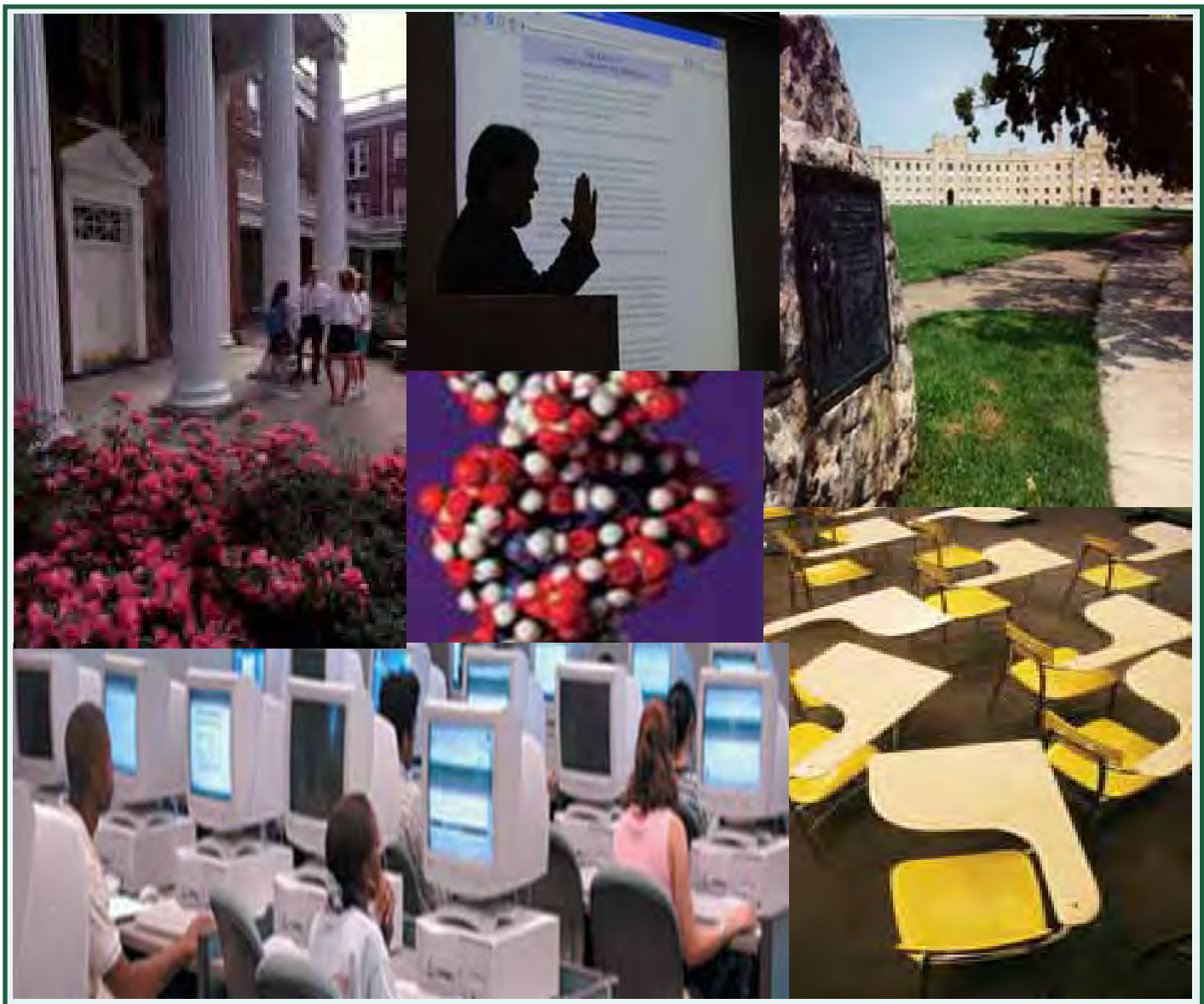


Virginia Retirement System
Optional Retirement Plan for Higher Education
Plan 2

Employees Hired or Rehired After June 30, 2010
Choosing Your Retirement Plan



**Virginia Retirement System
Choosing Your Retirement Plan
Guidelines and Provider Information
Optional Retirement Plan for Higher Education
Plan 2**

This publication is for employees of colleges and universities hired or rehired after June 30, 2010 and who are eligible to choose between the Virginia Retirement System defined benefit retirement plan and the Optional Retirement Plan for Higher Education, a defined contribution retirement plan.

July 2011



Introduction

The benefits described in this publication apply to employees hired or rehired after June 30, 2010. A rehired employee is one who is returning to employment in an eligible position and who has no VRS defined benefit plan service credit and no account balance in an Optional Retirement Plan administered or authorized by VRS from a period of employment prior to July 1, 2010.

As a new Virginia college or university faculty, engaged in teaching, administration or research, you are allowed to select your retirement plan. (You also have this choice if you have changed from a classified to a faculty position.) You must choose a retirement plan **within 60 days** of your employment date.

Your choices are the Virginia Retirement System (VRS) Plan 2, which is a defined benefit plan, and the Optional Retirement Plan (ORP) Plan 2, which is a defined contribution plan.

If you do not select the ORP within 60 days of employment, you will be covered by the VRS defined benefit plan.

Remember: You have 60 days from the date you are employed, reemployed, or you transfer for the first time into a position eligible for the ORP to make your choice and to complete the required forms. If you do not elect the ORP, you will be automatically enrolled in VRS.

If you transfer from a faculty position at one public institution in Virginia to another with no break in service you must continue in the Plan you originally chose. If you transfer from a faculty position at one public institution in Virginia to another with a break in service you must again choose the Optional Retirement Plan or be automatically covered by VRS. A break in service is defined as one full calendar month during which you received no compensation, no service credit in VRS, no contributions to an Optional Retirement Plan and no active member benefits. Summer breaks, educational leave and leave without pay do not constitute breaks in service.

NOTE: If you are moving from one covered position to another and have not had a break in service, you may not request a refund or distribution from the plan by which you were originally covered. However, if you were covered by VRS and elect the ORP in your new position, you may transfer any VRS contributions in which you are vested to your ORP account

Choosing your retirement plan

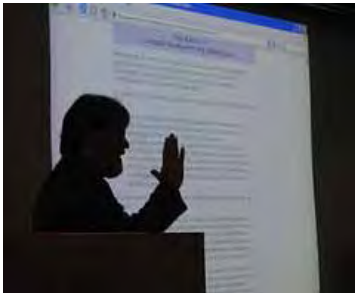
The choice of a retirement plan is a critical one because of its impact on your financial security. As a college or university employee with academic rank, you have the choice between two retirement plans that are distinctly different.

Defined Benefit Plan

The Virginia Retirement System (VRS) is a **defined benefit plan**. That means that your retirement benefit is determined by the following: the amount of service you accumulate in VRS-covered positions (including certain types of service that you purchase); your age at retirement; and the average of your 60 consecutive months of highest creditable compensation. **Your employer guarantees this lifetime benefit.** In a defined benefit plan your benefit increases with each year that you work and with your pay increases.

A characteristic of a defined benefit plan is that actuarial reductions are applied to your benefit if you do not qualify for an unreduced retirement. To qualify for unreduced retirement from VRS, you must have a combination of age and service that equals 90 or have at least five years of service at the age you qualify for an unreduced Social Security retirement benefit.

Birth Year	Age for Full Social Security
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943 - 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67



To receive reduced lifetime monthly payments, you must be vested (have a minimum of five years of service on record with VRS) and be at least age 60. For VRS purposes, vesting means you are eligible for a lifetime benefit.

