

Don't Wait – Plan Your Future throughout Your Career

If you look at your 2009 MBP, you'll get an idea of when you can retire. No matter how far away that date may be, you will want to start saving now for a retirement that could last 25 or 30 years.

Starting Out in Your Career?

Experts say you will need about 80 percent of your pre-retirement income to live comfortably in retirement. Your VRS benefit combined with Social Security will provide some of that 80 percent, but not all. To make up the difference, it pays to start saving early.

EXAMPLE You are age 25 and recently started your job. If you are eligible for the 457 Plan or participate in a 403(b) plan and start saving \$40 per pay period, you could have \$78,000 or more in 30 years, based on a 6 percent average annual return. If your employer participates in the Virginia Cash Match Plan, you could receive a cash match of up to \$20 depending on how much you contribute to the 457 Plan. That could add another \$39,000 or more. Contact your human resource office to see if your employer has a cash match plan.

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Want A Glimpse of Your Future?

Check Your Member Benefit Profile

For a review of your benefits, log into your *myVRS* member online account at www.varetire.org and view your 2009 Member Benefit Profile (MBP).

The MBP is a summary of your VRS retirement, group life insurance and other benefits based on information your employer reports to VRS through June 30 of each year. It serves as a valuable retirement planning tool.

Your 2009 MBP shows:

- *Your membership date*
- *Last reported salary*
- *Total service credit*
- *Earliest unreduced and reduced retirement eligibility dates*
- *Estimated retirement benefit amounts*
- *Life insurance coverage*
- *Amount of funds in your member contribution account*
- *Estimated value of your retirement benefit*

VRS Releases 2009 Returns

The Virginia Retirement System (VRS) experienced a -21.1 percent return on its investment portfolio for fiscal year 2009, ending the year with \$42.9 billion in assets. The three-year annualized return was -3.2 percent and the five-year annualized return was 2.7 percent. These returns compare to the intermediate term policy benchmark returns of -20.1 percent, -3.6 percent and 2.0 percent, respectively for the last one-, three- and five-year periods.

“Fiscal year 2009 was a difficult year for the economy and the financial markets. As a long-term investor, VRS maintains significant exposure to equity, credit and real estate investments, and all suffered significant losses in market value last year. While the economic outlook remains challenging, we believe the portfolio remains well-positioned to produce attractive returns over intermediate and longer term horizons,” said Chief Investment Officer Charles W. Grant.

Introducing Member News

Your newsletter has a new look and a new name. We hope that these changes will make the newsletter easy to read and reflect VRS' dedication to member education and involvement in retirement planning.

Is My Retirement Benefit Safe?

Recent news reports have focused on the losses sustained in the market and how those losses have affected the retirement benefits of many people during the recession. VRS members are understandably concerned about the effect the downturn may have on their future retirement benefits. Here are answers to some of the questions members have asked recently:

Will my retirement benefits be less in the future than if I retired now?

No. The benefit amount is based on a formula using your total service credit and average final compensation at the time you retire. Average final compensation is the average of the 36 consecutive months of highest compensation in your history of VRS-covered employment. In addition, your benefit is a lifetime monthly benefit. It does not increase, decrease or end because of market fluctuations.

Will I receive cost-of-living adjustments when I retire?

Yes. Eligible retirees receive the cost-of-living adjustment (COLA) effective July 1 of the second calendar year after they retire. The COLA appears in the August 1 benefit payment and is effective each July 1 thereafter. For example, if you retire on November 1, 2009, you would become eligible for your first COLA effective July 1, 2011. It would appear in your August 1, 2011 benefit payment. Under current law, COLAs cannot exceed 5 percent.

The fund's fixed income portfolio produced a 4.6 percent return, while the public equity program produced a -28.0 percent return. The real estate return was -28.3 percent. The fund's private equity program experienced a -21.8 percent return and the credit strategies program had a -7.7 percent return.

The portfolio included \$18.0 billion in public equity, \$10.9 billion in fixed income, \$6.1 billion in credit strategies, \$3.7 billion in real estate and \$3.6 billion in private equity, as of June 30, 2009.

“The VRS Board of Trustees remains committed to a long-term investment policy which is designed to generate reasonable returns with an acceptable level of risk. The board has provided the investment staff with a clear and flexible investment policy and we are confident that VRS will be able to take advantage of attractive investment opportunities resulting from this challenging period,” said VRS Board Chairman A. Marshall Acuff Jr. *VRS*

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TIPS FOR RETIREMENT READINESS

- Use *myVRS* to track the impact of accumulating more service credit and salary increases on your estimated retirement benefit.
- Purchase credit for prior service if you are eligible. The earlier you purchase prior service, the less expensive it is. More information is available at www.varetire.org. Select “Enhancing Your Benefit” from the Member tab.
- Attend a Retirement Education Seminar I (RES I). RES I provides information for members at all stages of their careers. Of particular interest early in your career is information on basic financial concepts, long-term planning and different types of retirement savings accounts.

