

2006 COLA Is 3.2 Percent

The 2006 cost-of-living adjustment (COLA) is 3.2 percent for VRS retirees and deceased members' survivors who are eligible to receive the COLA. The COLA becomes effective July 1, 2006. You will see the increase in your August 1 benefit payment.



The amount of the cost-of-living increase is equal to the first 3 percent of the increase in the Consumer Price Index (CPI-Urban) plus half of each percentage increase from 3 percent to 7 percent. By law, cost-of-living increases cannot exceed 5 percent.

You are eligible for your first COLA on July 1 of the second calendar year after you retire. To be eligible for the 3.2 percent increase, you must have retired on or before January 1, 2005.



VRS Adopts Single Toll-Free Number

Effective June 26, all customers, including retirees, employers and members, can call VRS using one easy-to-remember toll-free number: 1-888-VARETIR (827-3847). The Richmond area number: 804-649-8059 will be discontinued after December 31, but you can begin to use the new toll-free number immediately. You will be asked to enter your Social Security number so the customer service representative can quickly retrieve your record and the system can verify your identity.

Moving to one number is part of a modernization effort designed to give VRS Customer Contact Center representatives more sophisticated tools to deliver fast and efficient service to our customers.

Listen carefully to the menu options, since some may change. You will be able to speak to a Customer Contact Center representative or use the automated menu options.

New Appointments To The Board Of Trustees

The Joint Rules Committee of the Virginia General Assembly reappointed Paul W. Timmreck to the Virginia Retirement System Board of Trustees for a five-year term. At the same time, Governor Timothy M. Kaine designated Timmreck to serve as Chairman of the Board for a two-year term. Timmreck is currently Senior Vice President for Finance and Administration for Virginia Commonwealth University. He previously served as Secretary of Finance in the Office of the Governor and as director of the Virginia Department of Planning and Budget. Timmreck has served on the board since 2001.

The governor also appointed A. Marshall Acuff, Jr. to the Board of Trustees for a five-year term. Acuff is president of AMA Investment Counsel, LLC. He is past chair of the Association of Governing Boards of Colleges and Universities and a past Rector of the College of William and Mary Board of Visitors. He is a graduate of the College of William and Mary and the University of Michigan Graduate School of Business Administration.



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Your Benefit Information Is Only A Phone Call Away

The VRS Virginia Informational Phone System (VIPS) is there for you when you need information about your VRS benefits. VIPS gives you direct access to your retirement account and benefit information. You can call toll free 1-888-VARETIR (827-3847) seven days a week from 7 a.m. to midnight.

The first time you call VIPS, you will be asked to enter your Social Security number so VIPS can verify that you are a retired VRS member. Then, at the prompt, enter your date of birth.

Once your date of birth is validated, the prompt asks you to enter a four-digit number of your choice. This is your personal identification number (PIN). When you call into VIPS in the future, enter your Social Security number and your PIN to gain access to your benefit information. Your PIN ensures that your benefit information is secure.

To use VIPS:

Call 1-888-VARETIR (827-3847).

- Press 2 to use VIPS.
- Enter your Social Security number; press the # key.
- Enter your four-digit PIN; press the # key.
- Follow the prompts.

VIPS - At Your Service



Using the Virginia Informational Phone System (VIPS) is a quick and convenient way to check on:

- Your retirement date and the payout option you chose.
- The gross amount of your benefit for the current month, any deductions and the net amount of your benefit.
- Your tax withholding and exemptions, how to change your tax withholding and how to order tax withholding forms.
- How and when your life insurance begins to reduce, when you need to pay taxes on life insurance and how to change your beneficiary.
- Direct deposit information, including when deposits are made, the amount deposited and how to notify VRS of a change in your financial institution or account.
- What you need to do to change your mailing address.

Are You Interested In A Part-Time Job?



VRS is looking for recently retired human resource professionals and benefit and payroll administrators to work part-time in the Customer Contact Center in Richmond.

VRS is also looking for retired members who are interested in working as part-time, home-based trainers to conduct benefit presentations around the state.

If you are interested in sharing your knowledge and experience with others, e-mail your resume or completed application to jobs@varetire.org. For a VRS application or for more information, call 804-697-6696. Online applications also are available under Employment on the VRS Web site.

