

# Employer Update



A PUBLICATION OF THE VIRGINIA RETIREMENT SYSTEM

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## In The News

### **myVRS Account Registrations Continue To Rise**

Thanks in large part to employers using their *myVRS* Employer Kits, more than 24,000 members have learned all about the new secure online system and registered for their *myVRS* member accounts since its launch last May.

Through *myVRS*, members can create benefit estimates, using real data from their retirement files. They can work out different retirement options and update their addresses on file with VRS. They also can look up their member information, including service, contributions and employment history, all updated monthly.

#### **myVRS Statistics**

New Registrations	24,335
Estimates Completed	33,731
Basic Estimates	20,923
PLOP Estimates	5,434
Survivor Estimates	4,484
Survivor PLOP Estimates	1,758
APO Estimates	1,132

*As of 12/12/06*

### **Need Information About myVRS?**

If you did not receive an employer kit or would like additional materials, you can fax your request to VRS using the *myVRS* Order Form or submit a *myVRS* Employer Kit Online Order Form. You also can download kit materials from the VRS Web site. These resources can be found at <http://www.varetire.org/WhatsNew/myVrsPromote.html>.

### **Coming Soon: myVRS For Employers**

Coming in February 2007, employers who are authorized to access VRS member information will have their own *myVRS* for Employers.

The building blocks for this new online secure system for employers include *myVRS* for Members and QuickAccess, the current secure online system for employers. QuickAccess is migrating to the *myVRS* platform so that employers have the convenience of the same views their employees have through their *myVRS* member online accounts, plus all the features of QuickAccess designed just for employers.

Stay tuned to the employer homepage of the VRS Web site ([www.varetire.org](http://www.varetire.org)) and QuickAccess for more information, including how to register for a *myVRS* Webinar for employers in February.

#### **How do I access *myVRS* for Employers?**

**If you use QuickAccess on a regular basis**, a special one-time only access code will be reserved for you. You'll use this code to register for *myVRS* for Employers. Look for your access code in February 2007.

**Haven't used QuickAccess lately?** Be sure to log into QuickAccess and perform at least one member look-up before January 30. That will tell the system to reserve a one-time access code for you, too.

**Not registered to use QuickAccess?** More information will be coming close to the launch regarding authorization to use *myVRS* for Employers.

### **IRS Announces 2007 Compensation Limits**

There are limits on the amount of compensation that you may report to VRS for retirement purposes for highly compensated employees. The Internal Revenue Service (IRS) establishes these limits, which are subject to change annually. The IRS recently announced new compensation limits for the VRS plan year beginning July 1, 2007 and ending June 30, 2008.

The annual compensation limit used to calculate benefits of highly compensated VRS members is based on the membership date. The limit for individuals with membership dates prior to April 9, 1996 will be \$335,000. For individuals with membership dates on or after April 9, 1996, the annual compensation limit will be \$225,000.

Compensation limits and regulations governing the treatment of contributions in excess of the limits are established under IRS Code Section 401(a)(17). Compensation amounts reported to VRS in excess of these limits cannot be included in the calculation of a member's retirement benefit.

If you have employees who will surpass the limit, you may redirect the contributions in excess of the limit into another type of retirement savings plan, such as a non-elective deferral to a 457 deferred compensation plan or a 403(b) plan that you may offer to members. (A 403(b) is a tax-deferred retirement plan available to employees of educational institutions as determined by section 501(c)(3) of the Internal Revenue Code. See IRS Publication 571 for details on 403(b) plans.) By redirecting these contributions, you are enabling your employees to receive the full value of their retirement benefit. Excess contributions may not be refunded to the employee or returned to the employer.

## **New Tax Law Permits Rollovers By Non-Spouse Beneficiaries**

Under a provision of the Pension Protection Act of 2006, a non-spouse beneficiary may transfer a refund of contributions and interest directly to an Individual Retirement Account (IRA), effective January 1, 2007. Rolling over the funds directly into an IRA enables the beneficiary to defer federal taxes until the time of withdrawal. Then, withdrawals from the IRA can be spread over the beneficiary's life expectancy.

Prior to the enactment of this law, only spouses designated as beneficiaries could roll over a refund of member contributions and interest directly into an IRA. Non-spouse beneficiaries were not permitted to take advantage of the IRA rollover but were required to take a refund.

Before issuing a refund, VRS will contact the beneficiary to provide an option to accept payment of the refund directly or to roll over the refund into an IRA.

## **State Employers: Aetna Will Discontinue LTC Sales**

Aetna Life Insurance Company, the carrier for the Commonwealth of Virginia long-term care (LTC) plans, recently announced it will discontinue sales of group LTC insurance. However, Aetna confirmed this change will not affect existing plans. The Commonwealth provides LTC coverage to participants in the Virginia Sickness and Disability Program (VSDP), as well as voluntary employee-paid coverage through the Department of Human Resource Management (DHRM). Neither the VSDP plan, nor the DHRM plan will be affected by the announcement. Aetna will support existing plans for up to three years. Long-term care coverage for employees and their dependents will continue without change in eligibility or benefit levels. VRS will provide more information as it becomes available.

## **Training & Events**

### **VRS Announces Schedule For Retirement Education Seminars**

**Retirement Education Seminars (RES)** are set for the remainder of the fiscal year. These half-day seminars teach participants how to decrease personal debt and use estate planning to protect their assets. Topics also include legal matters and savings opportunities to enhance retirement benefits. These seminars are ideal for members who are 10 or more years away from retirement. Attending one of these seminars is an excellent way to establish a foundation of knowledge about retirement planning.

