

## VRS Investments Earn 12 Percent

VRS announced that the fiscal 2005 return for the total fund was 12 percent. The market value of the VRS investment portfolio for fiscal year 2005 was \$44 billion. This is a record level for VRS.

Each of the fund's five asset classes had a positive return during the fiscal year. Real estate had a 24.4 percent return and private equity had 21.5 percent return. The public equity portfolio had a 12.3 percent return, and the hedge fund portfolio had a 9.0 percent return. Credit strategies returned 7.6 percent and fixed income returned 7.2 percent.

The portfolio had \$27.6 billion in public equities, \$8.7 billion in fixed income, \$1.7 billion in credit strategies, \$1.8 billion in real estate, \$1.7 billion in hedge funds and \$2.2 billion in private equity as of June 30, 2005.

"The investment staff is very pleased with its investment results for fiscal year 2005. All of the investment programs generated above average returns and the total portfolio exceeded its performance benchmark by a significant margin," said Chief Investment Officer Charles W. Grant.



## Governor Names Broaddus To VRS Board

Governor Mark R. Warner appointed J. Alfred Broaddus, Jr. to the VRS Board of Trustees. Broaddus recently retired from a distinguished career with the Federal Reserve Bank of Richmond, including more than 10 years as bank president.

Broaddus served as president of the Federal Reserve Bank of Richmond from 1993 until 2004. He holds numerous degrees and distinctions including M.A. and Ph.D. degrees in economics from Indiana University, a B.A. in political science from Washington and Lee University and honorary law degrees from Washington and Lee and Hampden-Sydney College.

## Board Appoints Grant As CIO

The VRS Board of Trustees selected Charles W. Grant as chief investment officer (CIO) in August.

Since March, Grant has served as acting CIO after the departure of the former chief investment officer. Grant joined VRS in 1995 as the chief fixed income officer. Before joining VRS, Grant was the senior vice president at Commonwealth Investment Counsel in Richmond.

"Charles brings an impressive blend of demonstrated leadership, investment skill and personal integrity to the position of CIO. Clearly, he has had a major role in assembling one of the most highly qualified and successful investment staffs in the country. VRS and the Commonwealth of Virginia are fortunate to have someone of his caliber to oversee the system's \$44 billion investment portfolio," said Board Chairman Paul W. Timmreck.

### Look For Your Member Benefit Profile

The Member Benefit Profiles (MBPs) are scheduled to be shipped to employers in September. For more information, see page 2.



STATE EDITION



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# MBPs Are Coming Soon

## Use Your MBP To Help Plan Your Retirement

VRS has printed the Member Benefit Profiles (MBPs) and is shipping them to your employers in September.

Your MBP can help you project your income in retirement. The MBP is your annual personalized benefit statement. It shows service credit, estimated retirement benefit amounts and life insurance benefits.

This annual statement gives the amount of contributions and interest in your account. It shows estimated full (unreduced) and early (reduced) retirement benefits based on the salary reported to VRS on June 30.

When you receive your MBP, read it carefully and make sure your information is accurate. If anything needs correcting, notify your human resource office immediately.

### Take Advantage Of Your Opportunities To Save And Invest

You can increase the potential amount of your retirement income through investing.

If you are a state employee, salaried or part time, you may be eligible to participate in the VRS 457(b) Deferred Compensation Plan (DCP). The DCP allows you to save and invest a portion of your salary. If you are a salaried state employee, you may be eligible to receive an employer match to your DCP contribution in a 401(a) Cash Match Plan. The amount of the cash match is currently 50 percent of your contribution to the DCP, up to \$20 a pay period.

The deferred amount of your compensation and any earnings that may result are tax-deferred until withdrawn.



### Be Sure You Know Your Retirement Choices

Are you planning for retirement through each stage of your career? Do you know your VRS benefits and retirement choices?

- Call the VRS Virginia Informational Phone System (VIPS). Call 649-0126 or toll free 877/770-8477 to check your account anytime. Follow the prompts to get your account balance, service credit information and more.
- Plan early. Attend at least one Retirement Education Seminar (RES) early in your career. Then attend one every five years to ensure your planning is on track. Sessions cover estate planning, financial planning and investing, legal concerns and other retirement issues. Visit the VRS Web site at [www.varetire.org](http://www.varetire.org) to register for a class.
- Attend a Group Counseling Session if you are within five years of retirement. These sessions advise you on your Social Security benefits, life insurance and the health insurance credit in retirement. The sessions also provide details about your VRS benefits and give practical advice on completing the retirement application.
- Read the *Pre-retirement Planning Guide*, which provides an overview of your VRS benefits and guidelines to planning your retirement. This publication is available on the Web site.