More detail on VRS benefits is contained in the VRS Handbook for Members available at www.varetire.org under the Members tab or from your institution's Human Resources office.

Defined Contribution Plan

The Optional Retirement Plan (ORP), on the other hand, is a **defined contribution plan** where vesting is immediate. For purposes of the ORP, vesting means the total balance in your account is available to you when you leave employment with the Commonwealth. Your retirement benefit is based on employer and employee contributions and the investment gains and losses on those contributions. Your employer contributes to your ORP account 8.5 percent of your compensation. You contribute an additional 5 percent of your compensation to your account, for a total contribution of 13.5 percent of your compensation each pay date going into your Plan. Your contribution is paid on a pre-tax salary reduction basis under Section 414(h) of the Internal Revenue Code (IRC).

Your employer bears no responsibility for the outcome of your investment choices. You choose your investments from a range of funds offered under the plan and assume all risks associated with those choices. Your investment choices should be based on long-term goals and risk tolerance. Risk varies by investment.

More detail on ORP benefits is contained in the ORP for Higher Education Participant Handbook available at www.varetire.org under Defined Contribution Plans / Optional Retirement Plan for Higher Education.

Listing of Funds, Asset Classes and Benchmarks (page 14 -16) lists the investment choices currently available to Plan participants.

Comparing VRS to ORP Benefits Illustration (pages 17– 25) is an illustration of benefits in the two plans based on stated assumptions.

Comparing Plans

The following summary gives you a general comparison of the two plans:

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Type of Plan	Defined Benefit: Benefit at retirement is based on a formula, which uses the consecutive 60 months of highest creditable compensation, amount of service credit (including service credit you purchased) and age at retirement.	Defined Contribution: Benefit at retirement is based on contributions, net investment earnings and age (the length of time your benefit will be paid). Participants may choose between investments offered.
Contributions	<p>Each pay period you pay five percent of your creditable compensation on a tax deferred salary reduction basis into your VRS member contribution account in your name. Your member contribution account earns interest at 4% on an annual basis.</p> <p>The employer also makes a contribution to an employer pool account that is based on a rate established every two years by the VRS actuaries and approved by the General Assembly. Both member and employer contributions and earnings on those contributions fund future lifetime retirement benefits and guaranteed cost-of-living adjustments after retirement. These monies are invested by the VRS Investment Department with Board of Trustees oversight.</p>	<p>Each pay period you pay five percent of your creditable compensation on a tax deferred salary reduction basis into your ORP account. Gains and losses on your contributions depend upon the investments you select.</p> <p>Each pay period your employer pays an additional 8.5 percent of your creditable compensation into your ORP account. The employer contribution is invested in the investments you have chosen from among those available in the Plan.</p> <p>Some institutions pay up to an additional .4 percent of compensation with their governing board's approval. State general fund money may not be used for this purpose.</p>
Contribution Limits	The Internal Revenue Code Section 401(a)(17) specifies that compensation used to calculate your benefit may not exceed the compensation limit for the plan year in which the compensation was earned. For VRS members the Plan year runs from January 1 to December 31. See your benefits administrator for information on the current year's limit.	The Internal Revenue Code Section 401(a)(17) specifies that the compensation, on which you and your employer may make contributions, not exceed the compensation limit for the plan year in which the compensation is paid. The ORPHE plan year runs from July 1 to June 30. See your benefits administrator for information on the current year's limit.
Vesting	Immediate for member paid contributions and for member contributions your employer paid on your behalf prior to July 1, 2010. Five years creditable service (or involuntary separation) needed to receive member contributions your employer made on your behalf on or after July 1, 2010. Five years of creditable service required for lifetime, benefit when age requirement is met.	Immediate for account balance, including both employer and employee contributions.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Termination before Retirement	<p>Once you are no longer employed by an employer that provides retirement benefits through a plan administered or authorized by VRS, you may choose to leave your account with VRS or take a refund of your member account balance including accrued interest. If you do not take a refund you retain the service credit and right to any benefit you have earned. If you take a refund you lose the service credit represented by the amount refunded and your right to a lifetime benefit. You also lose any right you otherwise would have to VRS group life insurance and the health insurance credit.</p> <p>The refund is subject to federal and state income tax and may be subject to a 10 percent excise tax if taken before age 59 ½ (unless you separate from service after age 55). Taxation may be deferred if rollover is available.</p>	<p>You may take a distribution from your plan account when you are no longer employed by an employer that provides you a retirement benefit through a plan administered or authorized by VRS. Your account balance may be left with your chosen provider, rolled over or taken as a distribution.</p> <p>Distributions are subject to federal and state income taxes, and may be subject to a 10 percent excise tax if taken prior to age 59 ½ (unless you separate from service after age 55 or take essentially equal payments over your lifetime). Taxation may be deferred if a rollover is available.</p> <p>If you take a total distribution of the money in your plan account, you lose any right you otherwise would have to VRS group life insurance and the health insurance credit.</p>
Taxation of Retirement Benefit	<p>Your retirement benefit is paid as a monthly payment for your lifetime or your lifetime and that of the beneficiary you name. No tax is due until you begin receiving a payment from the Plan. The monthly benefit is taxed as ordinary income for both federal and state income tax.</p>	<p>No tax is due until you take a distribution. The distribution is subject to federal and state income tax, as well as an early distribution penalty if taken prior to age 59 ½. The penalty does not apply, if you separate from service after age 55, receive an annuity or take essentially equal payments over your lifetime. Taxation may be deferred if a rollover is available.</p>
Required Minimum Distribution	<p>You are required to take a distribution from the plan the later of the year you reach age 70 ½ or when you are no longer employed by an employer that provides retirement benefits through a plan administered or authorized by VRS.</p>	<p>You are required to take a distribution from the plan the later of the year you reach age 70 ½ or when you are no longer employed by an employer that provides retirement benefits through a plan administered or authorized by VRS.</p>
Portability	<p>Participation continues if you are employed by one of the approximately 800 Virginia public employers that provide retirement benefits through a VRS administered or authorized retirement plan, including Virginia public colleges and universities, Virginia local governments, all Virginia public schools and Virginia state government agencies. Many types of public service and leave may be purchased to enhance the benefit.</p>	<p>Participation may continue if you remain employed in a faculty position at a Virginia public college or university. ORP participation must continue if you transfer between institutions including to a Virginia public college or university that sponsors its own ORP, unless you do have a break in service.</p> <p>If you leave public employment in Virginia your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.</p>

