

Legislature Adopts Benefit Changes for Current and Future Members

The General Assembly adopted several benefit plan changes for current and future members during the 2010 session. Legislation affecting current members includes the following:

Cash Match Reduction

The General Assembly voted to reduce temporarily the amount of the employer cash match for state employees and faculty members participating in the Commonwealth of Virginia 457 Deferred Compensation Plan and the 403 (b) plan.

WHAT IT MEANS TO YOU If you are a salaried state employee or faculty member participating in the 457 Plan or the 403(b) plan, you have been receiving an employer cash match of 50 percent of your contribution up to \$20 per pay period. The amount of the cash match will reduce to a maximum of \$10 per pay period beginning July

1, 2010 and return to a maximum of \$20 per pay period beginning July 1, 2011. For example, if you have been putting \$40 into your plan per pay period, the match has been \$20. In the coming fiscal year, the match will reduce to \$10, then return to \$20 in fiscal year 2012.

Furlough

State employees must take one day of unpaid leave during the current fiscal year, which ends June 30, 2010.

WHAT IT MEANS TO YOU Although the furlough will reduce your salary, it will not affect your future retirement benefit. Your employer will report your full compensation, contributions, service credit and life insurance coverage as if there were no furlough. If you are on short-term disability through the Virginia Sickness and Disability Program (VSDP) during the furlough, your VSDP benefit will continue. For most state employees, the furlough day will occur May 28; the date may vary with some employers. Contact your human resource office for more information.

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STATE EDITION

VSDP Line-of-Duty Benefit for SPORS Members

The General Assembly voted to enhance the Virginia Sickness and Disability Program (VSDP) benefit for members of the State Police Officers' Retirement System (SPORS) who are injured in the line of duty.

WHAT IT MEANS TO YOU If you are a member of SPORS and suffer a work-related injury in the line of duty, you will receive a short-term disability benefit equal to 100 percent of your pre-disability income for six months. Depending on certification by the Superintendent of State Police, you may be eligible for another six months of short-term disability at 100 percent of your pre-disability income. If you are still disabled after 12 months, you will go on long-term disability at 60 percent of your pre-disability income.

Refunds

Effective July 1, 2010, members must be vested to be eligible for a full refund of all contributions and

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VRS Plan Provisions for Future Members

The General Assembly enacted significant benefit changes for members joining VRS on or after July 1, 2010. The new plan provisions are referred to as the VRS Plan 2. Members in Plan 2 include new and rehired employees. Rehired employees are those who left a position covered under the VRS defined benefit plan or a VRS optional retirement plan, withdrew all their plan contributions and come back to covered employment on or after July 1, 2010 with no previous service credit in VRS or with no ORP account balance.

Deferred members — those who left covered employment but did not retire and still have VRS service credit they earned before July 1, 2010 — are in the current plan (VRS Plan 1).

The new legislation includes the Optional Retirement Plan 2. Information about this plan will be on the VRS Web site and in future issues of the newsletter. The following chart provides an overview of benefits for members in the VRS Plan 1 and in the VRS Plan 2:

Effective July 1, 2010	VRS Plan 1	VRS Plan 2
Average final compensation <i>(used to calculate your retirement benefit)</i>	<i>(Members Hired Before July 1, 2010)</i> Average of the 36 consecutive months of highest compensation as a covered employee	<i>(Members Hired or Rehired On or After July 1, 2010)</i> Average of the 60 consecutive months of highest compensation as a covered employee
5 percent member contribution	You or your employer on your behalf contributes 5 percent of your compensation each month to your member contribution account	State employees contribute the 5 percent member contribution. School division and political subdivision employees may contribute some or all of the 5 percent member contribution, depending on the election of the employer and provided the employer is paying the full 5 percent member contribution for all current Plan 1 employees.
Normal retirement age	VRS: Age 65 <hr/> SPORS, VaLORS and Political Subdivision Hazardous Duty Members: Age 60 <hr/> JRS: Age 65	VRS: Normal Social Security retirement age <hr/> Same as Plan 1 <hr/> Same as Plan 1
Earliest unreduced retirement eligibility	VRS: Age 65 with at least five years of service credit or age 50 with at least 30 years of service credit <hr/> SPORS, VaLORS and Political Subdivision Hazardous Duty Members: Age 60 with at least five years of service credit or age 50 with at least 25 years of service credit <hr/> JRS: Age 65 with weighted service equal to at least five years of service credit or age 60 with weighted service equal to at least 30 years of service credit	VRS: Normal Social Security retirement age with at least five years of service credit or when age and service equal 90. Example: Age 60 with 30 years of service credit. <hr/> Same as Plan 1 <hr/> Same as Plan 1

