

2009 Stimulus Program Could Affect Next Year's Tax Return

The Making Work Pay credit, a provision of the American Recovery and Reinvestment Act (ARRA) of 2009, provides a tax stimulus for wage earners. The stimulus takes two forms. First, federal withholding is reduced in order to produce an increase in monthly take-home pay. Second, most taxpayers become eligible to claim the credit on 2009 federal tax returns at the rate of 6.2 percent of earned income, not to exceed \$400 for individuals and \$800 for joint filers. Claiming the credit will offset reduced withholding during the year and prevent wage earners from having too little withheld when they compute their 2009 tax liability (filed by April 15, 2010).

The credit, however, does not apply to retirement income or other forms of unearned income. Nonetheless, Internal Revenue Service (IRS) rules require VRS to apply the withholding change to retirement payments. About 60 percent of VRS monthly payees will see a reduction in federal tax withheld, resulting in an average increase in net pay of about \$47 on May 1, and continuing each month through the December 1 payment. Actual increases will vary depending on gross pay and exemptions claimed.

Unfortunately, the change in withholding, together with the exclusion of retirement income from the credit, may cause some VRS retirees to have too little withheld and, as a result, be required to pay additional taxes next year when the 2009 return is due. To avoid owing taxes with your 2009 return, you can increase the amount of your federal withholding by going to *myVRS* and submitting a withholding change online or by filling out a Request for Income Tax Withholding (VRS-15) and mailing it to VRS.

For more information, consult a tax advisor or contact the Internal Revenue Service (IRS) toll free at 1-800-TAX-FORM (1-800-829-3676) or online at www.irs.gov.



Here's An Easy Way to Change Your Withholding

If you need to change your withholding, make changes quickly and easily by using the income tax withholding tool in *myVRS*. Try as many different withholding combinations as you want and instantly see the results of your estimated tax deductions and the payment date when the change will be effective.

When you find the withholding that works for you, you can submit the change online. Go to *myVRS* on the VRS Web site at www.varetire.org.

Your Benefit is Protected

One thing you don't need to worry about during difficult times is your retirement benefit. The VRS retirement plan is a defined benefit plan. This means that your VRS retirement benefit is a lifetime benefit based on a formula, not the ups and downs of the stock market or the economy. The formula includes your years of service credit and average final compensation, which is the average of the 36 consecutive months of your highest compensation as a VRS member.

While you were working, your employer contributed funds for your



benefit. VRS invested this money over your career and holds these funds in a trust that is protected by the Constitution of Virginia. The Constitution states that this trust may be used only to pay benefits for VRS members, retirees and beneficiaries.

VRS has been through market downturns in the past and has continued to provide benefits to members, retirees and beneficiaries. VRS has a long investment horizon that can weather tough markets, as well as highly skilled investment professionals who follow a prudent investment policy to protect funds on your behalf and that of your beneficiaries.

2009 Cost-of-Living Adjustment is 3.84 Percent

The VRS Board of Trustees announced a 3.84 percent cost-of-living adjustment (COLA) for retirees, effective July 1, 2009. The increase is applied to the benefit payment retirees receive dated August 1, 2009.

COLAs go into effect the second calendar year after you retire and are effective July 1 each year thereafter. For example, if you retired on September 1, 2008, you will receive your first COLA effective July 1, 2010, paid on August 1, 2010.

The amount of the adjustment is equal to the full amount of the first 3 percent increase in the Consumer Price Index-Urban plus half the increase from 3 percent to 7 percent. Under current law, cost-of-living adjustments cannot exceed 5 percent.

The Consumer Price Index shows the rate of inflation by measuring changes in the price of typical items, such as food, clothing, medical care, rents, mortgages and fuel that households purchase each month in urban areas throughout the country. These monthly indices are then averaged each year.

Hazardous Duty Supplement Increases

On July 1, 2009, the hazardous duty supplement will increase from \$11,508 to \$12,456 a year, bringing the monthly supplement amount to \$1,038. This amount will be reflected in the August 1 benefit payment and remain in effect until June 2011.

This increase applies to members who retired with at least 20 years of hazardous duty service credit with a VRS-covered employer. This includes eligible retirees of the State Police Officers' Retirement System and the Virginia Law Officers' Retirement System, as well as retirees who worked in hazardous duty positions with political subdivisions offering enhanced coverage.

The supplement begins at retirement and continues until full Social Security retirement age or until age 65 for eligible VaLORS members. The VRS actuary determines the supplement amount.