**Group Counseling Sessions (GCS)** are designed for members who are within five years of retirement. These sessions provide specific information about the retirement process, an overview of VRS benefits, retirement payout options and guidelines for purchasing prior service credit. Participants learn how to use the online retirement calculator in *myVRS* to plan for retirement.

View the RES/GCS schedule at <http://www.varetire.org/ressched>.

## **DCP Expands Regional Enrollment and Education Meetings**

The Commonwealth of Virginia's Deferred Compensation Plan (DCP) expanded its schedule to include additional Regional Enrollment and Education Meetings (REEMS) and new Saturday sessions. Attendees learn about the features and benefits of the DCP and Cash Match Plans, account management and budgeting strategies. Employees nearing retirement learn about managing financial resources during retirement by attending the award-winning Post-Retirement Strategies session. The National Association of Government Defined Contribution Administrators (NAGDCA) recently recognized this program for excellence and innovation in government defined contribution plans. Guests are welcome and pre-registration is not required. Get the schedule at <http://www.varetire.org/reems>.

To schedule an educational session at your work site, contact Great-West Retirement Services at 804-643-1882, extension 123, or 866-226-6682 (option 2).

## **Tools & Tips**

### **Use The VRS Web Site To Track Legislation**

Use the VRS Web site to follow VRS bills during the upcoming General Assembly session. From the home page, click on Legislation to view bills affecting VRS benefits and their status.

### **Call 1-888-VARETIR**

As part of its telephone system upgrade, VRS replaced multiple phone numbers with one easy-to-remember number for all callers: 1-888-VARETIR (827-3847). The Richmond area number, 804-649-8059, will be discontinued after December 31.

Although a single number will serve all customers, as an employer you still have a dedicated Employer Support Team in the Customer Contact Center to assist with your questions regarding coverage, rates, legislation, policies, procedures and payroll matters. When you call 1-888-VARETIR (827-3847):

- Press 3 to be connected to a Customer Contact Center specialist.
- Press 3 to identify yourself as an employer.
- Enter your five-digit agency code number to access the Employer Support Team.

For more complex issues requiring research, information on Employer Forums or for personalized service, you may call your Employer Representative on his or her direct extension.

## **State Employers: Remind Retiring Members Of Medicare Requirement**

Remind retiring members who will enroll in the State Retiree Health Benefits program about Medicare requirements. When members first become eligible for Medicare, regardless of age, they are required to secure both Medicare Part A and Part B and to select one of the State Medicare-coordinating plan options. If they do not secure both parts of Medicare, they will not receive the full level of benefits from their plan and may have a gap in their coverage. Members should contact their local Social Security Administration before retirement to enroll in Medicare.

Members who participate in the State Retiree Health Benefits Program and who select a Medicare Plan option that includes prescription drug coverage are automatically enrolled in Medicare Part D prescription drug coverage. Enrollment in any other prescription drug program will terminate the state prescription drug coverage and the member will not have another opportunity to enroll in the state's program.

The Medicare Part D authorization process can be lengthy. Encourage members to fill prescriptions before the date of Medicare eligibility.

See the VRS Web site for answers to frequently asked questions concerning Medicare Part D at <http://www.varetire.org/Retirees/FAQ/MedicareD.html>. Resources can also be found on the Department of Human Resource Management's Web site at [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov).

## **Forms Update**

The revised Request for Health Insurance Credit (VRS-45. 12/06) should be easier for retirees to complete. The form has been updated to request health insurance premium information on an annual rather than monthly or periodic payment information.

## **News For Defined Contribution Plans**

### **457 And Cash Match Plans Reach \$1 Billion**

Balances in the Commonwealth's 457 Deferred Compensation Plan and Cash Match Plan reached a record level of \$1 billion in September 2006. Combined balances represent over 46,000 accounts. The increase is attributed to the change in IRS rules governing the plan, which now allow greater deferrals to the 457 Plan and rollovers into the Cash Match Plan. Enhanced communication and education of members by VRS and its service provider, Great-West Retirement Services, also played a role in the increase.

### **Savings Opportunities Increase In 2007**

The maximum deferral limits for the 457 Deferred Compensation Plan will increase for calendar year 2007. Employees (including wage employees) of the Commonwealth of

Virginia or of a political subdivision, including local school divisions, participating in the Commonwealth's 457 Plan, are eligible to defer the following in 2007:

- **Standard Maximum:** Participants may defer the lesser of their includable compensation or \$15,500. Includable compensation is total compensation minus any before-tax defined benefit plan purchases.
- **Age 50 Catch-Up:** Participants age 50 or over, or who will become age 50 during the 2007 calendar year, may defer the lesser of their includable compensation or \$20,500 (standard maximum plus an additional \$5,000).
- **Standard Catch-Up:** Participants within three years of eligibility for an unreduced retirement benefit are allowed to "catch-up" on deferrals that could have been made, but were not, while they were eligible employees. Participants using the Standard Catch-Up provision in 2007 may defer up to \$31,000. Additional forms are required to use the Standard Catch-Up. These forms are available on the Plan Web site at [www.vadcp.com](http://www.vadcp.com).

Payroll officers should pay careful attention to the "Effective Date" specified by the 457 Plan participant on the Payroll Authorization Form. Deferral increases intended for the new year that are processed for the current year may result in excess deferral amounts in 2006. A refund of any excess amount would be taxable for the employee.