Notify VRS When You Move

Moving? It's important to notify VRS of your new mailing address as soon as possible. Doing so ensures that you continue to receive *Retiree News* and important correspondence from VRS regarding your retirement. Notify VRS through a Name/Address Declaration for Retirees (VRS-58) available on the Web site or by calling 1-888-VARETIR (827-3847).



Health Insurance Credit Can Help With The High Cost Of Health Care



You may be eligible for a health insurance credit to help offset the cost of health insurance premiums. The credit is a dollar amount set by the General Assembly that is added to your monthly benefit. To qualify for the health insurance credit, you must have at least 15 years of VRS creditable service.

The health insurance credit reimburses your out-of-pocket premium costs for individual health plans and employer-sponsored health plans. Medicare Part B, dental, vision and prescription drug plans, including Medicare

Part D, also qualify for the credit. Plans for specific health conditions, long-term care and indemnity plans are not eligible.

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.

If you think you are eligible for the health insurance credit, but haven't been receiving it, complete a Request For Health Insurance Credit (VRS-45), available on the Retiree section of the VRS Web site at www.varetire.org

Who Is Eligible?

- State employees.
- Teachers.
- Employees of local school boards and local governments, if their employers participate in the program.
- Local officers.
- Local social service employees.
- General registrars and their 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 Virginia public college or university.

Notify VRS Of 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 your monthly 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 1-888-VARETIR (827-3847). Retirees whose health insurance premiums are deducted from their retirement benefit do not need to complete a VRS-45 notifying VRS of a premium increase.

When completing the form, remember that VRS needs both the effective date of the change and the new premium amount for each health insurance provider to ensure that you receive the correct health insurance credit. VRS will retroactively reimburse up to a maximum of 12 months from the date the completed form is received by VRS as long as the necessary health insurance information has been provided.

If there have been no changes to any of your health insurance plans within the last year, you do not need to notify VRS.



Does Returning To Work Affect Your Retirement Benefits?

You may take a full-time or part-time job after retirement without affecting your retirement benefits if that job is not covered by VRS or by one of the Optional Retirement Plans (ORPs) for Virginia's public employees.

You also may work in a job with a VRS or ORP-covered employer without affecting your retirement benefits if that job is hourly, non-salaried or temporary and not a covered position.

If you return to work with your covered employer, however, Internal Revenue Service (IRS) rules require you to have at least a 30-day break in service during a normal work period between the day of your retirement and when you accept the temporary or part-time position. The state is considered one employer, so if you retire from one state agency, you must have a 30-day break before accepting a part-time job with another state agency. Because they are considered different employers, you may move from one political subdivision to another, or from a political subdivision to a school division or state agency, without meeting the 30 day-break-in-service requirement.

On the other hand, if you take a covered, salaried position, your retirement benefits stop and you become an active VRS or ORP member. As an active member, you earn service credit

for every month you work. When you retire again, your monthly benefit is recalculated to include the additional service and salary, if it is higher than your previous salary. You keep the retirement payout option you chose the first time you retired.

If you participate in an ORP you will receive employer contributions to your Plan which will increase the benefit available to you when you again terminate employment.

If you are a retired teacher or a retired member who becomes certified to teach, you may continue to receive retirement benefits while teaching full-time in a critical shortage area. You must have a one-year break in service and you must not have retired under an early retirement incentive program. The Department of Education or the school board or superintendent must have deemed the position to be a critical shortage position for you to be eligible to teach and continue receiving retirement benefits.

If you are considering teaching after retirement, talk to the school's human resource officer.



Good News For Deferred Compensation And Cash Match Plan Participants

VRS announces fee reductions, effective April 1, 2006, for the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans.

- The annual asset-based fee decreased from 0.30 percent to 0.28 percent. This change means that a larger percentage of contribution dollars goes towards your account.
- The maximum account balance for which the asset fee is charged was reduced from \$150,000 to \$130,000. This means that you do not pay any asset-based fees on that portion of account balance over \$130,000. This change makes combining account balances even more attractive.

These changes come as part of the renewal of the contract with Great-West Retirement Services to provide recordkeeping, enrollment and educational services for VRS through 2008.

Find Out The Latest Stop By the VRS Web site

Don't wait around for benefits news. Become a regular visitor to www.varetire.org, the VRS Web site. Be the first to know the COLA amount, legislative news and the direct deposit schedule for the year.