Are You Eligible for the \$250 Economic Recovery Payment?

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The American Recovery and Reinvestment Act of 2009 also provides a one-time Economic Recovery Payment of \$250 if you are:

- A recipient of Social Security benefits;
- A disabled veteran receiving benefits from the U.S. Department of Veterans Affairs; or
- A Railroad Retirement beneficiary.

News reports indicate that these payments will be mailed by the later part of May. No action is required on your part.

For more information, visit the Social Security Administration Web site at www.socialsecurity.gov/payment/, the Railroad Retirement Board Web site at www.rrb.gov/ or the U.S. Department of Veterans Affairs Web site at www.va.gov.

Speaking of Taxes

If you pay state or local real estate taxes but do not qualify to itemize your tax deductions, you may be eligible for an additional standard deduction for real estate taxes for the 2008 and 2009 tax years. The deduction can be up to \$500 for a single return or up to \$1,000 for a joint return, not to exceed total real estate taxes paid. To qualify:

- You must have paid real estate taxes during the tax year.
- You must file a Form 1040 or 1040A. Check the box on line 39c of Form 1040 or line 23c of Form 1040A.
- All property in the jurisdiction must be taxed uniformly and the tax must be based on the assessed value.
- The tax cannot be real estate taxes paid on foreign or business property.

For more information, review the instructions for form 1040 or 1040A, or call the Internal Revenue Service toll free 1-800-TAX-FORM (1-800-829-3676).



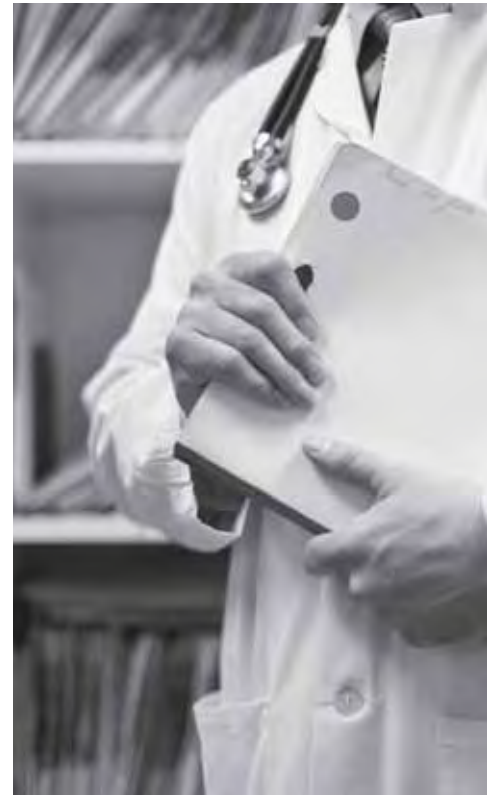
Do You Qualify for the Health Insurance Credit?

If you are eligible for the health insurance credit and not receiving it, you are missing out on one of your most valuable benefits.

The health insurance credit is a tax-free reimbursement reflected in your monthly retirement benefit payment for that portion of the health insurance premium that pays for your single coverage. The monthly dollar amount, set by the General Assembly, is based on your years of service credit at retirement.

You do not need to apply for the health insurance credit if VRS is deducting your premiums from your monthly benefit. VRS applies the credit automatically if you are eligible.

If VRS is not deducting your health insurance premium or if you have eligible health insurance coverage in addition to your employer-sponsored coverage, complete and send the Request for Health Insurance Credit (VRS-45) to VRS. This form is available from the VRS Web site at www.varetire.org.



You are eligible if you:

- Retired with 15 or more years of service credit from an employer that participates in the health insurance credit program.
- Retired on disability from a participating employer.
- Are on long-term disability through the Virginia Sickness and Disability Program (VSDP).
- Retired from a non-participating employer with 15 or more years of service credit as a constitutional officer, employee of a constitutional officer, sheriff, sheriff's deputy or employee of a local social services board.

Eligible health insurance plans include:

- Individual health insurance plans.
- Coverage as a dependent on a spouse's health insurance plan.
- Employer-sponsored health plans, including the State Retiree Health Benefits Program, Medicare Part B and dental, vision and prescription drug plans such as Medicare Part D.

Report Your Health Insurance Changes

If you are receiving a health insurance credit, notify VRS if you change health insurance providers or if there is a change in the amount of your monthly premium. Include both the effective date of the change and the new premium amount.