Earliest reduced retirement eligibility	VRS: Age 55 with at least five years of service credit or age 50 with at least 10 years of service credit	VRS: Age 60 with at least five years of service credit
	SPORS, VaLORS and Political Subdivision Hazardous Duty Members: Age 50 with at least five years of service credit	Same as Plan 1
	JRS: Age 55 with weighted service equal to at least five years of service credit	Same as Plan 1
Cost-of-Living Adjustment (COLA) <i>(effective on July 1 of the second calendar year after you retire)</i>	Matches first 3 percent increase in the Consumer Price Index-Urban and one-half of the remaining increase up to a maximum of 5 percent, when provided	Matches first 2 percent increase in the Consumer Price Index-Urban and one-half of the remaining increase up to a maximum of 6 percent, when provided

Note: The retirement multipliers remain the same for all members in Plan 2.

PURCHASE OF PRIOR SERVICE CHANGES COMING JANUARY 1, 2011

Members hired or rehired on or after July 1, 2010 (Plan 2) will pay a normal cost rate as a percentage of compensation or average final compensation for eligible prior public service if they purchase it within one year of becoming eligible. Plan 2 members may begin purchasing service effective January 1, 2011. Plan 2 members who purchase service after their one-year eligibility period will pay actuarial cost. The requirements for purchasing VRS refunded service and active duty military leave remain unchanged.

As a current member under Plan 1, your cost is based on 5 percent of your compensation or average final compensation if you purchase prior public service or VRS refunded service within three years of becoming eligible. After your three-year eligibility period, you will pay actuarial cost. More information about purchasing prior service is available at www.varetire.org.

If You Leave and Then Return to Covered Employment

As a current member under Plan 1, if you take a refund of your member contributions and interest or withdraw your funds from an optional retirement plan (ORP) and return to VRS-covered employment or participate in an ORP after July 1, 2010, you will be rehired under Plan 2. Purchasing VRS refunded service credit will not change your plan.

If you are in Plan 1 and leave employment before retirement but do not take a refund of your member contributions and interest or do not withdraw your ORP funds, you will be considered a deferred member under the current Plan 1.

More information will be available at www.varetire.org after July 1. **VRS**

Protect Your Future with Long-Term Care Insurance

A lot of people don't think about long-term care insurance as a part of financial or retirement planning. But did you know that the national average cost of long-term care is over \$74,000 a year? That can take a big bite out of your current savings or future retirement income.

Loss of independence as a result of an accident or illness can affect anyone at any age. According to a recent study, 42 percent of those receiving long-term care are under age 65. And most medical insurance plans don't cover long-term care services such as nursing home care or at-home care to assist with bathing, eating or other activities of daily living.

VRS has selected Genworth Life Insurance Company to administer the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program, formerly administered by Aetna. Participation in this program can help you and your family defray the cost of long-term care. You are eligible to enroll if you work at least 20 hours a week for an employer that offers the program. State agencies, including public colleges and universities, automatically participate in the program. School divisions and VRS-participating employers as well as non-VRS participating political subdivisions may elect to offer it to their employees.

