a member's ownership rights to group life insurance.

Judicial Retirement System

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.

Leave With Pay

An approved leave of absence during which a member continues to be paid at some level. A member on leave with partial pay may continue to have creditable compensation reported to VRS.

Leave Without Pay (LWOP)

An approved leave of absence during which a member does not receive any pay for the duration of the leave. A member may remain on leave without pay for up to 24 months and remain eligible for VRS Basic Group Life and Optional Group Life Insurance. Members on leave without pay must pay group life insurance premiums in advance or on a monthly basis to continue coverage.

Long-Term Disability

A period of approved disability absence beginning after 180 calendar days of short-term disability benefits for state employees covered under the Virginia Sickness and Disability Program (VSDP).

Lump-Sum Payment

A method of purchasing service credit by which payment is made at one time. Members may use direct payment, or a tax-deferred rollover from certain IRAs or other qualified retirement plans, to purchase service credit in a lump sum.

Medical Review Board

Physicians appointed by the VRS Board of Trustees to review medical information related to a disability retirement application and make recommendation with regard to approval or denial of the application.

Member

An employee working in a VRS-covered position for whom contributions are made to VRS.

Member Benefit Profile (MBP)

An annual statement issued for active members specifying individual projected retirement benefits, contribution account balances, and service credit amounts.

Member Contribution Account (MCA)

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 full refund of the Member Contribution Account may be available if the member terminates VRS-covered employment and meets certain requirements.

Member in Deferred Status

A member who has terminated employment in a VRS-covered position but did not take a refund of the Member Contribution Account (MCA), thereby retaining VRS membership. These members are not eligible to receive death-in-service benefits; however, if a member in deferred status dies, the member's beneficiary will receive a refund of the MCA.

Minnesota Life Insurance Company

The carrier for VRS Basic Group Life Insurance and Optional Group Life Insurance programs.

Natural Death

Under basic group life insurance, a death that results from natural causes and not from an accident. Natural death benefits are paid to the designated beneficiary.

New Employee

New employees are covered by Plan 2 benefits. A new employee has not previously worked for a VRS participating employer and is within 31 days of beginning employment. Employees moving between employer types (e.g., state, political subdivisions, school divisions) are considered new employees. The employer's policies determine the date of eligibility for benefits.

Normal Cost

The average cost of one year of VRS service credit.

Normal Retirement Age

Age 65 for Plan 1 members, even if the member terminates without taking a refund and returns to VRS-covered employment after July 1, 2010. For Plan 2 members, normal retirement age is the date that the member attains his full retirement age as defined under Social Security.

Optional Group Life Insurance

A supplemental group life insurance plan that allows employees of participating employers to purchase additional insurance at group rates for themselves, their spouse, and their dependents.

Optional Retirement Plan (ORP)

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.

Order of Precedence

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.

Partial Lump-Sum Option Payment (PLOP)

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.

Participating Employer

A state agency, school division, or political subdivision in Virginia that provides retirement and life insurance to its employees through VRS.

Per stirpes

When the share of an estate that would have gone to a deceased beneficiary is divided among that person's children in equal shares.

Political Subdivision

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.

Portability Agreement

An agreement between VRS and a local Virginia public retirement system that allows members of the local system to transfer assets from the local system to purchase VRS service credit if they become employed in a VRS-covered position. The agreement also allows members of VRS to transfer assets from VRS to purchase local Virginia public retirement system service credit if they become employed in a position covered under a participating system.

Premium

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.

Primary Beneficiary

The individual a member designates on the Designation of Beneficiary (VRS-2) as the first to receive life insurance benefits, if the member chooses to designate beneficiaries rather than follow the order of precedence. There can be more than one primary beneficiary. Unless otherwise designated, all primary beneficiaries receive an equal share of the insurance benefits.

Qualifying Event

An event such as marriage, birth or adoption of a child, or retirement from a covered position for a spouse who also was covered under optional life insurance (except for disability retirement) which qualifies a member to add optional group life insurance for a spouse and dependents without showing evidence of insurability. The member has 31 days from the qualifying event to add coverage.

Refund

The payment of member contributions and interest upon the request of a member who terminates from a VRS-covered position. Refund requirements differ based on hire date and vesting status.

Rehired Employee

Employees who left covered employment, withdrew their funds and returned to covered employment with no service credit in VRS or no account balance in a Virginia optional retirement plan. Their membership date is the date they were rehired.

Repatriation Benefit

A basic group life insurance benefit that pays for transport and additional costs of returning a member's remains if the member dies in an accident at least 75 miles away from the principal place of residence.

Retire

To stop working in a VRS-covered position and start receiving an immediate monthly retirement benefit.

