

VRS Announces 2005 COLA And Hazardous Duty Supplement Increase

The cost-of-living adjustment (COLA) for 2005 is 2.7 percent. It became effective July 1, 2005. Your August 1 benefit payment will reflect the increase, if you are eligible.

You are eligible for COLAs on July 1 of the second calendar year after you retire. For example, if you retired on April 1, 2005, you'll be eligible for COLAs beginning July 1, 2007. Any increases after that will be yearly.

On July 1, 2005, the hazardous duty supplement increased from \$10,212 to \$10,704 per year. The monthly supplement amount increased from \$851 to \$892. This benefit increase will remain in effect for the two-year period ending with the June 2007 payments. This increase applies to those retired under the State Police Officers' Retirement System and to those under the Virginia Law Officers' Retirement System who are eligible for the supplement. It also applies to those eligible for Special Benefits for Local Law Enforcement Officers and Firefighters.

Board Names Robert P. Schultze As Director

The VRS Board of Trustees appointed Robert P. Schultze director of the retirement system, effective May 2, 2005.

Schultze served as executive commissioner with the Virginia Department of Taxation where he oversaw operations. He has held a variety of positions during his 29 years of service to the Commonwealth, beginning in 1976 with the State Council of Higher Education. His experience includes service with the executive and legislative branches of Virginia government, serving as deputy chief of staff to Virginia Governor L. Douglas Wilder and as staff director to the House Appropriations Committee.



Spring Brings Changes To VRS

The first half of 2005 has brought a number of changes to both the VRS Board of Trustees and the VRS staff.

Governor Mark R. Warner appointed Paul W. Timmreck, senior vice president for finance and administration for Virginia Commonwealth University as chairman of the VRS Board of Trustees. Before joining VCU, Timmreck served as secretary of finance in the Office of the Governor from January 1990 to July 1996. Timmreck has served on the board since 2001.

The governor also appointed Palmer P. Garson, managing partner at Jefferson Capital Partners, to the VRS Board of Trustees. Garson replaces Robert C. Carlson.

VRS Chief Investment Officer Nancy C. Everett accepted the position of chief investment officer at General Motors Asset Management, effective June 1, 2005.

The Board of Trustees is conducting a search for a new chief investment officer. In the interim it has appointed Charles W. Grant as acting chief investment officer. Grant has served as deputy chief investment officer since January 2005 and has been with VRS since 1995.



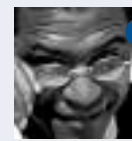
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Are You Eligible For The Health Insurance Credit?



When you retired, you may have been eligible for a health insurance credit to help with the cost of health insurance premiums. The credit is a dollar amount set by the General Assembly for each year of your service, up to 30 years. To qualify for the health insurance credit, you must have at least 15 years of VRS creditable service.

The health insurance credit helps you with premiums from individual health plans and employer-sponsored health plans.

Medicare Part B is eligible. Plans for other specific conditions are not eligible.

The credit is added to your monthly retirement benefit. If you do not receive a monthly benefit, you receive a check from VRS for the reimbursable amount. The amount of the credit cannot be more than the amount of your individual health insurance premium. This is a tax-free benefit.

For more information, visit the VRS Web site at www.varetire.org. Select the Retiree tab at the top of the homepage and then "Insurance" from the drop-down menu.

Notify VRS Of Health Premium Changes

If you are receiving a health insurance credit, you must notify VRS of changes affecting the credit amount, such as a change to your monthly premium or a switch to another health insurance plan.

If you are a retiree and are covered as a dependent by an active state employee who is enrolled in the State Health Benefits plan, complete a Request for Health Insurance Credit form, notifying VRS of your health insurance plan and premium amount.

The Request for Health Insurance Credit (VRS-45) is available on the VRS Web site at www.varetire.org, or by calling 804/649-8059 or 1/888/VA-RETIR (827-3847). Send in the form as soon as possible. This will ensure that your health insurance credit amount is adjusted and you will not be overpaid or underpaid.

If your premium amount has not changed, you do not need to notify VRS.

Law Requires Mandatory Distribution Age

The law requires a member who is eligible for VRS retirement benefits but who has deferred retirement to start receiving a retirement benefit from VRS by age 70^{1/2}. If the member has not chosen a retirement option by that age, the benefit will be paid as the basic benefit.

Who Is Eligible?