For more information, visit www.genworth.com/cov or call Genworth Life toll free at 1-866-859-6060. **VRS**

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Other Eligible Participants

Retired VRS members and deferred members who have left covered employment, not taken a refund and have at least five years of service credit also are eligible to enroll in the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program.



VSDP Provides Long-Term Care Coverage Too

If you participate in the Virginia Sickness and Disability Program (VSDP), you are covered under the VSDP Long-Term Care Plan at no cost to you. This plan helps pay for nursing home care, assisted living facility care, hospice care, at-home services and community-based care.

The maximum daily benefit amount is \$96 with a lifetime maximum of \$70,080.

For more information, visit www.varetire.org or call the Long Term Care Group, Inc. toll free at 1-800-652-5602.

Long-Term Care, CONTINUED FROM PAGE 4**What are the advantages of the long-term care program?**

- You can enroll yourself as well as family members aged 18-79, including a spouse, adult children, parents, parents-in-law, step parents, step parents-in-law, grandparents, grandparents-in-law, step grandparents and step grandparents-in-law.
- New employees who are hired in an eligible position can enroll without having to provide proof of good health, provided they do so within 60 days of employment. Eligible family members must provide evidence of good health when they are enrolled.
- At group rates, your premiums may be more affordable. Premium rates are guaranteed through March 1, 2020 and will increase only if you make changes to your coverage.
- You can pay the premiums through payroll deduction or directly to Genworth. If you arrange to pay them to Genworth on a quarterly, semi-annual or annual basis, your premiums may be reduced.
- You can choose one of three benefit increase options that will allow you to increase your coverage over time to help protect against the rising cost of care.
- Coverage provides a monthly maximum benefit allowance for covered long-term care expenses.
- If you have other long-term care coverage, you may be able to coordinate with the voluntary program to obtain even more coverage.

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interest in their member contribution accounts. Under VRS, you are vested if you have at least five years of service credit.

WHAT IT MEANS TO YOU If you are not vested and request a refund, you will be eligible only for the contributions you have made to your member contribution account and any contributions made by your employer before July 1, 2010, plus accrued interest. You will not be eligible for a refund of any employer

contributions and interest made to your account after July 1, 2010.

Cost-of-Living Adjustment (COLA)

When you retire, you will be eligible for an annual Cost-of-Living Adjustment (COLA) beginning on July 1 of the second calendar year after you retire. The COLA allows retirement payments to keep pace with inflation. The amount is based on the Consumer Price Index-Urban, which measures the rate of

inflation. During years of no inflation or when the rate of inflation decreases, the VRS Board of Trustees recommended, and the General Assembly agreed, that the COLA will be 0 percent.

WHAT IT MEANS TO YOU VRS will not decrease monthly retirement benefits, even when economic conditions and a lowering of the inflation rate could result in a negative cost-of-living adjustment. **VRS**

What are Free, Convenient and Help You Plan a Successful Future?

VRS webinars and seminars give you the information you need to make the most of your benefits

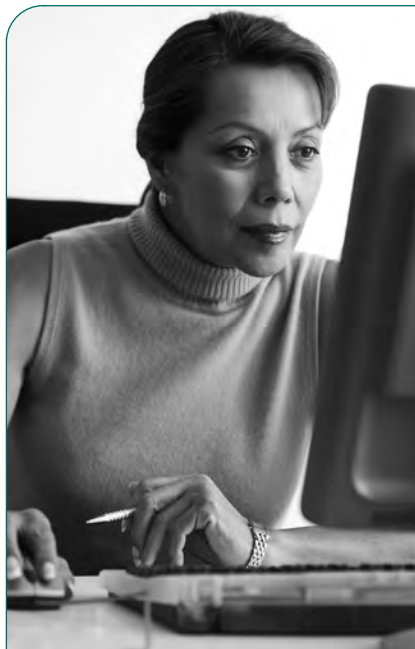
Some things are just too good to pass up — free information from industry professionals on investment strategies or estate planning, tips on how to qualify for a credit that can help with health insurance costs when you retire or ideas on enhancing your retirement benefit. Whether you've just started working, are in the middle of your career or are looking forward to retirement, get the inside scoop with expanded member educational opportunities.