# What You Should Know Before You Take A Refund

If you leave your VRS-covered position, you can either leave your member contributions and interest in VRS or take a refund of the funds in your account. You are eligible for a refund if you do not return to a full-time or part-time position with the same VRS-participating employer for at least 30 days.

If you leave the money in the retirement system, you keep your service credit and can add service credit to your account if you later take a VRS-covered job. You will be eligible for a monthly retirement benefit from VRS if you meet age requirements and have at least five years of creditable service.

On the other hand, you lose all service credit and are not entitled to a retirement benefit if you take a refund. Taking a refund also affect the amount of taxes that you pay.

## Applying For A Refund

You may apply for a refund as soon as you leave your covered position by completing a Request for Refund (VRS-3).

You may have your refund paid in a direct rollover to an individual retirement account (IRA) or to another qualified employer plan, or paid directly to you.

VRS can transfer your refund directly to an IRA or to another employer plan that accepts rollovers. That way, the funds that are rolled over are not considered taxable income until you withdraw them from the IRA or the employer plan.

There are tax implications if VRS pays the refund to you. The taxable portion is subject to 20 percent federal income tax withholding and 4 percent Virginia tax withholding, if you live in Virginia when you are paid the refund.

Once VRS has paid the refund to you, you can still roll over all or a portion of it to an IRA or to another plan that accepts rollovers. If you roll over the refund, the Internal Revenue Service requires that you do it within 60 days of receiving the refund.

For more information, read IRS publication 575, Pension and Annuity Income and IRS publication 590, Individual Retirement Arrangements. These publications are available on the IRS Web site at [www.irs.gov](http://www.irs.gov), or by calling 1/800/TAX-FORM. There is also a special tax notice that accompanies the Request for Refund (VRS-3), available on the VRS Web site at [www.varetire.org](http://www.varetire.org).

## Completing Those Forms Is Now Easier

If you need to complete any one of the most popular VRS forms, you can now simply turn to your keyboard.

These forms are designed as fillable on-line forms on the VRS Web site, so that you can fill them out on-line and then print the completed version.

VRS will assess feedback on the ease of use of these forms before making all of its forms available as on-line fillable forms in the coming months.



## The following forms are now available as fillable On-line forms

Designation of Beneficiary (VRS-2)

Designation of Beneficiary Continuation (VRS-2A)

Request for Refund (VRS-3)

Application for Service Retirement (VRS-5)

Request for Income Tax Withholding (VRS-15)

Application for Purchase of Prior Service Credit (VRS-26)

Request for Health Insurance Credit (VRS-45)

Authorization for Direct Deposit of Monthly Benefit (VRS-57)



## Are You Eligible for Portability?

Do you have at least five years of service in the public retirement system of the City of Charlottesville, the City of Danville, the City of Newport News, the City of Norfolk, the City of Richmond, the City of Roanoke or the County of Fairfax? If so, you could be eligible for portability.

An agreement, called a portability agreement, allows a VRS member with five or more years of service to transfer funds from certain local government retirement systems to VRS to purchase service credit. The agreement allows the reverse as well. A vested former VRS member employed by one of these localities may transfer assets from VRS to purchase service with that local government public retirement system.

Purchasing service credit can increase your retirement benefit amount. Your benefit is based on years of service credit, age and the average of your three consecutive years of highest salary.

An eligible member must apply for portability within 18 months of beginning VRS-covered employment or within 18 months of the effective date of the agreement between VRS and the local plan, whichever is later.

If you have any questions about portability, please contact VRS at 804/649-8059 (in Richmond) or toll free at 888/VARETIR (827-3847).



## Know The Rules For Returning To Work

Many retirees choose to work part time after retirement. If you are planning to return to work with your current employer, make sure you know the rules.



**If you are planning to return to work with your employer, make sure you know the rules.**

If you return to full-time employment with a participating VRS employer, you will be considered an active member. You will begin earning service credit again, and your retirement benefit will stop.

The Internal Revenue Service (IRS) requires a break in service if you plan to return to work in a part-time position with the same employer immediately after retirement. Under VRS guidelines, you must be off your employer's payroll for at least 30 days during a period of time you would normally be working. You and your employer cannot have a predetermined date for your return to part-time employment, nor can you have exactly the same duties or hours that you worked before retirement.

Starting with retirements effective January 1, 2006, retiring VRS members must certify that they are not returning to work with their current employer for at least a 30-day period.

The IRS considers the Commonwealth of Virginia one employer. For example, if you retire from the Virginia Department of Health, then work part time with the Department of Motor Vehicles, you are considered to be working for the same employer.