- State employees;
- Teachers;
- Employees of local school boards and participating local governments;
- Local officers, employees of local officers;
- Local social service employees;
- Members retiring on VRS disability (if the employer offers a health credit), or receiving a long-term disability benefit through the Virginia Sickness and Disability Program or through a long-term disability plan provided by a college or university;
- General registrars and their employees.

Your Direct Deposit Schedule For August Through December 2005

August 1, 2005

September 1, 2005

**September 30, 2005
(for October 2005)**

November 1, 2005

December 1, 2005

If you change financial institutions, complete a new Authorization for Direct Deposit of Monthly Benefit (VRS-57). Attach a voided deposit slip or check with your new account information and return the form to VRS. It takes approximately 60 days to change your deposit.



What Your Loved Ones Need To Know About Your Benefits

In case something happens to you, make sure your loved ones are informed about your benefits.

- Know the agencies to contact, including Minnesota Life, Social Security Administration, and Great West Retirement Services for Deferred Compensation Plan accounts.
- Know the names and telephone numbers of attorneys, bankers or insurance agents. Understand the legal and tax implications of property transfers and inheritance.
- Know the location of important papers such as wills, birth certificates, beneficiary designations and life insurance certificates.
- Keep a list of property you and your loved one own separately or jointly, including your home, automobiles, jewelry, bank accounts, stocks and bonds.

State Income Tax Withholding Changes

The Virginia Department of Taxation has changed the personal exemption amount for state income tax withholding from \$800 to \$900 for all state taxpayers. If you are already retired and receiving a monthly benefit, VRS will continue to withhold taxes at the \$800 personal exemption level until you submit a new Request For Income Tax Withholding (VRS-15).



You do not need to submit a new Request for Income Tax Withholding unless there are other reasons to notify VRS of changes in your withholding, such as marriage or divorce. For most retirees, submitting a new tax withholding form would have a negligible impact on the monthly benefit. However, if you have any questions regarding this change, consult your tax

advisor or contact the Virginia Department of Taxation at www.tax.virginia.gov.

This change will be reflected in the monthly retirement benefit for those who are retiring on or after September 1, 2005.

How To Claim VRS Survivor Benefits And Life Insurance Benefits

VRS has streamlined the claims process to make a difficult time easier. Depending on the type of option you chose when you retired, your loved one may be entitled to survivor benefits as well as a life insurance benefit. Your loved one can start the claims process for both survivor and life insurance benefits, and for optional life insurance benefits, by notifying Minnesota Life, the VRS group life insurance provider, as soon as possible.

Minnesota Life
1/800/441-2258
Richmond Branch Office
P.O. Box 1193
Richmond, VA 23218-1193

Minnesota Life then notifies VRS. This notification prevents an overpayment of retirement benefits. Your loved one provides Minnesota Life with your full name, Social Security number, date of death, and a mailing address for the claims form.

For a life insurance claim, Minnesota Life verifies coverage, amount of insurance, identifies the beneficiary and provides the forms for the beneficiary to complete. Your beneficiary completes and signs the form, includes a certified copy of the death certificate, and returns the information to Minnesota Life.

If you chose the survivor option at retirement, your survivor (called your contingent annuitant on VRS forms) receives all or a portion of the VRS monthly benefit after your death. This means he or she receives a monthly benefit for life.

Even if you did not choose the survivor option, your beneficiary may be eligible for a refund of member contributions and interest left in your account. If you die before receiving benefits equal to the amount in your account, your named beneficiary receives the remainder of the funds.



What To Keep In Mind Before You Go Back To Work

Taking a job after retirement will have no effect on your VRS retirement benefits if you take a job that is not covered by VRS.

You can also take a temporary, hourly or other non-covered position with a VRS employer without affecting your benefits.

You must have at least a 30-day break during a normal work period after the effective date of retirement before you accept the new non-covered position with your former VRS employer.

When you take a VRS-covered position, you become an active VRS member and your retirement benefits stop until you retire

again. When you retire again, your monthly benefit is recalculated to include the additional service and salary, if it is higher than your previous salary. Your retirement benefits are based on the benefit payout option you initially selected.

Because of the teacher shortage in parts of the state, there are some changes to the return-to-work restrictions for retirees returning to the classroom on a full-time basis. The Department of Education, school board or school superintendent must first determine that the teaching position is in a critical shortage area for retirement benefits to continue. You also must have a one-year break in service and must not be receiving benefits under any local school system's early retirement incentive program.