Submit the Request for Health Insurance Credit (VRS-45) to report any changes. This form is available on the VRS Web site at www.varetire.org, or by calling VRS toll free 1-888-VARETIR (827-3847).

If VRS deducts your health insurance premiums from your retirement benefit, you do not need to complete the VRS-45.

By Phone or by E-mail – Be Aware of Scams

A lot of people want to separate you from your money. And in tough economic times, these scam artists become even more inventive. Here are some general precautions:

- Never give information to anyone who contacts you saying he or she is from VRS or one of its third-party administrators, such as Minnesota Life, unless it is in response to a call or e-mail from you. VRS and its third-party administrators contact you only through regular mail unless you have contacted them first.
- Never use e-mail to send personal information, such as your Social Security number or a bank account number, to VRS. E-mail is not a secure system. VRS sends only non-confidential replies.
- Feel secure using *myVRS*. The information between your computer and *myVRS* is encrypted. This ensures that no one but you has access to your *myVRS* account. However, do not send e-mail with confidential information to VRS even when you are logged into your online account.
- Never give your personal information over the phone unless you have made the call.



Think Before You Act

The Federal Bureau of Investigation (FBI) offers the following tips to help you avoid the most common scams:

- Look out for “phishing,” a scam technique that sends an e-mail to you containing what appears to be an official notice from a bank or government agency such as the IRS, asking for passwords, account numbers or your Social Security number.
- Be careful buying drugs over the Internet. Do not purchase medications from unlicensed online distributors or those who sell medications without a prescription.
- Be wary of e-mails that offer debt relief or investment or real estate opportunities.
- Before you give money to a charity, find out what percentage of the money actually goes to the charity.
- Never pay in advance for services. Pay for services only after they are delivered. If a deposit is required, ensure you know the company or contractor is legitimate by checking references.
- Never send money or give out personal information such as your Social Security number, credit card numbers and expiration dates, bank account numbers or date of birth to unfamiliar companies or unknown persons.
- If you have been a victim of fraud, be wary of persons who call offering to help you recover your losses for a fee paid in advance.
- If you are not sure whether an unfamiliar company is legitimate, check with the Better Business Bureau, Virginia Attorney General office, National Fraud Information Center or other watchdog groups. Although these organizations cannot identify all shady companies, they are in the business of looking out for them.

For more information, visit the FBI Web site at www.fbi.gov.

VRS Announces New Commonwealth of Virginia 457 Plan Regional Education Meetings

VRS and ING, the record keeper for the Commonwealth of Virginia 457 Deferred Compensation Plan, offer Regional Education Meetings throughout Virginia. These meetings are open to active members and retirees who participate in the plan. Registration is not required for any meeting. Presenters will be available following the afternoon session for individual questions. Or, call 1-VRS-DCPLAN1 (1-877-327-5261) to speak with a local registered representative.

The Retirement Distribution Strategies session is designed for retirees and participants nearing retirement. The facilitators of this session review the plan's distribution options and provide information on potential taxes and penalties.



	Deferred Compensation and Cash Match Plans Overview	Guide to Defined Contribution Plans Web site	Managing Your Defined Contribution Plan Accounts	Retirement Distribution Strategies
Date	9:00 a.m.	10:15 a.m.	11:00 a.m.	1:15 p.m.
May 6	Virginia Museum of Natural History, 21 Starling Ave., Martinsville Janice Parker, 1-877-327-5261, Option 2, Ext. 14, janice.parker@us.ing.com			
May 12	Northern Virginia Graduate Center, 7054 Haycock Rd., Room 219, Falls Church David Detamore, 1-877-327-5261, Option 2, Ext. 11, david.detamore@us.ing.com			
May 12	Rappahannock Community College, 52 Campus Dr., Room 181, Warsaw Mackenzie Moss, 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com			
May 12	Rappahannock Community College, 12745 College Dr., Room 183, Glens Mackenzie Moss 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com video conference			
May 16	Tidewater Community College, Room 2502, 300 Granby St., Norfolk Mackenzie Moss, 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com			
May 18	James Madison University, Festival Conference & Student Center, 1301 Carrier Dr., MSC 4201 Harrisonburg Kelly Hiers, 1-877-327-5261, Option 2, Ext. 13, kelly.hiers@us.ing.com			
May 21	Library of Virginia, 800 E. Broad St., 1st Floor Conf. Room A, Richmond Kelly Hiers, 1-877-327-5261, Option 2, Ext. 13, kelly.hiers@us.ing.com			
June 12	Frontier Culture Museum, 1290 Richmond Rd., Dairy Barn Lecture Hall, Staunton Kelly Hiers, 1-877-327-5261, Option 2, Ext. 13, kelly.hiers@us.ing.com			