Follow these guidelines and you may return to work in a part-time position with a VRS-participating employer, or an Optional Retirement Plan employer without affecting your retirement benefits.

When you retire a second time, your benefit is calculated to include the additional service credit. You must retire under the same option you chose the first time you retired.

### Teachers Must Follow IRS Restrictions

Teachers and school administrators may retire, draw retirement benefits and return to work full time in designated critical teacher shortage areas. Rules governing this program require a break in service of at least one year. Teachers and administrators must not be eligible to receive any benefit from a local early retirement incentive program. Teachers who return to work under this program will not earn additional retirement benefits.

Teachers who retire and return to work part time under a school division's early retirement incentive program, must have a 30-day break in service over a period during which they would normally be working. A break occurring during the summer break does not meet this requirement.

### ORP Participants Must Follow Break-In-Service Restrictions

You must have a break in service if you are in one of the Optional Retirement Plans (ORPs) and want to be eligible to select a different plan when moving from one employer to another. Unless you have a break in service, you must stay in the plan you originally selected. This requirement applies to the ORP for Higher Education, the ORP for Political Appointees, and the ORP for School Superintendents.



# News

FROM YOUR DEFERRED COMPENSATION PLAN

Take advantage of your Deferred Compensation and Cash Match Plans to increase your retirement savings throughout your career.



## How To Defer Paying Taxes On Your VRS Partial Lump-Sum Option Payment

The Partial Lump-Sum Option Payment (PLOP) allows you to work one, two or three years beyond eligibility for an unreduced retirement benefit and have a portion of your lifetime retirement benefit paid in a lump sum. If the PLOP is paid directly to you, you must pay both state and federal withholding tax. If you are younger than age 55 when you receive the payment, there may be a penalty for early withdrawal from your pension plan.

You can defer paying state and federal withholding taxes and possibly avoid the early withdrawal penalty by rolling over some or all of the payment into your Cash Match Plan. The plan accepts both before and after-tax portions of the PLOP.

For a form and more information go to [www.vadcp.com](http://www.vadcp.com) or call 1/866/ 226-6682 (option 2).

## Consolidating Retirement Plans - Cash Match Plan Offers Convenience and Diversity

If you participate in the Commonwealth's Cash Match Plan, you can consolidate other retirement savings plans into the Cash Match Plan.

The Cash Match Plan is a qualified plan under Section 401(a) of the Internal Revenue Code (IRC). The IRS allows rollovers from other 401(a) plans, including many public and private retirement plans. The plan also accepts rollovers from 401(k) and 403(b) plans, and from traditional IRAs. As long as you are eligible to take a distribution from these plans, you may roll them into your Cash Match Plan.

Rolling over your other retirement accounts into the Cash Match Plan makes it easier to track performance of your retirement assets. It gives you a diverse selection of very low fee investment choices and oversight of the plan by VRS. It also gives you access to a variety of flexible payout options.

Before you decide to combine your accounts, look at the cost of consolidating plans in the Cash Match Plan compared to maintaining separate plans. The combined account value beyond which there is no administrative fee is currently \$150,000. Consolidating your plans will help you reach this level more quickly.

The Cash Match Plan accepts both before and after tax rollovers. Rollovers to the Cash Match Plan must occur while you are an employee of the Commonwealth or of a Virginia political subdivision participating in the plan. If you are younger than age 59 1/2 when taking the distribution from the Cash Match Plan, there may be a penalty for early withdrawal.





# News

NEWS FROM YOUR DEFERRED COMPENSATION PLAN | CONTINUED FROM PAGE 5



## You Must Meet The Break-in-Service Requirement Before Receiving A Distribution From A Tax-Deferred Plan

Because of IRS regulations, you must meet the break-in-service requirements before you receive a distribution from your tax-deferred plan.

A *bona fide* break in service is a period of at least one month, during a time when you would normally work, when you are off the payroll of any employer participating in the tax-deferred plan. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more depending upon the employer's policy), educational leave and sabbaticals do not count toward the time required for a *bona fide* break in service.

It is considered a break in service only if your employer did not contribute to your retirement plan on your behalf, you did not earn retirement credit (in the defined benefit plan), you did not earn health insurance credit and you did not have group life insurance coverage.

## Deferring Employment Termination Pay To The Commonwealth of Virginia 457 Deferred Compensation Plan

When you terminate employment, you may be eligible to receive payment for unused annual leave and sick leave, as well as for other types of compensation. These payments, called employment termination pay, are subject to federal and state withholding tax when you receive them.