In the Middle of Your Career?

If you haven't started saving, there's still time to build your nest egg. Depending on how much you contribute, your savings could be as much as the amount you would have if you had started earlier.

EXAMPLE You are age 43 and have a child headed for college in a few years, so money is tight. But, if you put away \$100 per pay period in your employer-sponsored savings plan or another qualified plan, such as the Commonwealth of Virginia 457 Deferred Compensation Plan, if you are eligible to participate, or an Individual Retirement Account (IRA), a 403(b) plan if you work for a school division or another tax-deferred plan offered by your employer, you could have an extra \$69,000 or more by age 60. If your employer provides a cash match, you could have even more. Contact your human resource office for more information.

To log into *myVRS* or to create your secure online account, go to www.varetire.org and select the *myVRS* logo from the Member tab.

Other Retirement Income Tips

- **You may be able to increase your VRS retirement benefit by purchasing service credit for certain types of prior public service, active duty military service or selected leaves of absence. Prior service credit counts toward the five years needed for vesting and the health insurance credit. As long as you are an active member, you are eligible to purchase prior service. The service must not be used to qualify you for retirement under another plan. Your previous employer, if applicable, also must certify it as eligible for purchase. See “Enhancing Your Benefit” at www.varetire.org.**
- **The longer you work, the more service credit you earn and, thus, the higher your VRS monthly retirement benefit. Depending on how long you work, your salary also may grow, increasing your benefit even more.**

TIPS FOR RETIREMENT READINESS

- Use the *myVRS* Retirement Planner to estimate your income and expenses in retirement. Also check your progress toward your retirement savings by trying a higher contribution amount to your tax-deferred savings plan or different investment return scenarios.
- Use the *myVRS* Benefit Estimator to create benefit scenarios based on different retirement dates and benefit payout options.
- Re-evaluate your portfolio annually to see if you need to adjust your investments. You may want to put your money into a number of different types of investment options and asset classes to help reduce risk.
- Sign up for RES I. Among other topics, the seminar covers mid-career financial planning and investment strategies. Industry professionals also help you assess your investment risk tolerance.

Starting Near Retirement?

Retirement planning been sketchy so far? It's still not too late to put away funds for retirement. You will want to

Notice from the Internal Revenue Service about the Making Work Pay Credit

You may have seen an increase in your net pay from the Making Work Pay Credit, which reduces the amount of tax withheld each pay period. If this is the case, when you file your 2009 returns next year, you may receive a smaller tax refund or even owe taxes because too little is being withheld.

According to the Internal Revenue Service (IRS), you should consider increasing the amount of your withholding if:

- You have more than one job;

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National Save for Retirement Week was October 18–24

Urgent Message from Your Future: Save Today for Tomorrow

It's always a good time to start saving for retirement, and National Save for Retirement Week is a great reminder. The easiest way to save is through an employer-sponsored tax-deferred savings plan, such as the Commonwealth of Virginia 457 Deferred Compensation Plan or another government 457 plan or 403(b) plan for education employees. For more information, see National Save for Retirement Week at www.retirementweek.org.

Other Online Resources

- The American Association of Retired Persons (AARP) at www.aarp.org and the American Savings Education Council at www.choosetosave.org offer saving and financial planning tips.
- If you have low to moderate income, you may qualify for the federal Savers Credit when you file your income tax returns. Go to the IRS Web site at www.irs.gov to review IRS Publication 4703 for more information.
- The Social Security Administration Web site at www.ssa.gov provides a Social Security benefit calculator.

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save as much as possible and could even achieve a nest egg similar to that of a younger saver depending on how much you can contribute.

EXAMPLE You are age 53 and want to retire at age 62. If you save \$150 a pay period through the 457 Plan, if you are eligible to participate, or an IRA, 403(b) plan for education employees or another plan offered by your employer, you can have an extra \$42,000 or more at retirement.

TIPS FOR RETIREMENT READINESS

- If you have not taken RES I, enroll now. Topics covered in the seminar, such as legal readiness for retirement, provide valuable information as you begin thinking about retiring.
- Also, this is the time to sign up for RES II. In this seminar, you review estate planning, long-term care insurance and Medicare. Investment professionals also guide you through short-term investing, reallocation of your portfolio and rules regarding receiving payments from your tax-deferred savings plan.
- If you are within five years of retirement, attend a Group Counseling Session. This session focuses on your VRS retirement including benefit payout options, when to apply for retirement and what to include with your application.
- No time to travel to attend a Group Counseling Session? Not a problem. Participate in the VRS member webinar, *Ready to Retire*, to learn about applying for retirement and your retirement payout options. **VRS**

VRS offers member webinars as well as 457 Deferred Compensation Plan Regional Education Meetings, which help you learn more about your benefits and plan for the future. To view current schedules, go to www.varetire.org. Select "Retirement Readiness" from the Member tab for education and group counseling information and the Defined Contribution Plans tab for information about 457 Plan meetings. Online registration also is available.