See www.varetire.org/Pdf/TchrsRetrnGuide.pdf, or talk to the school's human resource officer if you are considering teaching after retirement.

Changing Your Retirement Option

If you selected the Survivor Option when you applied for retirement and your survivor dies, you may choose the Basic Benefit or name another person to receive survivor benefits. You may elect this change only once in your lifetime.

You must notify VRS within 60 days of the death in order for the change to become effective the month following the death. If you wait more than 60 days, the change will be backdated only to within 60 days of the date you notified VRS.

This option is also available if you divorce with fewer than 20 years of marriage (as long as there is no domestic relations order requiring a benefit), or if you have written consent from your survivor giving up rights to a benefit.

You cannot change your retirement option if you chose the Basic Benefit, the Partial Lump-Sum Payment Option or the Advance Pension Option.

To revert to the Basic Benefit, or to name another person to receive retirement benefits, contact VRS at 804/649-8059 or 1/888/VA-RETIR (827-3847).



VRS Announces Lower Optional Life Premium Rates

Rates on the Optional Life Insurance Program for members and spouses decreased July 1. Rate reductions vary based on the age of the insured person. However, no age group will experience a rate increase. This is the third consecutive rate reduction in three years.

Monthly Premiums per \$1,000 of Insurance

Age of Insured Member or Spouse	Current Rate	Rate Effective July 1, 2005
Under 30	\$.06	\$.06
30-34	.08	.08
35-39	.09	.09
40-44	.11	.10
45-49	.17	.15
50-54	.34	.24
55-59	.59	.49
60-64	1.10	1.10
65-69	1.95	1.95
70-74	3.53	3.53
75 & Over	3.76	3.76

Interested In A Part-Time Job?

VRS is seeking an individual for a part-time product and services trainer position. The person in this position would assess training needs, evaluate training programs and deliver training on VRS programs, products, services and procedures to internal and external customers.

For more information on the product and services trainer position please visit our Web site at www.varetire.org and view job openings under Employment.



Minimum Distributions Are Required For Defined Contribution Plan Participants



Federal regulations determine how participants may receive money from their defined contribution plans. At VRS, these plans include the 457(b) Deferred Compensation Plan, 401(a) Virginia Cash

Match Plan and 401(a) Optional Retirement Plan for Political Appointees.

Participants must begin receiving distributions by the later of April 1 of the year following the year they turn age 70 1/2 or April 1 following the year they end employment with the employer providing the plan. Plan participants who return to work with the employer on a part-time basis are not required to begin distribution until they have ended employment.

If these regulations are not followed, the Internal Revenue Service (IRS) may disqualify these plans. Also, participants may have to pay a penalty of 50 percent of the amount that should have been distributed.

Retired participants can meet the minimum distribution requirement by submitting an Automated Minimum Distribution Request to Great West Retirement Services, the service provider for the plans. Great West calculates the correct minimum distribution amount to be paid to the participant.

VRS is responsible for distributing the funds, whether the participant requests a payout or not. VRS directs the service provider to make distributions to participants who are no longer employed by the Commonwealth or other employer providing a plan, and who have not started a distribution meeting minimum requirements.

Health Insurance Information For Participants In The State Retiree Health Benefits Program

New Premium Rates Take Effect In July

New monthly premium rates for non-Medicare plan participants became effective July 1. The increases are the result of continuing and substantial increases in claims expense, with the cost of prescription drugs as the primary cause. The new premium rates are available on the DHRM Web site at www.dhrm.state.va.us/hbenefits/.



If you pay your premiums with a deduction from your VRS retirement benefit, the new premiums will be reflected in the August 1 retirement payment. If you are billed directly by your provider, you should have received the bill for the new July premium in June.

New Membership Cards For COVA Care Participants

Anthem Blue Cross and Blue Shield, Delta Dental, Value Options and MEDCO mailed new membership cards during June to all non-Medicare participants enrolled in the State Retiree Health Benefits program. An identification number replaces the participant's Social Security number.

The provider will issue a new card automatically for any change in plan or membership type. If a card is lost, contact the provider for a new membership card.

Medicare-eligible participants will receive new membership cards in January 2006. These cards will replace Social Security numbers with identification numbers. To request removal of your Social Security number before January 2006, send a request in writing to the Department of Human Resource Management (DHRM), Office of State and Local Health Benefits, 101 North 14th Street, Richmond, VA 23219.