Retiree

A former employee of a VRS-participating employer who is receiving a retirement benefit based on service earned while in a covered position.

Rollover

Non-taxable transfer of funds between a qualified plan and an IRA or other qualified plan.

Service Credit

The credit toward retirement that a member earns in a VRS-covered position. A member is credited with one month of service for each month the member (or the employer on the member's behalf) makes a contribution to VRS. A member cannot receive more than 12 service credits per year worked.

Service Retirement

A type of retirement available to members who meet certain age and service requirements. Plan 1 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, Plan 1 members may take a reduced retirement as early as age 50 with 10 years of service credit. Plan 2 members may take a reduced retirement as early as age 60 with five years of service.

Short-Term Disability

For state employees covered under the Virginia Sickness and Disability Program (VSDP), a period of approved disability absence that begins after a seven calendar day waiting period, during which fewer than 20 hours are worked.

State

The Commonwealth of Virginia.

State Police Officers' Retirement System (SPORS)

A retirement plan administered by the Virginia Retirement System that provides retirement benefits for all state police officers in Virginia.

Survivor Option

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.

Tax-Deferred (Pre-Tax) Salary Reduction

A method of purchasing service credit. The amount of the purchase is deducted from the member's pay before income tax withholdings are calculated, which reduces taxable income.

Terminate

To cease employment in a VRS-covered position.

Trustee-to-Trustee Transfer

A means by which an active member can use money from a qualified pension plan to purchase service credit in VRS or transfer funds into an Optional Retirement Plan (ORP).

Unreduced Retirement Benefit

The full benefit amount paid to a Plan 1 member who is at least age 65 with 5 years of service credit or at least age 50 with 30 years of service credit. Some employers require Plan 1 members to be age 55 with 30 or more years of service, age 60 with 30 or more years of service, or require that the Plan 1 member be at age least 55, with age plus service equaling 90. A Plan 2 member's age and service must equal at least 90 or the member must attain full Social Security Retirement age with five years of service.

Unused Sick Leave

Accumulated sick leave that has not been used at the time of retirement. For members not enrolled in VSDP, accumulated unused sick leave can be used to purchase service credit at retirement provided the employer pays the employee for any unused sick leave at retirement.

Vested

Having the minimum period of service needed to qualify for service retirement once the required age is reached. For the retirement plans administered by VRS, members become vested with five years of service credit.

Viatical Settlement

The sale of a life insurance policy, by the policy owner, before the policy matures.

Virginia Law Officers' Retirement System (VaLORS)

A retirement plan administered by the Virginia Retirement System that covers certain designated state employees such as correctional officers and campus police officers.

Virginia Sickness and Disability Program (VSDP)

A benefit plan that provides eligible state employees with supplemental or replacement income during periods of partial or total disability.

Virginia Supplemental Retirement Plan (VSRP)

An employer-paid supplemental retirement plan for employees of local school boards who are turnaround specialists and members of a middle school teacher corps. The VSRP is a defined contribution plan established under section 401(a) of the Internal Revenue Code.

VRS

Virginia Retirement System.

Virginia Workers' Compensation Act

The act that provides comprehensive benefits including wage loss benefits and reimbursement for medical expenses for injured employees deemed to have a compensable injury under the Act. The Virginia Workers' Compensation Commission administers the provisions of the Act.

Work-Related Death

The death of a member while in service from a cause compensable under the Virginia Workers' Compensation Act.

Work-Related Disability

A disability resulting from an injury or illness found compensable under the Virginia Workers' Compensation Act.

50/10 Early Retirement Plan

The provision that allows a Plan 1 member to retire as early as age 50 with at least 10 years of service but fewer than 30 years of service. Under the 50/10 plan, the benefit is lower than what it would be with retirement at age 55. The benefit is the higher of: an amount determined as though the member were age 55 (but using actual service credit and average final compensation), reduced by six-tenths percent for each month younger than age 55; or the actuarially calculated present value of the contributions and interest in the member account, paid out in monthly payments over the member's lifetime.

50/30 Retirement Provision

The provision that allows a Plan 1 member to retire with an unreduced benefit as early as age 50 with at least 30 years of service. These provisions apply to all state employees, teachers and employees of political subdivisions whose employers have elected to provide full benefits at age 50 with 30 years of service.

5-Percent Rate

The percentage of current creditable compensation or the average 36 months of highest creditable compensation, whichever is higher, that eligible Plan 1 members must pay in order to purchase prior service credit. The 5-Percent Rate applies if the prior service credit is purchased by June 30, 2004 for members employed on July 1, 2001; or within three years of becoming eligible to purchase prior service credit.