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Employee Retirement Savings Plans	Participation in a 403(b) plan and the Commonwealth's 457 Deferred Compensation Plan is available regardless of the retirement plan selected. New hires are subject to Automatic Enrollment in the 457 Plan unless they self-enroll, contribute to a 403(b) plan with their institution, or opt-out of 457 Plan participation.	Participation in a 403(b) plan and the Commonwealth's 457 Deferred Compensation Plan is available regardless of the retirement plan selected. New hires are subject to Automatic Enrollment in the 457 Plan unless they self-enroll, contribute to a 403(b) plan with their institution, or opt-out of 457 Plan participation.
Investment Risks	The benefit is guaranteed as long as the Commonwealth continues to make contributions to the Plan.	The investment risk is borne by the employee. Benefit at retirement is based on contributions and gains and losses on investments. Risk varies according to investments chosen.
Investment Costs	Fund management cost is paid by the employer and included in the VRS employer contribution rate.	Fund management costs are borne by the employee.
Inflation Risk (Pre-retirement)	Benefit is related to pay and standard of living just prior to retirement; therefore, initial benefit keeps pace with pre-retirement inflationary trends.	Participant may choose from a variety of investments to address inflation risk.
Inflation Risk (Post-Retirement)	Provides cost-of-living adjustments starting on July 1 of the second calendar year after you retire. Adjustments are tied to the CPI-urban and may not exceed 6% per year under current law.	Cost-of-living adjustments are not available unless you purchase an annuity with this feature. Retirees may also make systematic withdrawals from investment accounts allowing the remainder to continue to be invested.
Disability	You are covered by the Virginia Sickness & Disability Program (VSDP) which provides replacement income ranging between 100% and 60% of salary in the event of short-term or long-term disability. If you were covered by VRS prior to January 1, 1999 and retained the traditional sick leave/disability retirement benefit, you will continue to be covered by the traditional plan.	Disability benefits are generally not available, except through Social Security. Institutions may provide disability coverage or make it available for purchase. Contact your Human Resources office for information on programs that may be available to you. When employment ends as a result of a disability a distribution from the plan may begin.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
<p>Group Life Insurance (GLI)</p> <p>For both VRS and the ORP, Group Life Insurance is lost if you leave employment and take a refund of your VRS member contribution account or full distribution from your Optional Retirement Plan.</p>	<p>For natural death, the death benefit is equal to your salary rounded to the next \$1,000, times two. This amount is doubled for accidental death. Life insurance is retained in retirement provided you are at least age 60 with at least 5 years of service. The coverage amount reduces 25% annually until it reaches 25% of the original value. The reduction begins on January 1 of the first full year following the date you leave covered employment. Accidental death benefits cease at retirement.</p> <p>Additional Optional Life Insurance is available to employees and dependents and may continue into retirement if basic Group Life Insurance is retained and you continue to pay the premium on your optional life insurance coverage.</p>	<p>For natural death the death benefit is equal to your salary rounded to the next \$1,000, times two. This amount is doubled for accidental death. Life insurance is retained in retirement provided you are at least age 60 with at least 5 years of service. The coverage amount reduces 25% annually until it reaches 25% of the original value. The reduction begins on January 1 of the first full year following the date you leave covered employment. Accidental death benefits cease at retirement.</p> <p>Additional Optional Life Insurance is available to employees and dependents and may continue into retirement if basic Group Life Insurance is retained and you continue to pay the premium on your optional life insurance coverage.</p>
<p>Group Life Insurance (GLI) – Educational Leave</p>	<p>While on educational leave you are reported for GLI at full salary, if you are receiving half pay or more.</p> <p>You are not reported for GLI while on educational leave and less than ½ pay.</p>	<p>While on educational leave you are reported for GLI at full salary, if you are receiving half pay or more.</p> <p>You are not reported for GLI while on educational leave and less than ½ pay.</p>
<p>Life Insurance Conversion</p>	<p>Members leaving employment and not eligible to continue GLI may convert to a private policy within 31 days of termination, without evidence of insurability.</p>	<p>ORP participants leaving employment and not eligible to continue GLI may convert to a private policy within 31 days of termination, without evidence of insurability.</p>
<p>Death in Service</p>	<p>If you die in service, any beneficiary may receive a lump sum distribution of your member contribution account (MCA).</p> <p>If you are vested and the beneficiary is your spouse, minor child, mother or father, they may choose either a lump-sum payout of the MCA or a monthly benefit.</p>	<p>All contributions and investment earnings are payable to your beneficiary.</p> <p>The beneficiary may choose the method of payment.</p> <p>No special death in service benefit is available.</p>
<p>Death in Line of Duty</p>	<p>If you die in the line of duty, your surviving spouse, minor child, mother or father will receive as a monthly benefit half your average final compensation (AFC) or 1/3 AFC if the survivor qualifies for Social Security death benefits (offset by Workers' Compensation) Also, your member contribution account is refunded to the named beneficiary.</p>	<p>All contributions and investment earnings are payable to your beneficiary.</p> <p>The beneficiary may choose the method of payment.</p> <p>No special line-of-duty death benefits are available.</p>

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Educational Leave of Absence with ½ Pay or More	Employee and employer contributions will continue to be paid on full salary.	Employee and employer contributions will continue to be paid on full salary.
Educational Leave of Absence with Less Than ½ Pay	You may purchase up to four years of service credit for any approved official educational leave of absence from a VRS-covered position.	No contributions are made to the ORP.
Health Insurance	State employee health insurance is available while employed. State retiree health benefit is available if retirement benefit payment begins immediately upon leaving salaried State employment.	State employee health insurance is available while employed. At retirement you are eligible for the state retiree health benefit if you are receiving an immediate periodic payment from the ORP. This can be accomplished by the purchase of an immediate annuity from a plan provider.
Health Credit - Service Retirement	Eligible with 15 years of VRS and /or ORP service. To qualify you must receive an immediate retirement benefit and incur cost for your own health insurance. Benefit is \$4.00 per year of service not to exceed the out of pocket cost for the individual retiree's premium. The credit ceases at your death.	Eligible with 15 years of VRS and/or ORP service. To qualify you must receive periodic distributions from the ORP immediately upon qualifying and incur cost for your own health insurance. Benefit is \$4.00 per year of service not to exceed the out of pocket cost for your premium. The credit ceases at your death.
Health Credit – Educational Leave	Educational leave with less than ½ pay does not count toward creditable service for the health insurance credit. Educational leave with ½ pay or more counts as creditable service for the health insurance credit.	Educational leave with less than ½ pay does not count toward creditable service for the health insurance credit. Educational leave with ½ pay or more counts as creditable service for the health insurance credit.
Health Credit – Disability	Receive the higher of \$120 or \$4 per year of service at the time VSDP Long-term Disability benefits begin. Credit payment may not exceed the out of pocket cost for the individual member's premium.	Receive the higher of \$120 or \$4 per year of service at the time of disability if receiving payment from an institution-sponsored long-term disability plan. Otherwise, 15 years of service is required to qualify with credit being \$4 per year of service. Credit payment may not exceed the out of pocket cost for the individual retiree's premium.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Eligibility for Benefit Payout	<p>You are eligible for an unreduced benefit when your combination of age and service equals 90 or at Social Security unreduced retirement age with at least 5 years of service.</p> <p>Retirement at age 60 with at least 5 years of service produces an actuarially reduced benefit.</p>	<p>You may begin receiving benefits at termination of Virginia public employment, regardless of age.</p> <p>The amount of the benefit is determined by contributions to your ORPPA account (including money you rolled into the Plan), adjusted for gains, losses and fees on investments and the length of time the benefit is to be paid.</p>
Pay Out Options	<p>Basic Benefit: For your lifetime only.</p> <p>Survivor Options: Reduced lifetime benefit so your survivor continues to receive benefit at your death.</p> <p>Partial Lump Sum Option: By working 1-3 years beyond eligibility for unreduced retirement, you may receive a portion of your lifetime benefit as a lump-sum payment at retirement. Your monthly benefit is reduced going forward to provide for the lump sum payment. This option may also be combined with a survivor option.</p> <p>Advanced Pension Option: Pays a larger benefit in early years of retirement with reduced benefit later.</p>	<p>Varies according to the provider(s) chosen.</p> <p>The following are generally available: annuity, including survivor options; periodic or systematic withdrawal; lump sum withdrawal, partial lump sum withdrawal, rollover to another plan or IRA or a combination of the above.</p>
Change of Payout Option	<p>Basic Benefit, Partial Lump Sum and Advance Pension Options may not be changed after retirement. Survivor options may be changed if: survivor dies first; you are divorced before 20 years of marriage (provided there is no approved court order requiring former spouse to receive survivor benefit); or survivor waives benefit.</p>	<p>Varies according to the provider and option chosen.</p>
Required Minimum Distribution	<p>You must begin a distribution from VRS at the later of age 70 ½ or when you terminate public employment in Virginia.</p>	<p>You must begin a distribution from the plan at the later of age 70 ½ or when you terminate public employment in Virginia.</p>
Forfeiture of Benefits	<p>Your employer may direct that all your VRS administered benefits be forfeited if you are convicted of a felony related to your covered employment.</p>	<p>Your employer may direct that all your VRS administered benefits be forfeited if you are convicted of a felony related to your covered employment.</p>