Use the Web site to complete designation of beneficiary forms, direct deposit requests and name and address change requests online. Find out where you can attend meetings about health insurance and the deferred compensation plan. The Web site offers tax information, an online version of *Retiree News* and guidelines on returning to work.

Here are some other sites you might find helpful and interesting:

AARP	current issues affecting seniors, money advice, travel and health concerns	www.aarp.org
Anthem-Blue Cross/Blue Shield of Virginia	news from the state health care provider	www.anthem.com
Elder Care Locator	information on caregivers and senior services	www.eldercare.gov
Elder Hostel	places to visit in the US and around the world	www.elderhostel.org
Internal Revenue Service	tax information and forms	www.irs.gov
Minnesota Life	information on your life insurance benefit	www.minnesotamutual.com
Social Security Administration	retirement, survivor and disability benefit news	www.socialsecurity.gov
Virginia Credit Union	information on savings, loans and checking through the credit union	www.vacu.org
Virginia Defined Contribution Plans	benefit information from the Virginia deferred compensation plan	www.vadcp.com
Virginia Department for the Aging	news and services for older Virginians	www.vda.virginia.gov
Virginia Department of Taxation	information on tax estimates, refunds, payments and withholdings	www.tax.virginia.gov

Check Your Tax Withholding Amount

On April 15, did you owe money to Uncle Sam or did you get a refund? Now is the time to adjust any tax withholding or estimated payments of taxes for your 2006 income. This could mean more money in your pocket.

The Request for Income Tax Withholding (VRS-15) that you submitted with your retirement application tells VRS how much tax you want withheld from your benefit each month.

If you don't remember your tax withholding amount, you can check by calling the VRS Virginia Informational Phone System (VIPS) at 1-888-VARETIR (827-3847) or by referring to the tax information form (1099-R) you received from VRS in January. The form shows your annual taxable income in the taxable amount box.

To ensure that you do not have too much or too little income tax withheld from your benefit, use the search engine on the Internal Revenue Service (IRS) Web site at www.irs.gov and put in the word "calculator." Click on the "IRS Withholding Calculator" link and fill in the information that applies to you.

If you want to change your withholding at any time, complete a new Request for Income Tax Withholding (VRS-15) and mail it to VRS. You can download the VRS-15 from the VRS Web site at www.varetire.org or call 1-888-VARETIR (827-3847). You also want to examine your withholding if you have married, divorced or had other changes in your life.

If you have not paid enough federal tax through withholding you may make estimated tax payments to the IRS. This can be done by completing a quarterly payment voucher (Form 140ES) and mailing it with your payment to the IRS.

To find out more, visit the IRS Web site and download Publication 505, Tax Withholding and Estimated Tax. You also can call 1-800-TAX-Form (829-3676). For Virginia tax information, contact the taxpayer assistance unit of the Virginia Department of Taxation.

VRS Offers Deferred Compensation Plan Regional Education Meetings

VRS and Great-West Retirement Services offer regional educational sessions on the Commonwealth of Virginia Deferred Compensation Plan. These educational meetings include a new workshop on Post-Retirement Strategies, which addresses the management of resources during retirement. The free sessions are for both active and retired participants. Pre-registration is not required.

Date	Plan Features & Benefits	Account Management Strategies	Advantages of Budgeting	Post-retirement Strategies	Location/Presenter
7/13	9:00 am	10:15 am	11:30 am	1:30 pm	Carroll County Administration Building 605 Pine Street #1, Hillsville, VA 24343 Nancy Roth 1-866-226-6682, opt 2; Ext 115
7/19	9:00 am	10:15 am	11:30 am	1:30 pm	Southside Virginia Community College 109 Campus Drive, Alberta, VA 23821 Workforce Development Center Les Thompson 1-866-226-6682, opt 2; Ext 123
7/19	9:00 am	10:15 am	11:30 am	1:30 pm	Library of Virginia 800 East Broad Street, Richmond, VA 23219 Tom Ferguson 1-866-226-6682, opt 2; Ext 102
7/20	9:00 am	10:15 am	11:30 am	1:30 pm	Virginia Department of Transportation 86 Deacon Road, Fredericksburg, VA 22405 Maria Clark 1-866-226-6682, opt 2; Ext 112
7/29 SATURDAY	9:00 am	10:15 am	11:30 am	1:30 pm	Wytheville Community College 1000 E Main Street, Wytheville, VA 24382 Grayson Hall Auditorium Nancy Roth 1-866-226-6682, opt 2; Ext 115
8/8	9:00 am	10:15 am	11:30 am	1:30 pm	Henry County Administration Building Rte 174, 3300 Kings Mountain Road Collinsville, VA 24078 Nancy Roth 1-866-226-6682, opt 2; Ext 115
8/15	9:00 am	10:15 am	11:30 am	1:30 pm	Virginia Department of Transportation 1601 Orange Road, Culpeper, VA 22701 Maria Clark 1-866-226-6682, opt 2; Ext 112
8/16	9:00 am	10:15 am	11:30 am	1:30 pm	Eastern Shore Community College 29300 Lankford Highway, Melfa, VA 23410 Les Thompson 1-866-226-6682, opt 2; Ext 123
8/16	9:00 am	10:15 am	11:30 am	1:30 pm	James Monroe Building 101 North 14th Street, Richmond, VA 23219 Tom Ferguson 1-866-226-6682, opt 2; Ext 102
9/12	9:00 am	10:15 am	11:30 am	1:30 pm	Virginia Highlands Community College 110 Opportunity Lane, Abingdon, VA 24212 Learning Resource Center Nancy Roth 1-866-226-6682, opt 2; Ext 115