You can defer paying state and federal income tax by contributing some or all of these payments to the Commonwealth of Virginia 457 Deferred Compensation Plan. You can contribute eligible annual leave, sick leave, (including Virginia Sickness and Disability Program disability credits) back pay and other types of compensation.

You must meet the following conditions before contributing these funds to the Deferred Compensation Plan (DCP):

- You must be a participant in the DCP or have enrolled in the plan and eligible to defer funds into the plan no later than your last month of employment.
- Eligible termination payments deferred to the DCP combined with your regular payroll deductions to the DCP while employed may not exceed 100 percent of your compensation or the 457 Plan Annual Limit for that year, whichever is less. The DCP limit for 2005 is \$14,000 and the age 50+ catch-up is \$4,000.

- You must complete and sign the Virginia Deferred Compensation Plan Payroll Authorization Form requesting the employment termination pay be deferred to the DCP. Give the form to your employer's payroll office while you are still an employee, no later than the month before the month in which the termination pay will be paid to you. This form is available from your agency's payroll office, or visit [www.vadcp.com](http://www.vadcp.com) under Plan Information/457 Deferred Compensation/Forms.

When completing the form, check the box labeled Employment Termination Payout. Under New Contribution per Pay, indicate the amount of termination pay that you want deferred. If you are not sure of the amount of termination pay but want it all deferred, indicate "all" on this line.

- The employment termination payout must be sent to the plan no later than 20 days after the date of your final paycheck.

If you have questions, contact your human resource office or Great West Retirement Services at 1/866/226-6682 (option 2).



## New Retirement Planning Opportunities

### 2005-2006 Retirement Education Seminar & Group Counseling Schedule

For registration form, see page 8.

DATE	RES	GCS	LOCATION/CONTACT
October 5, 2005	8 AM – NOON	1 PM – 4 PM	<b>Blue Ridge Community College, Weyers Cave</b> Contact: Debbie Glenn Mail: Blue Ridge Comm. Coll., P.O. Box 80, Weyers Cave, VA 24486 Phone: (540) 453-2342 FAX: (540) 234-8102
October 7, 2005	8 AM – NOON	1 PM – 4 PM	<b>Lord Fairfax Community College, Fauquier Campus</b> Contact: Kathy Howard Mail: Lord Fairfax Comm. Coll., 6480 College Street, Warrenton, VA 20187 Phone: (540) 351-1505 FAX: (540) 351-1560
October 18, 2005	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks Mail: John Tyler Community College, 1301 Jefferson Davis Hwy, Chester, VA 23831, Att: Community College Workforce Alliance Phone: (804) 706-5030 FAX: (804) 796-4266
October 26, 2005	8 AM – NOON	1 PM – 4 PM	<b>Wytheville Community College, Wytheville</b> Contact: Annie Taylor & Rhonda Hales Mail: Wytheville Comm. Coll., 1000 E. Main St., Wytheville, VA 24382 Phone: (276) 223-4712 FAX: (276) 223-4716
November 9, 2005	8 AM – NOON	1 PM – 4 PM	<b>Lord Fairfax Community College, Middletown</b> Contact: Nancy Lloyd & Stephanie Gray Mail: Lord Fairfax Comm. Coll., 173 Skirmisher Lane, Middletown, VA 22645 Phone: (540) 868-7021 FAX: (540) 868-7020
November 16, 2005	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks
November 30, 2005	8 AM – NOON	1 PM – 4 PM	<b>Greenfield Education and Training Center</b> Contact: Tina Trudeau Mail: Roanoke Higher Education Center, 108 N. Jefferson St., Roanoke, VA 24016 Phone: (540) 767-6125 FAX: (540) 767-6098
December 7, 2005	8 AM – NOON	1 PM – 4 PM	<b>Chesapeake Main Library, Chesapeake</b> Contact: Bettie Fix Mail: Tidewater Comm. Coll., 300 Granby Street, 5th Floor, Norfolk, VA 23510 Phone: (757) 822-1234 FAX: (757) 822-1160
December 13, 2005	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks
January 12, 2006	8 AM – NOON	1 PM – 4 PM	<b>Northern Virginia Comm. Coll., Annandale</b> Contact: Felicia Blakeney Mail: Northern Virginia Comm. Coll., Suite 600, 7630 Little River Tpk., Annandale, VA 22003-3796 Phone: (703) 323-3102 FAX: (703) 813-1325
January 19, 2006	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks
February 15, 2006	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks
February 22, 2006	8 AM – NOON	1 PM – 4 PM	<b>Central Virginia Community College, Lynchburg</b> Contact: Kathy Payne & Twila DeMasters Mail: Central Virginia Community College, 3506 Wards Road, Lynchburg, VA 24502 Phone: (434) 832-7607 FAX: (434) 832-7761
March 9, 2006	8 AM – NOON	1 PM – 4 PM	<b>Blue Ridge Community College, Weyers Cave</b> Contact: Debbie Glenn
March 16, 2006	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks
March 21, 2006	8 AM – NOON	1 PM – 4 PM	<b>Virginia Beach Advanced Technical Center</b> Contact: Bettie Fix Mail: Tidewater Comm. Coll., 300 Granby Street, 5th Floor, Norfolk, VA 23510 Phone: (757) 822-1234 FAX: (757) 822-1160
March 29, 2006	8 AM – NOON	1 PM – 4 PM	<b>Greenfield Education and Training Center</b> Contact: Tina Trudeau
April 19, 2006	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Canyetta Starks
April 21, 2006	8 AM – NOON	1 PM – 4 PM	<b>Lord Fairfax Community College, Fauquier Campus</b> Contact: Kathy Howard