Selecting a Plan

Your selection of a retirement plan is irrevocable. Because this choice cannot be changed at a later time, it should be made with great care. You have 60 days from the date you are employed in a faculty position to make your choice, notify your Human Resources office and complete the necessary forms. If you do not elect the ORP within 60 days of becoming employed in an eligible position you will automatically be covered by VRS.

If you choose VRS

If, after reviewing the features of VRS and the ORP, you conclude that the VRS defined benefit plan better meets your needs, you should advise your Human Resources office of your decision. There is no enrollment form to complete. However, your employer may require that you complete a form indicating your choice.

To designate the beneficiary, other than the order of precedence, for your VRS Member Contribution Account and Group Life Insurance obtain the Designation of Beneficiary (VRS-2) from your Human Resources office or from the VRS Web site at www.varetire.org. Under Members tab select Forms. Refer to Member Handbook for more details on the Order of Precedence.

You may learn more about VRS by visiting the VRS Web site at www.varetire.org. Direct contact information is as follows:

Virginia Retirement System
P.O. Box 2500
Richmond, VA 23218-2500
1-888-VARETIR (1-888-827-3847)

Regardless of the retirement plan you choose, designate a beneficiary for your Group Life Insurance by obtaining the Designation of Beneficiary (VRS-2) from your Human Resources office or from the VRS Web site at www.varetire.org under Members / Forms.

If you choose the ORP

If you decide a defined contribution plan such as the ORP will serve you better, there are three actions you must take:

1. Complete the Election to Participate in Optional Retirement Plan for Higher Education (VRS-65) and return it to your Human Resources office. The form is available on the VRS Web site.
2. Select the investment provider to which you want your contributions sent. Enroll with that provider using the prescribed method and select from the investments available.
3. Designate the beneficiaries you wish to receive your ORP account in the event of your death using provider's form

Contributions may go to one provider only. However, you may spread your contributions among the investment options available through that provider. Contributions will be retroactive to your hire date.

You can change your provider during open enrollment, which occurs in October each year. Your changes will become effective the following January.



ORPHE Providers

Investment providers available to plan participants are:

Fidelity Investments

1(800) 343-0860

Contact Center & IVR

www.fidelity.com/atwork

TIAA-CREF

1(800) 842-2776 Contact Center

1(800) 842-2252 IVR

www.tiaa-cref.org/

In addition to fund management fees, Fidelity charges a \$12.00 annual participant fee, which is deducted from accounts

Fund management fees vary based on the investments chosen.

Benefit Illustrations

This guide provides benefit illustrations between the estimated value of annual benefits provided under VRS versus the ORP for various age and service combinations using different assumptions. Please read the Glossary of Terms and Methodology carefully when reviewing these illustrations.

Final Comments

Please note that provision of an optional plan does not constitute a recommendation for such plan, nor acceptance by the Commonwealth of any responsibility for its financial condition or future benefit payments. The Commonwealth reserves the right to amend or terminate the plan at any time and without the consent of any other party.

The Commonwealth of Virginia reserves the right to change the providers or investments available to plan participants. A change of investment providers or available funds may affect all accounts held under the Plan or may effect only future contributions, depending on the decision made and the circumstances at the time.



INVESTMENTS AVAILABLE TO ORPHE PARTICIPANTS

Fidelity Investment Fund Objectives

Fidelity Retirement Government Money Market Portfolio – Seeks a high level of current income as is consistent with the security of principal and liquidity.

Fidelity Spartan U.S. Bond Index Fund – Seeks to provide investment results that correspond to the total return of bonds in the Barclays Capital U.S. Aggregate Bond Index.

Fidelity Inflation-Protected Bond Fund – Seeks a total return that exceeds the rate of inflation over the long term.

Fidelity High Income Fund – Seeks a high level of current income. Growth of capital may also be considered. Normally invests primarily in income-producing debt securities, preferred stocks, and convertible securities, with an emphasis on lower-quality debt securities. Investing in companies in troubled or uncertain financial condition. Potentially investing in non-income producing securities, including defaulted securities and common stocks.

Fidelity Dividend Growth Fund – Seeks capital appreciation by investing primarily in companies that pay dividends or those companies that have the potential to pay dividends in the future.

Fidelity Spartan Extended Market Index Fund – Seeks to provide investment results that correspond to the total return stocks of mid- to small-capitalization United States companies.

Fidelity Low-Priced Stock Fund – Seek capital appreciation by investing in at least 80% of assets in low-priced stocks (those priced at or below \$35 per share) which can lead to investments in small and medium-sized companies.

Fidelity Diversified International Fund - Seeks capital growth by investing primarily in non-U.S. securities. Normally investing primarily in common stocks.

Fidelity Worldwide Fund – Seeks growth of capital by investing in securities issued anywhere in the world. Normally investing primarily in common stocks.

Fidelity Real Estate Investment Portfolio – Seeks above-average income and long-term capital growth, consistent with reasonable investment risk. The fund seeks to provide a yield that exceeds the composite yield of the S&P 500 Index.

Fidelity Managed Income Portfolio – Seeks to preserve principal while earning interest income.

Fidelity Freedom Funds – Seeks high total return until the target date. Thereafter, the funds' objective will be to seek high current income and, as a secondary objective, capital appreciation.

TIAA-CREF Investment Fund Objectives

CREF Money Market Account –Seeks high current income consistent with maintaining liquidity and preserving capital.

CREF Bond Market Account – Seeks a favorable long-term rate of return, primarily through high current income consistent with preserving capital.

CREF Inflation Protected Bond Account – Seeks a long-term rate of return that outpaces inflation, primarily through investment in inflation-indexed bonds—fixed-income securities whose returns are designed to track a specified inflation index over the life of the bond.

CREF Equity Index Account – Seeks a favorable long-term rate of return from a diversified portfolio selected to track the overall market for common stocks publicly traded in the U.S., as represented by a broad stock market index.

CREF Stock Account – Seeks a favorable long-term rate of return through capital appreciation and investment income by investing primarily in a broadly diversified portfolio of common stocks.

CREF Global Equities Account - Seeks a favorable long-term rate of return through capital appreciation and income from a broadly diversified portfolio that consists primarily of foreign and domestic common stocks

TIAA Real Estate Account –Seeks favorable long-term returns primarily through rental income and appreciation of real estate investments owned by the account.

TIAA Traditional Annuity - A guaranteed annuity backed by TIAA's claims paying ability, TIAA Traditional guarantees your principal and a minimum interest rate, plus it offers the opportunity for additional amounts in excess of the guaranteed rate. These additional amounts, when declared by the TIAA Board of Trustees, remain in effect for the "declaration year" that begins each March 1.

Vanguard Asset Allocation Fund - Seeks to maximize long-term total return (share price plus income) while incurring less stock market risk than a fund made up entirely of stocks.