VRS offers member education in a variety of formats. Member webinars are held on the second and fourth Tuesdays and Thursdays of the month. Without leaving your office, you can spend 60 minutes or less exploring a topic in depth by viewing a presentation on your computer and listening to the session leader through your phone. Here are the current offerings — more will be added in the future.

VRS OVERVIEW WEBINAR

Starting out in your career? The VRS Overview Webinar introduces you to your pre-retirement VRS benefits and covers questions such as:

- What are my benefits besides retirement?
- Can I enhance my future retirement benefit?
- What happens if I leave employment before I'm eligible to retire?
- Can I defer my retirement?



In this webinar, you'll also learn more about member resources such as the VRS Web site and the secure online *myVRS* system, which provides tools that can show you the impact of increasing your contributions to your tax-deferred savings and allow you to estimate your future benefit, income and expenses upon retirement.

HAZARDOUS DUTY WEBINAR

If you're a member of the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) or working in a political subdivision position that is eligible for hazardous duty coverage, this webinar explains your enhanced benefits.

PAYOUT OPTION WEBINAR

Getting close to retirement? Find out more about options for receiving your benefit, such as how to continue a benefit to a loved one upon your death, receive a partial lump sum of your member contributions when you first retire or increase your benefit temporarily until you are eligible for Social Security. Also learn more about:

- When you are eligible to retire
- How much your monthly benefit will be
- How to use purchase of prior service to receive your maximum benefit

HEALTH INSURANCE CREDIT WEBINAR

You may qualify for a credit that helps with the cost of health insurance premiums in retirement. This webinar explains what the health insurance credit is, how to qualify for it and how you receive it.

READY TO RETIRE WEBINAR

You'll want to take this webinar if you're thinking about applying for retirement:

- When am I eligible to retire?
- Which benefit payout option should I choose?
- Can I increase my monthly benefit?
- What is my health and life insurance coverage in retirement?
- Plus: How to apply for retirement and how to register for *myVRS* for retirees.

RETIREMENT EDUCATION SEMINARS

Retirement Education Seminar I is for members at all stages of their careers. Topics include:

- Mid- and long-term financial planning
- Will I have enough money to last throughout retirement?
- Estate planning
- Adjusting to retirement

The Retirement Education Seminar II covers topics of interest to you if you are nearing retirement, such as:

- What if I didn't save enough during my career?
- What is long-term care insurance and do I need it?
- How is my Social Security benefit calculated and when am I eligible?
- What is Medicare? *VRS*

Registering for Member Education

Schedules and online registration are available at www.varetire.org. Select Retirement Readiness from the Member tab. All programs are free. On-site sessions are held at locations throughout the state.

Member News is Changing to an E-Newsletter Format

Starting with the next issue, VRS will publish *Member News* as an electronic newsletter

The next time you see your *Member News*, it will be on your computer screen. VRS will publish *Member News* three times a year on the third Tuesday of August, January and May, as an electronic newsletter. The first electronic version will be available on August 17.

How it will work

VRS will send your employer an e-mail with a link to *Member News* and ask your employer to forward the e-mail and link to you. Or your employer can post the link on your employer's internal Web site. You just click and read. If you do not have access to a computer, please contact your human resource office. And, you can view the newsletter at any time by visiting www.varetire.org.