## 2005-2006 Retirement Education Seminar & Group Counseling Schedule

CONTINUED FROM PAGE 7 | For registration form, see below.

DATE	RES	GCS	LOCATION/CONTACT
April 26, 2006	8 AM – NOON	1 PM – 4 PM	<b>Wytheville Community College, Wytheville</b> Contact: Annie Taylor & Rhonda Hales
May 17, 2006	8 AM – NOON	1 PM – 4 PM	<b>Chesapeake Main Library, Chesapeake</b> Contact: Bettie Fix
May 18, 2006	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Caryetta Stark
May 23, 2006	1 PM – 5PM	6 PM – 9 PM	<b>Mountain Empire Community College, Big Stone Gap</b> Contact: Mitzi Williams Mail: Mountain Empire Comm. Coll., P.O. Drawer 700, Big Stone Gap, VA 24219 Phone: (276) 523-2400 ext. 372 FAX: (276) 523-7486
June 8, 2006	8 AM – NOON	1 PM – 4 PM	<b>Northern Virginia Comm. Coll., Annandale</b> Contact: Felicia Blakeney
June 14, 2006	8 AM – NOON	1 PM – 4 PM	<b>John Tyler Com. College, Nicholas Student Ctr., Chester</b> Contact: Caryetta Starks
June 21, 2006	8 AM – NOON	1 PM – 4 PM	<b>Blue Ridge Community College, Weyers Cave</b> Contact: Debbie Glenn
June 27, 2006	8 AM – NOON	1 PM – 4 PM	<b>Greenfield Education and Training Center</b> Contact: Tina Trudeau

### REGISTRATION FORM

#### Retirement Education Seminar (RES)/Group Counseling Session

To register for either a Retirement Education Seminar or a Group Counseling Session, fax or mail this form to the contact person listed for the meeting you wish to attend (see pages 7-8). This form is also available on the VRS Web site at [www.varetire.org](http://www.varetire.org). Make sure your name and phone number are included on the fax cover sheet.

The contact person will either call you or send a fax, letter or e-mail confirming your registration. Sessions fill up quickly, so register early to reserve your seat(s) at the session of your choice. Registrations should be received 15 days prior to the program date. You will receive confirmation of your registration 10 days prior to the meeting date.

#### WHICH PROGRAM WOULD YOU LIKE TO ATTEND?

- Retirement Education Seminar  
 Group Counseling Session

#### HOW MANY YEARS DO YOU HAVE TO RETIREMENT?

- More than five years  
 Fewer than five years

1ST CHOICE FOR DATE, TIME AND LOCATION: \_\_\_\_\_

IF YOUR 1ST CHOICE IS NOT AVAILABLE, WHAT IS YOUR 2ND CHOICE? \_\_\_\_\_

VRS MEMBER NAME: \_\_\_\_\_

LAST FOUR DIGITS OF MEMBER'S SOCIAL SECURITY #: \_\_\_\_\_

DATE OF BIRTH: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

STREET

CITY STATE ZIP

PHONE: (HOME) \_\_\_\_\_ (WORK) \_\_\_\_\_

AGENCY NAME AND LOCATION: \_\_\_\_\_

NAME OF GUEST: \_\_\_\_\_

IS YOUR GUEST A VRS MEMBER? **YES** OR **NO**

IF YES, ENTER YOUR GUEST'S LAST FOUR DIGITS OF SOCIAL SECURITY #: \_\_\_\_\_

IF YES, ENTER DATE OF BIRTH: \_\_\_\_\_

IF YOU NEED ASSISTANCE DUE TO A DISABILITY, PLEASE INDICATE

HOW WE CAN HELP: \_\_\_\_\_

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Virginia  
Retirement  
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