DCP Regional Education Meetings, continued

Date	Plan Features & Benefits	Account Management Strategies	Advantages of Budgeting	Post-retirement Strategies	Location/Presenter
9/13	9:00 am	10:15 am	11:30 am	1:30 pm	Norfolk Health Department 830 Southampton Avenue, Norfolk, VA 23513 Les Thompson 1-866-226-6682, opt 2; Ext 123
9/19	9:00 am	10:15 am	11:30 am	1:30 pm	Northern Virginia Community College; Manassas Campus, 6901 Sudley Road, Manassas, VA 20109 Maria Clark; 1-866-226-6682, opt 2; Ext 112
9/27	9:00 am	10:15 am	11:30 am	1:30 pm	State Corporation Commission 1300 East Main Street, Richmond, VA 23219 Tom Ferguson 1-866-226-6682, opt 2; Ext 102
10/5	9:00 am	10:15 am	11:30 am	1:30 pm	Virginia Military Institute 345 Letcher Avenue, Lexington, VA 24450 Nancy Roth 1-866-226-6682, opt 2; Ext 115
10/19	9:00 am	10:15 am	11:30 am	1:30 pm	George Mason University, Fairfax Campus 4987 University Drive, Fairfax, VA 22030 Maria Clark 1-866-226-6682, opt 2; Ext 112
10/21	9:00 am	10:15 am	11:30 am	1:30 pm	Northern Virginia Community College; Manassas Campus, 6901 Sudley Road, Manassas, VA 20109 Tom Ferguson 1-866-226-6682, opt 2; Ext 102
10/25	9:00 am	10:15 am	11:30 am	1:30 pm	Southeastern Training Center 2100 Steppingstone Square, Chesapeake, VA 23320 Les Thompson 1-866-226-6682, opt 2; Ext 123
10/25	9:00 am	10:15 am	11:30 am	1:30 pm	J Sargent Reynolds Community College 1630 East Parham Road, Richmond, VA 23228 Tom Ferguson 1-866-226-6682, opt 2; Ext 102

Your Direct Deposit Schedule

VRS electronically deposits your retirement benefit payment into your bank or credit union account on the first business day of each month. If the first day of the month falls on a weekend or holiday, VRS makes the deposit on the last business day of the preceding month.

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 to a new financial institution. Do not close your old account until the first deposit has been confirmed in your new account.

VRS sends earnings statements only when there is a change in the net amount of your payment.

The schedule for direct deposit payments from June to December 2006:

June 30, 2006
(for July 2006)

August 1, 2006

September 1, 2006

September 29, 2006
(for October 2006)

November 1, 2006

December 1, 2006

VRS Needs Your Authorization To Release Personal Information

VRS protects the confidentiality of your records. VRS shares information only with those authorized to administer benefits and services for VRS members, retirees and beneficiaries. You are the only one who can provide authorization to VRS to release personal information to anyone else. Your authorization is needed before information can be released to your spouse, children, other relatives, attorney or any other individual. Send your authorization to VRS in the form of a letter with your signature properly notarized.



VRS will honor a written authorization for a period of 12 to 18 months, unless your authorization specifies a different time period.

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