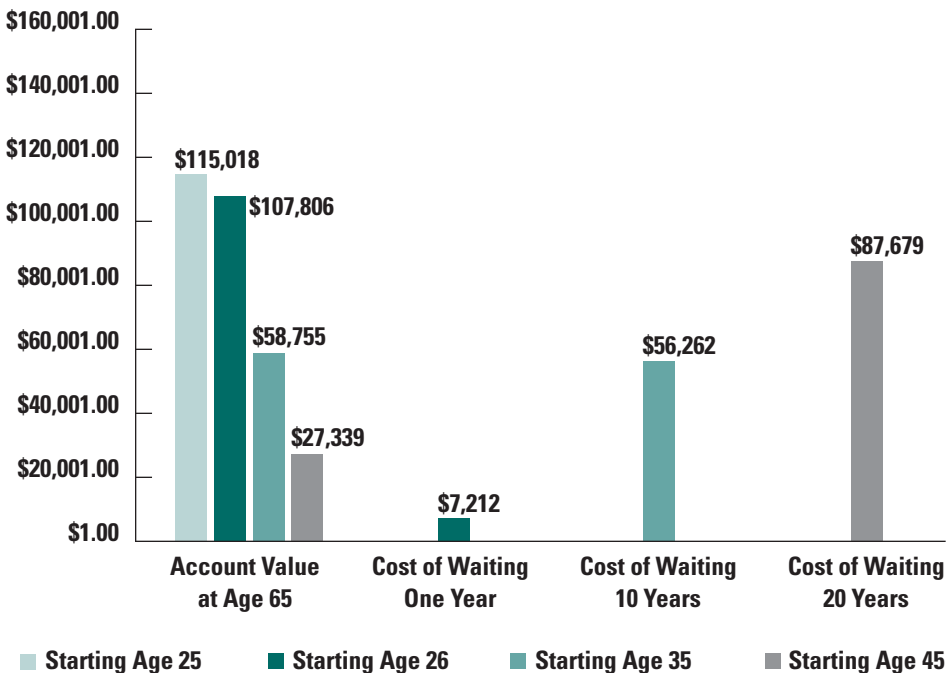
Why *Member News* is changing

- You'll be able to access your newsletter with just a click.
- You'll be linked directly to other information on the VRS Web site, such as benefit information, member education schedules, forms, publications or other Web sites such as the Social Security site or the Internal Revenue Service site.
- By increasing the frequency from two to three times a year, VRS can provide you more timely information.
- The electronic newsletter is part of VRS' continuing efforts to go green.

Tax-Deferred Savings Later in Your Career

The chart below illustrates the advantage of starting your savings early in your career through the Commonwealth of Virginia 457 Deferred Compensation Plan or another employer-provided tax-deferred savings plan. But increased contributions later in your career may help to make up for lack of savings in earlier years. If you are age 50 or older, you can use the 50+ Catch-Up to contribute an additional \$5,500 above the regular maximum of \$16,500 for a total participant contribution of \$22,000 for the year. If you are within three years of your normal retirement age, you can use the 457 Plan Standard Catch-Up, which allows you to contribute up to an additional \$16,500, not to exceed \$33,000 in total contributions for the year. Your normal retirement age is either your normal retirement age under your plan or the earliest age at which you become eligible for an unreduced retirement benefit. You cannot use the 50+ Catch-Up and Standard Catch-Up in the same calendar year.

The following chart assumes a total of \$60 tax-deferred savings for the month. The projection assumes earnings at 6 percent per year compounded monthly.



Learn more about the 457 Plan by attending a 457 Deferred Compensation Plan Regional Education Meeting. Meetings are held around the state. For more information and a schedule, select the Defined Contribution Plans tab from www.varetire.org. **VRS**

Information for State Health Benefits Program Participants

If you are planning to elect coverage under the State Retiree Health Benefits Program when you retire, you will receive a new health insurance card only if you make a plan or membership change, such as changing from COVA+ expanded benefits to COVA Basic, from COVA to Advantage 65, from a COVA plan to a Medicare plan when you become eligible for Medicare or adding a family member to your coverage. If you make no changes, your current state health insurance card remains valid. If you retire under an optional retirement plan (ORP), you must begin receiving distributions from your ORP account immediately upon leaving employment to be eligible to elect coverage under the State Retiree Health Benefits Program.

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