Failure To Promptly Pay Premiums Delays Claims

Retiree group participants billed directly by Anthem Blue Cross and Blue Shield must pay premiums by the due date. Failure to pay premiums by the date on the monthly invoice will cause claims, including those for prescription drugs, to be put on hold until premiums are paid. Monthly premiums that remain unpaid for 31 days after the due date will result in termination of coverage.

Automatic Bank Draft Available To Direct-Bill Participants

State Retiree Health Benefits Program participants who are billed directly by Anthem Blue Cross and Blue Shield for monthly health plan premiums can have premiums automatically sent directly from their bank accounts. To enroll or for further information, contact Anthem Blue Cross and Blue Shield toll free at 1/800/552-2682; or 804/355-8506 (Richmond).

Enrollment Information For Medicare Eligible Participants

Remember to enroll in Medicare Parts A and B if you are eligible for Medicare. The State Retiree Health Benefits Program will not pay claims that should have been paid by Medicare.

If you are eligible for Medicare, but have not reported that eligibility to the State Retiree Health Benefits Program, you will be responsible for returning to Medicare any primary claim payments that were made in error. Primary claim payments that have been made in error will be backdated to either the Medicare claim filing limit, the date of Medicare eligibility or the date that retiree group coverage began.

If you are eligible for Medicare and participate in the State Retiree Health Benefits plan, you are required to enroll in the state Medicare coordinating plan.



VRS Offers Educational Meetings For The Commonwealth's 457 Deferred Compensation Plan (DCP)

VRS and Great West Retirement Services offer regional educational sessions throughout Virginia. The sessions are for both active and retired participants in the plan. Two of the sessions are of special interest to retirees: "Account Management Strategies" and "Understanding Your Distribution Options." Pre-registration is not required.

Regional Enrollment/Education Meetings

Date	Plan Features & Benefits	Account Management Strategies	Understanding Your Distribution Options	Location	Presenter
8/3/05	9:00 AM	10:15 AM	11:30 AM	The University of Virginia's College at Wise C Bascom Slep Student Center One College Avenue Wise, VA 24293	Nancy Roth 1/866/226-6682 Option 2 Ext. 115
8/9/05	9:00 AM	10:15 AM	11:30 AM	Peninsula Health 416 J Clyde Morris Newport News, VA 23601	Donn Lee 1/866/226-6682 Option 2 Ext. 110
8/16/05	9:00 AM	10:15 AM	11:30 AM	Virginia Department of Transportation Culpeper District Auditorium 1601 Orange Road Culpeper, VA 22701	Maria Clark 1/866/226-6682 Option 2 Ext. 112
8/30/05	9:00 AM	10:15 AM	11:30 AM	James Monroe Building Conference Room D 101 North 14th Street Richmond, VA 23219	Tom Ferguson 1/866/226-6682 Option 2 Ext. 102
9/8/05	9:00 AM	10:15 AM	11:30 AM	Department of Social Services, Child Support Enforcement 155 Deer Run Road Danville, VA 24540	Nancy Roth 1/866/226-6682 Option 2 Ext. 115
9/22/05	9:00 AM	10:15 AM	11:30 AM	NoVa Community College Manassas Campus Colgan Theater 6901 Sudley Road Manassas, VA 20109	Maria Clark 1/866/226-6682 Option 2 Ext. 112
9/28/05	9:00 AM	10:15 AM	11:30 AM	State Corporation Commission 3rd Floor Training Room 1300 East Main Street Richmond, VA 23219	Tom Ferguson 1/866/226-6682 Option 2 Ext. 102
10/12/05	9:00 AM	10:15 AM	11:30 AM	New River Community College Edwards Hall #206 5251 College Drive Dublin, VA 24084	Nancy Roth 1/866/226-6682 Option 2 Ext. 115

Looking For Lost Members

Do you know of anyone who left a VRS-covered position and may be due a refund or even a retirement benefit? If so, VRS would like to reunite these members or their beneficiaries with their money.

VRS has been unable to contact some individuals about the status of their VRS member accounts because they have old addresses on file. These members or beneficiaries, if the members are deceased, may be unaware that VRS is still holding funds on their behalf.

To conduct a search for yourself or a relative or friend, visit the Department of the Treasury's Web site for unclaimed property at www.vamoneysearch.org.



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