

In The News

VRS Achieves 12.4 Percent Return

The Virginia Retirement System announced a 12.4 percent return on its investment portfolio for fiscal year 2006, ending the year with \$48.5 billion. This return surpassed the benchmark of 11.8 percent for investments of the type held by the VRS Trust Fund.

The fund's private equity and real estate investments produced outstanding returns, at 28.6 percent and 23.4 percent respectively. In addition, the system saw a 15.3 percent return in public equity (U.S. and international stocks), a 5.3 percent return in credit strategies and a -0.6 percent return in fixed income.

“The economy was strong, and market conditions were favorable for equity and real estate investments. We are pleased that the fund's diversified portfolio produced attractive returns at an acceptable level of risk,” said Chief Investment Officer Charles W. Grant.

The portfolio included \$31.8 billion in public equity, \$9.7 billion in fixed income, \$2.7 billion in private equity, \$2.3 billion in real estate and \$2.0 billion in credit strategies, as of June 30, 2006. The three-year annualized return was 14.0 percent and the five-year annualized return was 7.1 percent.

Notify VRS Before Making Benefit Changes

If you are eliminating or changing employee or retiree benefits such as life insurance, health insurance, the health insurance credit or retirement, please notify VRS at least 60 days before the change becomes effective.

VRS has retiree addresses, access to retiree information and health and life insurance forms. These resources can help make any transition easier for you and your employees or retirees.

As soon as a change is planned, contact your VRS employer representative with the details of the change and the resources you need.

Look For MBPs In September

VRS plans to mail your employees' 2006 Member Benefit Profiles (MBPs) to you in late September. These annual benefits statements

provide your employees with information about their VRS benefits as of June 30, 2006. The MBPs show your employees the amount of contributions and interest in their accounts and their estimated monthly benefit amounts at the earliest dates they will qualify for reduced and unreduced retirement.

The MBP is an important retirement planning tool. Design changes have been made to make the MBP easier to read and understand. With the 2006 MBP, employees also will be able to access their statements through *myVRS*, the secure online service for members.

Please distribute the MBP as soon as possible. For employees who report discrepancies, use the Request for Review of Membership Records VRS-70 to report the discrepancies to VRS. This form will be mailed to you, along with other instructions for distribution.

***myVRS* Employer Kits Coming This Fall**

Beginning next month, employers will begin receiving promotional kits to help them spread the word about *myVRS* among their employees. The employer kits are part of VRS' "soft" announcement of this new secure application for members, which was launched this past May.

Through *myVRS*, active and deferred members can:

- View their VRS member information.
- Create retirement benefit estimates.
- Update their contact information.
- Check the status of an application for retirement, purchase of prior service or refund.

Currently, members are learning about *myVRS* by visiting the VRS Web site and through word of mouth. Since the launch, over 9,000 members have created online accounts.

"Our formal promotional campaign will kick off with the employer kits. We'll continue the 'soft' approach by mailing kits to groups of employers over a period of about three months," says Jeanne Chenault, VRS Public Relations Director. "This staggered distribution will allow us to evaluate the impact of increasing numbers of members using *myVRS*."

Each kit will contain a poster, fact sheet, a brief message for use in e-mail announcements or other employee communications and a form to order additional copies of the promotional materials. The mailing will include bookmarks that employers can distribute to each of their employees. The materials and order form also will be posted on the VRS Web site at www.varetire.org.

Legislation Changes Health Insurance Credit For State Retirees

Effective July 1, 2006, retired state employees are no longer subject to the "cap" on the health insurance credit.

Legislation in the 2006 General Assembly removed the maximum health insurance credit of \$120 for eligible state retirees who have more than 30 years of service. State retirees receive \$4 per year of creditable service per month for each year of service. Employees receiving long-term disability benefits through the Virginia Sickness and Disability Program are eligible for \$4 per year of creditable service as of the date long-term disability begins, or \$120 per month, whichever is greater.

This change does not apply to retired teachers, local government retirees or other recipients of the health insurance credit.

The Health Insurance Credit is a non-taxable benefit that provides eligible retirees and employees on long-term disability a reimbursement to assist with the cost of their individual health insurance premiums.

Revised Editions Of Handbooks Will Be Available Soon

The VRS Handbook for Members and the Virginia Sickness and Disability Handbook for participants will be available soon. All covered employers will receive supplies of the new editions. Virginia law requires that employers provide a current Handbook for Members to all new employees within 90 days of their date of hire.

To control costs associated with printing and mailing publications, VRS no longer routinely prints VRS handbooks for all members, but continues to provide printed copies for new employees. Please refer current employees to the VRS Web site (www.varetire.org) for this information. The handbooks can be downloaded and printed from the VRS Web site by clicking on the Publications and Forms tab in the member drop-down menu. If you have employees who do not have access to the Internet, you can order additional printed copies by calling the VRS Customer Contact Center at 1-888-VARETIR (827-3847).

Optional Life Insurance Benefit Enhanced

Soon employees who elect optional life insurance coverage over the \$300,000 maximum for guaranteed issue will receive a higher level of coverage while waiting for their proof of good health.

Optional Group Life Insurance participants can purchase insurance in excess of \$300,000 if they submit and have approved evidence of insurability (EOI).

As of March 1, 2007, participants applying for coverage over \$300,000 will receive coverage up to the guaranteed issue amount of \$300,000 while the EOI is being reviewed. By having coverage go up to \$300,000, the guarantee issue maximum, the employee immediately has the highest level of insurance allowable. If the EOI is declined, the employee keeps insurance at the \$300,000 level, even without evidence of insurability.