American Funds EuroPacific Growth Fund – Seeks to provide long-term growth of capital.

DFA International Small Company Portfolio – Seeks to achieve long-term capital appreciation by investing in the small companies of Canada, Europe, Japan, Asia Pacific, and the United Kingdom.

Funds, Fund Type and Benchmarks by Provider

FIDELITY INVESTMENTS – Funds, Fund Type and Benchmarks as of 6-30-2011

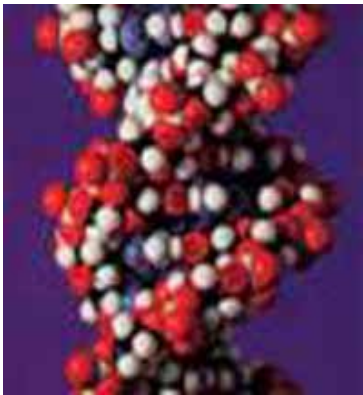
Fund Name	Fund Type	Benchmark
Fidelity Freedom Funds Fact Sheets	Asset Allocation - Lifecycle	Extended Asset Class Composite Index (based on glide path)
Fidelity Dividend Growth Fund FDGFX	Large Blend Stock	S&P 500 Index
Fidelity Low-Priced Stock Fund FLPSX	Small/Mid-Cap Blend Stock	Russell 2000® Index
Fidelity Spartan Extended Market Index Fund FSEMXX	Mid-Cap Blend Stock	Dow Jones U.S. Completion Total Stock Market Index
Fidelity Worldwide Fund FWWFX	Global Stock	MSCI World Index SM
Fidelity Diversified International Fund FDIVX	International Stock	MSCI World ex-U.S. Index
Fidelity Managed Income Portfolio	Stable Value	3-Year Constant Maturity Yield
Fidelity Spartan U.S. Bond Index Fund FBIDX	Intermediate-Term Bond	Barclays Capital Aggregate Bond Index
Fidelity High Income Fund SPHIX	High-Yield Bond	BofA Merrill Lynch U.S. High Yield Master II Constrained Index
Fidelity Inflation-Protected Bond Fund FINPXX	Inflation -Indexed Bond	Barclays Capital U.S. Inflation Notes Index
Fidelity Retirement Government Money Market Portfolio FGMXX	Cash Equivalent - Money Market	Barclays Capital 3-Month Treasury Bill Index
Fidelity Real Estate Investment Portfolio FRESX	Real Estate	Dow Jones U.S. Select Real Estate Securities Index

TIAA-CREF – Funds, Fund Type and Benchmarks as of 6-30-2011

Fund Name	Fund Type	Benchmark
Vanguard Asset Allocation Fund VAAPX	Asset Allocation	Custom Composite Index (65% S&P 500 Index and 35% Barclays Capital Long U.S. Treasury Index)
CREF Stock Account Fact Sheet	Stock	Custom Composite Index (80% Russell 3000® and 20% MSCI EAFE + Canada Index)
CREF Equity Index Account Fact Sheet	Broad Stock Market	Russell 3000® Index
CREF Global Equities Account Fact Sheet	Global Stock	MSCI World Index SM
DFA International Small Company Portfolio (Date Closed: 12/31/2005) DFISX	International Small-Cap Stock	S&P Citigroup Extended Market - EPAC Index
American Funds EuroPacific Growth Fund RERFX	International Stock	MSCI EAFE® Index
TIAA Traditional Annuity Fact Sheet	Fixed Annuity	BofA Merrill Lynch U.S. Corporates AAA 7-10 Years Index
CREF Bond Market Account Fact Sheet	Bond	Barclays Capital Aggregate Bond Index
CREF Inflation-Linked Bond Account Fact Sheet	Inflation-Indexed Bond	Barclays Capital U.S. Inflation Notes Index
CREF Money Market Account Fact Sheet	Cash Equivalent - Money Market	Barclays Capital 3-Month Treasury Bill Index
TIAA Real Estate Account Fact Sheet	Real Estate	Custom Composite Index (75% Russell/NCREIF Property, 20% BC 3- Month Treasury Bill Index, and 5% Dow Jones U.S. Select REIT Indices)

You should read all Plan investment related materials carefully, because you alone will be responsible for your investment direction, and VRS, its Board of Trustees, the Committee, the Commonwealth and your institution are relieved from any liability or responsibility for your investment choices.

The Investment Policy Statement is available for your review at www.varetire.org under Defined Contribution Plans / ORP for Higher Education.



VRS v. ORP

Benefit Illustrations –

Glossary of Terms

- **Annual Benefit**

Amount payable for life to the participant at retirement

Under ORP it is assumed that:

- § A life annuity is purchased with the account balance.
- § An annual COLA is included in the annuity contract
- § The yield on the annuity contract is equal to the assumed ORP rate of return.

- **Average Final Compensation**

The average of the 60 consecutive months of highest creditable compensation in the member's VRS salary history, which is used to calculate benefits under VRS benefit formula

- **COLA**

An increase in the monthly benefit given in the second calendar year after retirement. Increases, if any, are made yearly thereafter. The amount of the COLA is equal to the first two percent of the increase in the Consumer Price Index (CPI-Urban), plus half of next eight percentage increase, not to exceed six percent in any year. Calculations assume a 2.25 percent cost of living increase.

- **Creditable Compensation**

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.

- **ORP Return**

Assumed rate of return on employee directed investments in ORP
Rate of return not guaranteed.

- **ORP Contribution**

Annual percent of pay contributed on behalf of each participant in the ORP: 8.5 percent from employer and five percent from employee.

- **Salary Increases**

Assumed annual rate of increase from date of hire until retirement

Methodology

- The following benefit illustrations are intended to provide an estimate of the relative value of the benefits provided under VRS versus ORP for various age and service combinations. They were developed based on plan provisions that became effective July 1, 2010 and the stated assumptions as to annual salary increases, current salary level, annual return on ORP account balances, and future cost of living adjustments (COLA).

- The estimated annual benefits from VRS are based on a single life annuity form of payment with annual increases based on the COLA assumption.

- The estimated annual benefits from the ORP are based on the single life annuity that could be provided by the account balance with annual increases based on the COLA assumption, the stated annual rate of return, and blended life expectancy.

- Keep in mind that these estimates are for illustrative purposes only. Actual benefits will be based on actual plan provisions, salary history, investment returns, and form of payment elected at retirement and could be higher or lower than the benefits illustrated.