A Benefit You Don't Want to Overlook

You May Be Eligible for the Health Insurance Credit When You Retire

When you retire, you may qualify for a health insurance credit. This benefit is a tax-free reimbursement for the part of retiree health insurance premiums you will pay for single coverage.

The dollar amount is set by the General Assembly for each year of service credit. To be eligible, you must have at least 15 years of service credit when you retire, and your employer must participate in the health insurance credit program. Eligible members include:

- Teachers and professional staff of local public school divisions
- State employees
- Local officers and employees of local officers
- General registrars and employees of general registrars
- Local social service employees
- Political subdivision employees whose employers offer the health insurance credit

The health insurance credit may be applied to the following health plans:

- Individual health plans
- Coverage as a dependent on a spouse's plan
- Employer-sponsored health plans
- Medicare Part B
- Dental and vision plans
- Prescription drug plans, including Medicare Part D

Health plans covering a specific condition are not eligible for the health insurance credit. Check with your human resource office to see if you will be eligible for the health insurance credit when you retire. [VRS](#)



myVRS Provides More Planning Tools

How much would your estimated retirement benefit be with a different benefit payout option? How does your benefit amount compare to your estimated retirement expenses? You can answer these questions through *myVRS*:



- Select the **Benefit Estimator** tab to create scenarios based on different retirement dates and benefit payout options. The estimates you create through *myVRS* are based on the same information VRS and your employer have, so you'll get a quick and accurate projection of what your benefit may be when you retire.
- Select the **Retirement Planner** tab to create a plan based on your estimated retirement benefit or the estimates you create in the Benefit Estimator as well as income from other sources such as a spouse, part-time employment, your own business or rental property. Then, build in the expenses you anticipate having in retirement, including taxes and health insurance.
 - **The Quick Plan** gives you an instant result based on your current VRS information and general assumptions built into the planner.
 - **The Detailed Plan** allows you to customize your plan based on your retirement needs and how you may want to spend your retirement.

You also can view your VRS information any time as well as view and download previous MBPs going back to 2006. To log in or create a secure online account, go to www.varetire.org and select the *myVRS* logo from the Member tab.

VRS Group Life Insurance Benefits

An Important Part of Planning for the Future

As you think about your retirement security, don't forget the importance of group life insurance to your loved ones' future security. For natural death, your beneficiary would receive a benefit equal to your compensation rounded to the next highest thousand and then doubled.

EXAMPLE If your compensation is \$41,400, that amount would be rounded to \$42,000 and then doubled for a natural death benefit of \$84,000.

For accidental death, the benefit would be double the natural death benefit.

EXAMPLE If your natural death benefit is \$84,000, that amount would be doubled for an accidental death benefit of \$168,000.

Your basic group life insurance coverage includes additional benefits if:

- You lose one or more limbs or your sight in one or both eyes in an accident;
- You die in an automobile accident while wearing a safety belt;
- You die or are dismembered as a result of a felonious assault while you are at work;
- You die in an accident more than 75 miles away from home (the benefit pays up to \$5,000 to transport your remains to your home); or
- You are diagnosed with a terminal condition and have fewer than 12 months to live. This is an accelerated death benefit option, which allows you to use some or all of your life insurance benefit

for any purpose before your death.

If you are covered under the Basic Group Life Insurance Program, you also may purchase additional life insurance for yourself, your spouse and your dependent children through the Optional Group Life Insurance Program. You pay the premiums through payroll deduction.

To see the current amount of your life insurance coverage, log onto your *myVRS* online account. Or call the VRS third-party administrator, Minnesota Life, toll free at 1-800-441-2258. For more information about the basic and optional group life programs, you also can visit www.varetire.org. **VRS**

Notice from the Internal Revenue Service, CONTINUED FROM PAGE 4

- You are married, and both you and your spouse work;
- You do not have a valid Social Security number;
- You can be claimed as a dependent on someone else's return;
- You receive Social Security, Supplemental Security Income, Railroad Retirement or Veteran's Disability payments.

To see if you need to adjust your withholding amount, use the online withholding calculator at www.irs.gov or refer to Publication 919, *How Do I Adjust My Tax Withholding?*

Visit www.irs.gov/recovery for more details on the Making Work Pay Credit as well as to download forms and publications. Or call the IRS toll free at 1-800-829-3676. **VRS**

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