Currently, coverage is limited to the option closest to, but not up to, the guaranteed issue maximum until approval of EOI. If EOI is declined, the coverage amount remains at the option level closest to the guaranteed issue.

For example, if an employee's annual salary is \$76,000 and the employee requests coverage equivalent to four times salary or \$304,000, the employee's coverage is valued at \$300,000 during EOI review. If the EOI is approved, the coverage amount goes to \$304,000. If the EOI is not approved, the coverage remains at \$300,000.

Before March 1, 2007, during EOI review, the employee receives optional life coverage valued at \$228,000 (three times salary). Coverage remains at that level if the EOI is not approved.

You will receive a letter from Joe Chang, Manager of the Richmond Branch Office of Minnesota Life, by October 2 with more details on the implementation of this enhanced benefit.

Training & Events

Retirement Education Seminars And Group Counseling Sessions Provide Retirement Insights

VRS offers half-day Retirement Education Seminars, which are ideal for members who are more than 10 years from retirement, although members at any stage of their careers are welcome to attend. Participants learn how to decrease personal debt, use estate planning to protect assets and address legal matters, use financial planning to prepare for retirement and take advantage of savings opportunities, such as deferred compensation to enhance their retirement benefits. They learn how to plan for a successful transition into retirement. Participants also receive a free copy of the Ready or Not retirement planning guide published by the Manpower Education Institute. This easy-to-read guide provides information on the practical issues of retirement planning and is an excellent resource at any stage of an employee's career.

VRS also offers half-day Group Counseling Sessions for members who are closer to retirement. These sessions provide an overview of VRS benefits and retirement payout options, guidelines on purchasing prior service credit and instructions on the retirement process. Participants learn how to use the VRS online retirement calculator and *myVRS* to plan for their retirements.

Get the latest schedules for the Retirement Education Seminars and Group Counseling Sessions at <http://www.varetire.org/ressched>.

Learn Investing Strategies Through The Deferred Compensation Education Meetings

The Commonwealth of Virginia Deferred Compensation Plan Regional Enrollment and Education Meetings introduce employees to the features and benefits of the Deferred Compensation and Cash Match Plans. The meetings highlight account management and budgeting strategies. Employees nearing retirement can learn about managing financial resources during retirement by attending Post-Retirement Strategies.

The enrollment and education meetings schedule includes Saturday sessions. Guests are welcome. Pre-registration is not required.

VRS can arrange for these educational meetings to be presented at employers' sites, as well. To schedule a session, contact Great-West Retirement Services at 804-643-1882, extension 123, or 866-226-6682 (option 2).

VRS Offers Benefits Administrator Training In The Fall

Benefits training sessions are available this fall for new benefits and payroll administrators. The two-day sessions provide training on VRS membership, refunds, purchase of prior service, service retirement and VRS resources. Seating for the benefits administrator training is limited, so register now at www.varetire.org/baschedule.

Focus On Administration

Group Life Insurance Premiums Resume

In July, employers resumed paying the Basic Group Life Insurance premiums for their employees. Employers participating in the Group Life Insurance Plan had been on a premium holiday since 2002.

The current rate for the premiums is 1.13 percent of payroll (0.68 percent employee and 0.45 percent employer). VRS sent statements to employers

in mid-July with coupons for the basic life insurance payments. The payments should be sent to:

Virginia Retirement System
P. O. Box 7615
Merrifield, VA 22116-7615

The Optional Group Life Insurance rates have not changed and you should continue to send optional life payments to:

Minnesota Life
P.O. Box 1193
Richmond VA 23218-1193

Employer and employee rates for basic group life are set periodically by the VRS Board of Trustees, based upon recommendations by the VRS actuary.

Remind Employees To Check Beneficiary Designations

Periodically remind your employees to check their beneficiary designation. Their benefits are paid according to the latest Designation of Beneficiary VRS-2 on file with VRS, regardless of how old it is. There is always the risk that a life event, such as marriage or the birth or adoption of a child, changes employees' beneficiary wishes, but they forget to submit a new Designation of Beneficiary.

Since 2000, employees have not been required to file this form with VRS because VRS uses the order of precedence for benefits:

- first to the spouse;
- if no spouse, then to children or any children of deceased children;
- if no children, to parents;
- if no living parents, to the duly appointed executor of the estate or the next of kin.

If an employee would like benefits paid in any manner other than the order of precedence a VRS-2 is required. Employees may contact Minnesota Life at 1-800-441-2258 for information through the mail on existing beneficiary designations.

Forms Update

The Authorization for Direct Deposit of Monthly Benefit VRS-57 (Rev. 07/06) was updated to reflect that a deposit slip can no longer be accepted for bank routing information; instead a voided check is required.

Deferred Compensation Plan

Cash Match Plan Provides Additional Opportunity To Consolidate Retirement Plans

The VRS Board of Trustees approved an amendment to the Virginia Cash Match Plan allowing participants in the 457 Deferred Compensation Plan to consolidate rollovers and retirement funds through the Virginia Cash Match Plan. This change will benefit the following groups:

College and university employees who have a 457 account may now roll their VRS Partial Lump-Sum Option Payment (PLOP) into the Cash Match Plan along with other incoming rollovers they wish to make. This includes employees who had their employer cash match going to the institution's cash match plan.

Retirees who contributed to the 457 before the establishment of the Cash Match Plan may now use the plan to consolidate retirement funds, as long as they have not taken a total distribution of their 457 account balance.

Wage employees who contribute to the 457 but are not eligible for an employer cash match may use the Cash Match Plan to consolidate retirement funds.

Employees of political subdivisions, including school divisions, who participate in the Commonwealth's 457 Plan may roll eligible retirement plan accounts into the Cash Match Plan even in cases where the employer does not provide a cash match.