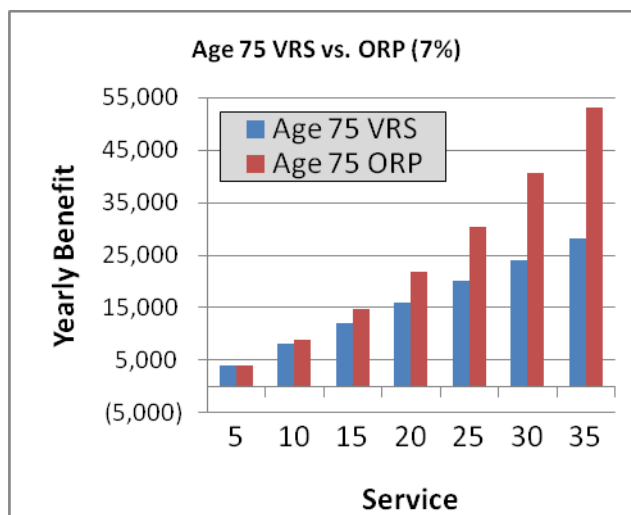
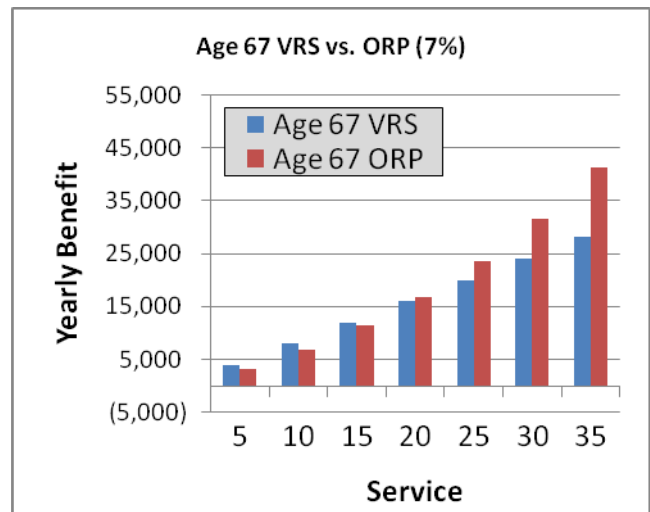
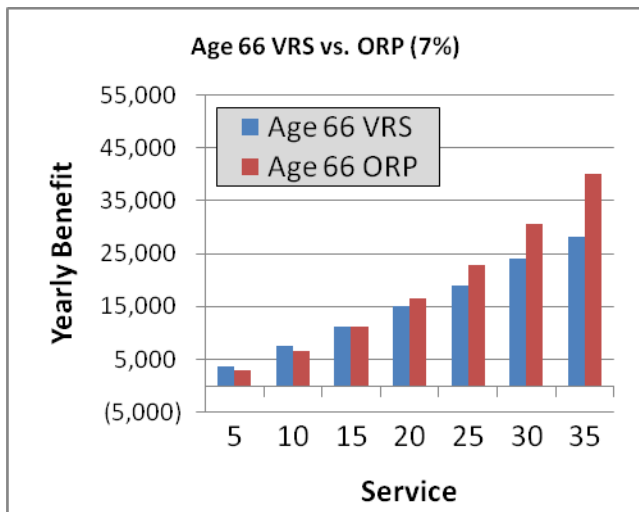
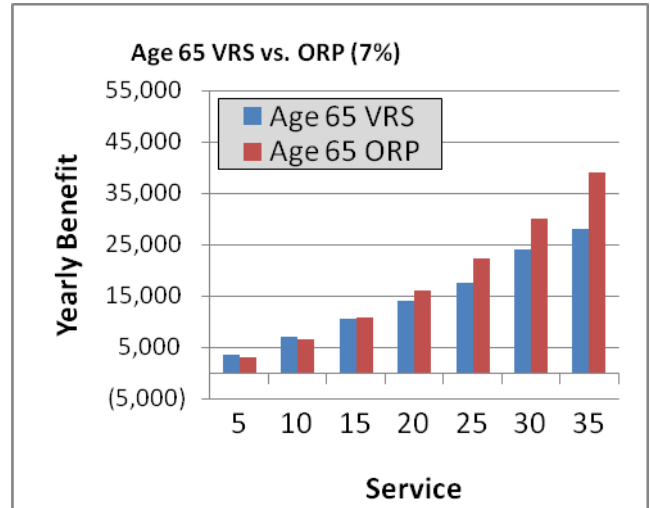
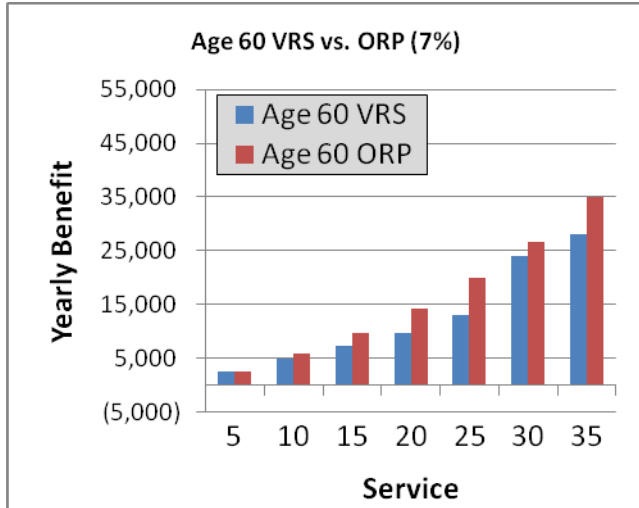
Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,216	4,897	8,141	12,066	16,814	22,559	29,509
<i>Difference</i>														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	2,387	5,275	8,769	12,996	18,111	24,299	31,785
<i>Difference</i>							(3,718)							3,718
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	2,622	5,794	9,632	14,275	19,892	26,688	34,911
<i>Difference</i>	(200)	(950)	(2,366)	(4,588)	(6,821)	(2,631)	(6,844)	200	950	2,366	4,588	6,821	2,631	6,844
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,941	6,499	10,804	16,013	22,314	29,938	39,162
<i>Difference</i>	587	557	(219)	(1,899)	(4,672)	(5,881)	(11,095)	(587)	(557)	219	1,899	4,672	5,881	11,095
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	3,017	6,667	11,083	16,426	22,890	30,711	40,172
<i>Difference</i>	752	871	224	(1,350)	(4,045)	(6,654)	(12,106)	(752)	(871)	(224)	1,350	4,045	6,654	12,106
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,097	6,845	11,379	16,864	23,500	31,530	41,244
<i>Difference</i>	912	1,174	650	826	(3,453)	(7,472)	(13,177)	(912)	(1,174)	(650)	826	3,453	7,472	13,177
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,990	8,818	14,659	21,725	30,275	40,618	53,132
<i>Difference</i>	19	(799)	(2,630)	(5,687)	(10,227)	(16,561)	(25,066)	(19)	799	2,630	5,687	10,227	16,561	25,066

Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171



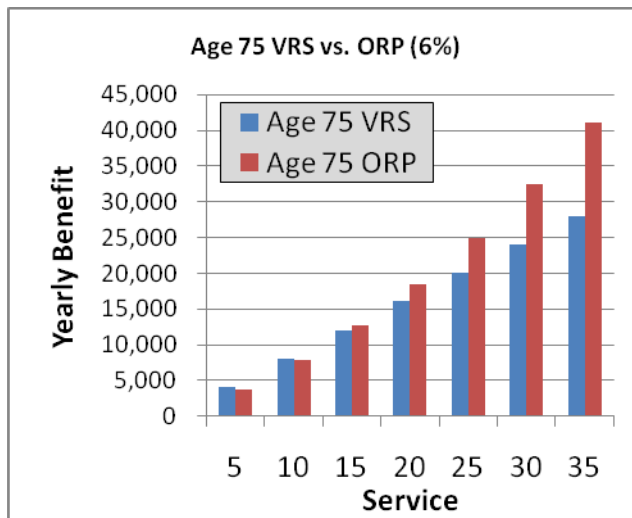
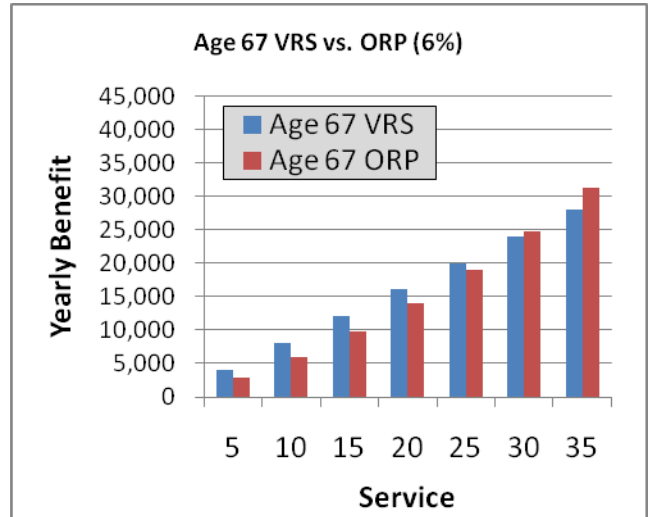
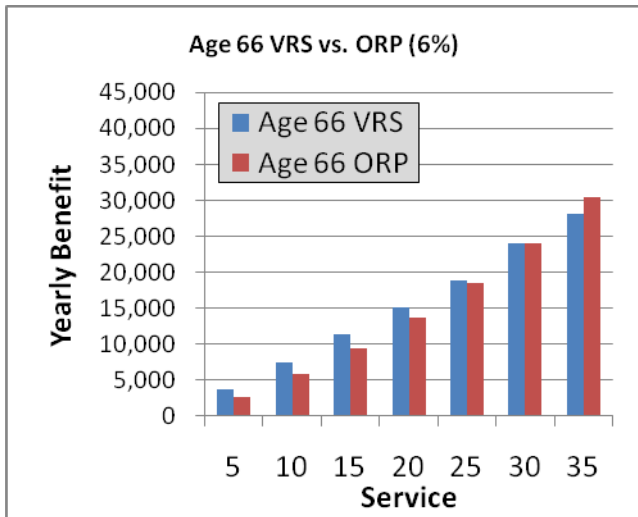
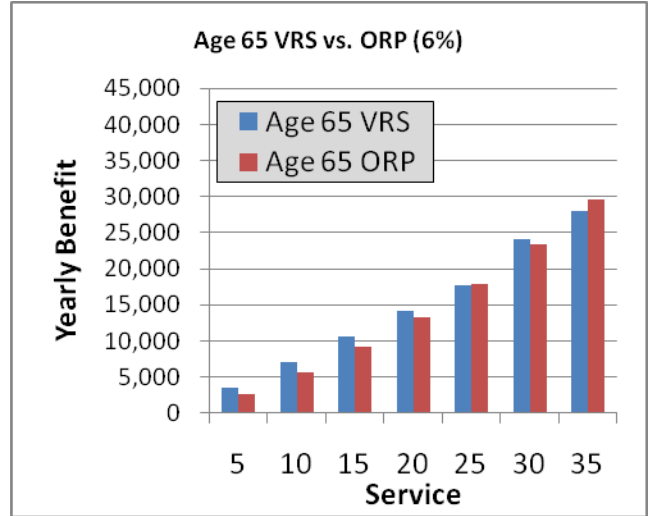
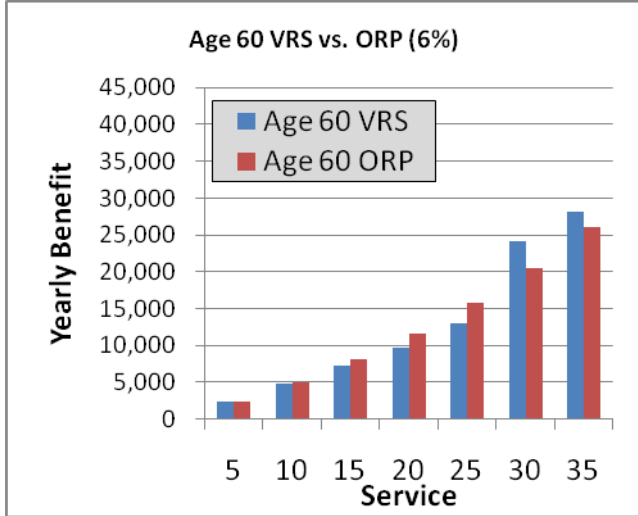
Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	6.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,916	4,129	6,682	9,630	13,033	16,961	21,496
<i>Difference</i>														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	2,088	4,498	7,280	10,492	14,199	18,479	23,420
<i>Difference</i>							4,647							(4,647)
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	2,321	4,999	8,092	11,662	15,782	20,539	26,030
<i>Difference</i>	101	(156)	(827)	(1,975)	(2,711)	3,518	2,036	(101)	156	827	1,975	2,711	(3,518)	(2,036)
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,635	5,677	9,188	13,241	17,920	23,321	29,556
<i>Difference</i>	893	1,380	1,397	872	(278)	736	(1,489)	(893)	(1,380)	(1,397)	(872)	278	(736)	1,489
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	2,710	5,837	9,448	13,616	18,427	23,981	30,393
<i>Difference</i>	1,059	1,701	1,859	1,460	418	76	(2,326)	(1,059)	(1,701)	(1,859)	(1,460)	(418)	(76)	2,326
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	2,789	6,008	9,724	14,013	18,965	24,681	31,279
<i>Difference</i>	1,221	2,011	2,305	2,025	1,083	(624)	(3,213)	(1,221)	(2,011)	(2,305)	(2,025)	(1,083)	624	3,213
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,663	7,892	12,774	18,409	24,914	32,423	41,092
<i>Difference</i>	346	127	(745)	(2,371)	(4,867)	(8,366)	(13,025)	(346)	(127)	745	2,371	4,867	8,366	13,025

Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	6.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171