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Date	Deferred Compensation and Cash Match Plans Overview 9:00 a.m.	Guide to Defined Contribution Plans Web site 10:15 a.m.	Managing Your Defined Contribution Plan Accounts 11:00 a.m.	Retirement Distribution Strategies 1:15 p.m.
June 13	Blue Ridge Community College, 1 College Lane, Weyers Cave Janice Parker, 1-877-327-5261, Option 2, Ext. 14, janice.parker@us.ing.com			
June 15	VDOT Culpeper, 1601 Orange Rd., Culpeper, David Detamore, 1-877-327-5261, Option 2, Ext. 11, david.detamore@us.ing.com			
June 25	VDOT Suffolk, 1700 N. Main St., Suffolk, Mackenzie Moss, 1-877-327-5261, Option 2, Ext 12, mackenzie.moss@us.ing.com			
July 15	SunTrust Center, 919 E. Main St., 4th Floor - Tidewater Room, Richmond Kelly Hiers, 1-877-327-5261, Option 2, Ext. 13, kelly.hiers@us.ing.com			
July 16	Jamestown Settlement, Rte. 31 South, Jamestown Mackenzie Moss, 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com			
Aug. 20	Eastern Shore Community College, 29300 Lankford Hwy., Lecture Hall, Melfa Mackenzie Moss, 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com			
Aug. 24	CCWA - John Tyler Community College, 13101 Jeff Davis Hwy., Room B116, Chester Kelly Hiers, 1-877-327-5261, Option 2, Ext. 13, kelly.hiers@us.ing.com			
Sept. 9	Norfolk Health Department, 830 Southhampton Ave., Norfolk Mackenzie Moss, 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com			
Sept. 15	Mountain Empire Community College, 3441 Mountain Empire Rd., Big Stone Gap Janice Parker, 1-877-327-5261, Option 2, Ext. 14, janice.parker@us.ing.com			
Oct. 7	Chesapeake Main Library, 298 Cedar Rd., Chesapeake Mackenzie Moss, 1-877-327-5261, Option 2, Ext. 12, mackenzie.moss@us.ing.com			

Direct Deposit Puts Money Directly into Your Account

VRS deposits your benefit directly into your bank account on the first day of each month. If the first day of the month falls on a holiday or weekend, VRS deposits your benefit on the last business day before the first of the month. The deposit is for the previous month's benefit.

2009 Direct Deposit Schedule	
Payment for the month of:	Deposited on:
April	May 1
May	June 1
June	July 1
July	July 31
August	September 1
September	October 1
October	October 30
November	December 1

Keeping Track of Your Benefit Amount is Easy

If the net amount of your monthly benefit changes, VRS sends you a benefits statement showing the new benefit amount. The change might be due to the American Recovery and Reinvestment Act of 2009, a cost-of-living adjustment increase or when your life insurance reduction begins.

But why wait for a benefits statement? Go to *myVRS* whenever you want to see:

- Where and when your benefit is deposited each month.
- The gross and net amounts of your benefit.
- The hazardous duty supplement, if applicable.

- Deductions for health insurance premiums, if applicable, and your health insurance credit.
- Tax withholdings.
- Your benefit payment history.

See page 7 for the 2009 direct deposit schedule.

To Register for *myVRS*

After you receive your first monthly retirement benefit, go to the retiree page of the VRS Web site at www.varetire.org, and select the *myVRS* logo.

This takes you to the log-in page. Select "Register Now." Follow the step-by-step instructions to create your online account.



Director
Robert P. Schultze

Public Relations Director
Jeanne Chenault

**Public Relations and
Marketing Manager**
Elaine Jones

Editor
Kathleen Dimond

Virginia Retirement System
P.O. Box 2500
Richmond, Virginia 23218-2500
Toll Free: 1-888-VARETIR
(1-888-827-3847)
TDD: 1-804-344-3190
E-mail: vrs@varetire.org
Web site: www.varetire.org



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US Postage
PAID
Richmond, VA 23232
Permit No. 457

Virginia Retirement System
P.O. Box 2500
Richmond, Virginia 23218-2500