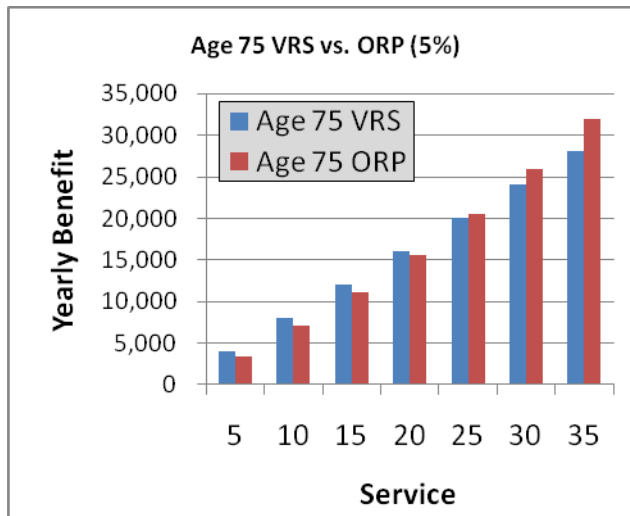
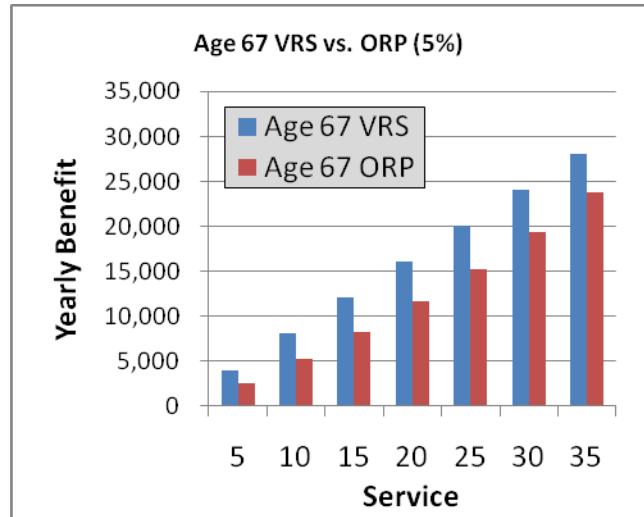
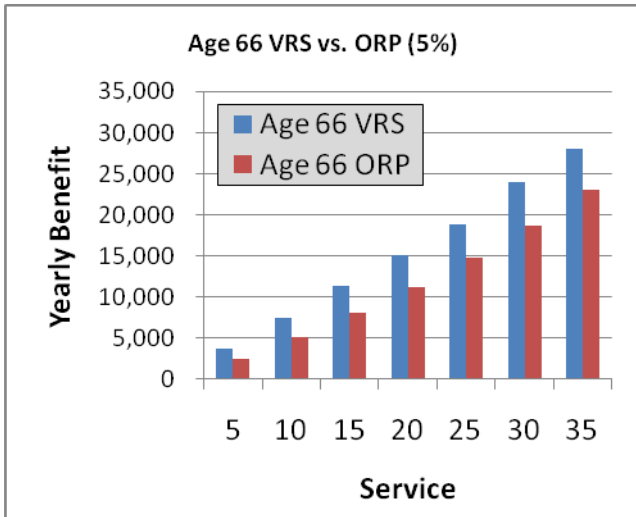
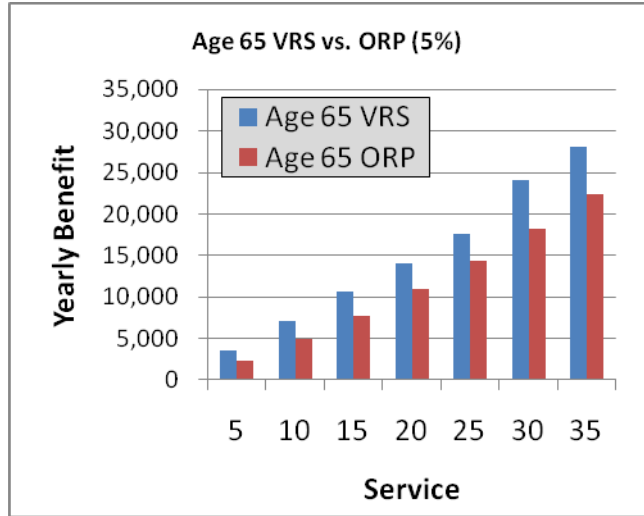
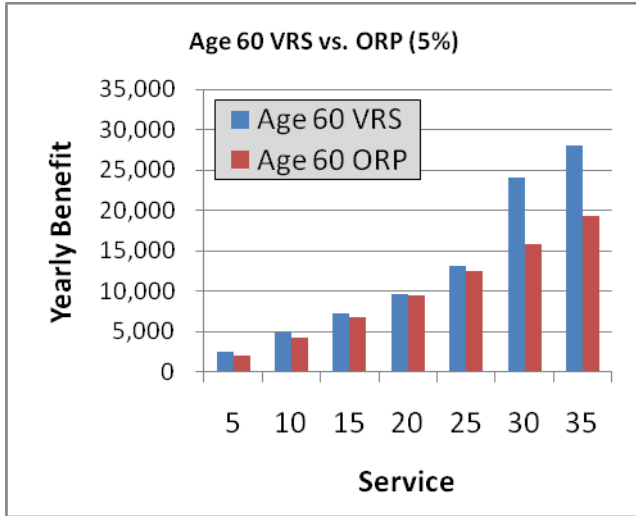
Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,638	3,442	5,428	7,614	10,021	12,671	15,588
<i>Difference</i>														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	1,809	3,801	5,994	8,408	11,065	13,991	17,213
<i>Difference</i>							10,854							(10,854)
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	2,038	4,283	6,753	9,473	12,468	15,765	19,394
<i>Difference</i>	383	561	512	214	603	8,293	8,672	(383)	(561)	(512)	(214)	(603)	(8,293)	(8,672)
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,346	4,930	7,774	10,905	14,352	18,147	22,325
<i>Difference</i>	1,182	2,127	2,811	3,209	3,290	5,910	5,742	(1,182)	(2,127)	(2,811)	(3,209)	(3,290)	(5,910)	(5,742)
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	2,419	5,083	8,016	11,244	14,799	18,712	23,020
<i>Difference</i>	1,349	2,455	3,291	3,832	4,046	5,346	5,047	(1,349)	(2,455)	(3,291)	(3,832)	(4,046)	(5,346)	(5,047)
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	2,497	5,246	8,272	11,604	15,272	19,310	23,756
<i>Difference</i>	1,513	2,773	3,757	4,434	4,776	4,747	4,311	(1,513)	(2,773)	(3,757)	(4,434)	(4,776)	(4,747)	(4,311)
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,351	7,041	11,103	15,576	20,499	25,920	31,887
<i>Difference</i>	658	978	925	463	(452)	(1,863)	(3,821)	(658)	(978)	(925)	(463)	452	1,863	3,821

Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171



Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,383	2,835	4,359	5,958	7,636	9,397	11,246
<i>Difference</i>														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	1,552	3,180	4,889	6,682	8,565	10,540	12,613
<i>Difference</i>							<i>15,453</i>							<i>(15,453)</i>
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	1,776	3,639	5,595	7,648	9,802	12,063	14,436
<i>Difference</i>	<i>646</i>	<i>1,204</i>	<i>1,670</i>	<i>2,039</i>	<i>3,269</i>	<i>11,994</i>	<i>13,631</i>	<i>(646)</i>	<i>(1,204)</i>	<i>(1,670)</i>	<i>(2,039)</i>	<i>(3,269)</i>	<i>(11,994)</i>	<i>(13,631)</i>
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,076	4,255	6,541	8,941	11,459	14,102	16,876
<i>Difference</i>	<i>1,452</i>	<i>2,802</i>	<i>4,044</i>	<i>5,173</i>	<i>6,183</i>	<i>9,955</i>	<i>11,190</i>	<i>(1,452)</i>	<i>(2,802)</i>	<i>(4,044)</i>	<i>(5,173)</i>	<i>(6,183)</i>	<i>(9,955)</i>	<i>(11,190)</i>
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	2,147	4,400	6,765	9,247	11,852	14,586	17,455
<i>Difference</i>	<i>1,622</i>	<i>3,137</i>	<i>4,542</i>	<i>5,829</i>	<i>6,993</i>	<i>9,471</i>	<i>10,612</i>	<i>(1,622)</i>	<i>(3,137)</i>	<i>(4,542)</i>	<i>(5,829)</i>	<i>(6,993)</i>	<i>(9,471)</i>	<i>(10,612)</i>
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	2,223	4,555	7,003	9,572	12,268	15,098	18,068
<i>Difference</i>	<i>1,787</i>	<i>3,464</i>	<i>5,026</i>	<i>6,466</i>	<i>7,779</i>	<i>8,959</i>	<i>9,999</i>	<i>(1,787)</i>	<i>(3,464)</i>	<i>(5,026)</i>	<i>(6,466)</i>	<i>(7,779)</i>	<i>(8,959)</i>	<i>(9,999)</i>
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,055	6,261	9,625	13,156	16,862	20,752	24,834
<i>Difference</i>	<i>955</i>	<i>1,758</i>	<i>2,403</i>	<i>2,882</i>	<i>3,185</i>	<i>3,306</i>	<i>3,233</i>	<i>(955)</i>	<i>(1,758)</i>	<i>(2,403)</i>	<i>(2,882)</i>	<i>(3,185)</i>	<i>(3,306)</i>	<i>(3,233)</i>

Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

