

## Purchase of Prior Service Credit - Buy Your Prior Service Credit Now

If you're eligible to buy prior service credit, the time to act is now. You must buy most types of service (except refunded service) within three years of becoming eligible, in order to buy it at 5 percent of your salary, the most favorable rate. After three years, you must buy the service at the actuarial equivalent rate, which is usually much higher.

You must buy your prior service credit or be under contract to buy the service by June 30, 2004, if you were employed in a VRS-covered position as of July 1, 2001 and eligible to purchase the service at that time.

Don't end up paying more or losing your prior service credit altogether. Contact your agency benefits administrator for more information about how purchasing prior service credit can increase your retirement benefit, or visit the VRS Web site at [www.varetire.org](http://www.varetire.org).

### THERE'S MORE THAN ONE WAY TO PURCHASE PRIOR SERVICE CREDIT

Aside from the most common ways to purchase prior service credit, lump-sum payments and payroll deduction contracts, you can use other methods to buy the service:

#### ROLLOVERS

VRS accepts rollovers for the purchase of prior service credit from: 403(b) tax-sheltered annuities, 457(b) governmental deferred compensation plans, 401(a) qualified plans and 401(k) plans. Rollovers can also be accepted from profit sharing, money purchase pension, and other defined contribution and defined benefit plans that pay lump sums or other eligible rollover distributions, and 408 Traditional IRAs (but not Roth IRAs). You must provide written verification from your financial institution that the funds may be rolled over to a 401(a) plan and that the funds are either pre-tax or after-tax.

If VRS does not receive adequate verification of the pre-tax or after-tax nature of the funds, VRS will treat the rollover as pre-tax, subject to tax when later distributed.

#### TRUSTEE-TO-TRUSTEE TRANSFERS

You may transfer funds from your 457(b) governmental deferred compensation plan or 403(b) tax-sheltered annuity plan that permits in-service transfers to VRS to purchase service credit while you are actively contributing to these plans. Funds from these types of plans will generally be pre-tax. They will be fully taxed when paid in a refund or as a pension benefit.



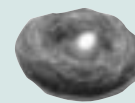
STATE EDITION



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# Guidelines For Returning To Work After Retirement

## YOU MUST HAVE A BREAK IN SERVICE

The Internal Revenue Service (IRS) requires that you have a *bona fide* severance in employment before you return to work in a non-covered (part-time) position with the same employer following your retirement. The IRS considers the Commonwealth of Virginia one employer. For example, if you retire from Game and Inland Fisheries, then work part time with DMV, you are considered to be working for the same employer.

To comply with the IRS rules, VRS policy requires that you be off your covered employer's payroll for at least 30 days during a period of time you normally would have been working, before returning to work. You and your employer also cannot have a predetermined date for your return to non-covered employment, nor can you have exactly the same duties or hours that you worked before retirement.

As long as you and your employer follow the guidelines, you may return to work in a non-covered (part-time) position with VRS, JRS, SPORS, VaLORS, or an Optional Retirement Plan employer without affecting your retirement benefits.

If you decide to accept employment in a covered position, your monthly benefit stops and you earn service credit again. 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.

## OTHER RESTRICTIONS APPLY

There are also restrictions on retired teachers who return to work when a declared teacher shortage is in place. Teachers and school administrators may retire, draw retirement benefits and return to work full time in certain positions and in certain school districts. These retirees must work only in designated critical teacher shortage areas. They must have had a break in service of at least one year and must not have taken an early retirement incentive plan.

Teachers who return to work under this program will not earn additional retirement benefits.

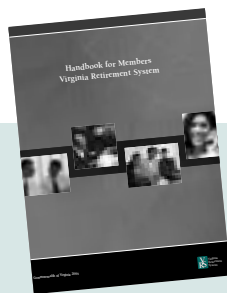
**So you want to retire, but you're going to need to work part time for a while. Do you know that there are limitations if you want to return to work with a VRS-covered employer and still receive your retirement benefit?**

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

If you retire under disability, your disability benefit stops if you take disability retirement and later go to work in a position covered by VRS. If you take a position not covered by VRS, your disability benefit stops if the duties of the position are similar to those you were previously found medically unable to perform.

## GUIDELINES FOR WORKING WITH OTHER EMPLOYERS

The break-in-service restrictions do not apply if you move between political subdivisions or other non-state employers. They also do not apply if you retire from a state agency, then accept a position with a non-state, covered employer, such as a political subdivision. If you retire and return to work with an employer who does not participate in VRS, you are not required to have a break in service; nor will your employment have any effect on your retirement.



## New Handbook for Members Now on Web Site

VRS has posted the revised *VRS Handbook for Members* on the VRS Web site. The handbook features a new larger, easier-to-use design and includes the retirement, life insurance and sickness and disability coverage information you need throughout your career.

If you do not have Internet access, contact your benefits administrator for a printed copy of the handbook.

VRS has also recently published a new handbook for SPORS members. Handbooks specifically for VaLORS, JRS and law enforcement members are in production and will be available soon.

## RETIREMENT PLANNING

# Retirement Mistakes You Won't Make

You're smart. You're jazzed. And you're ready for retirement. You know all the ways to make the retirement process quick and easy and how to make the best of your retirement.

You're not going to be caught making these common retirement mistakes . . . are you?

## It's years away . . . I don't need to plan for retirement now.

Oh, yes you do. Have you bought any eligible prior service credit to increase your retirement benefit? Do you know your VRS benefits and retirement choices? Have you taken advantage of the available deferred compensation savings plans? Do you have a handle on financial and legal concerns, health insurance, saving and investing?

Retirement Education Seminars, offered by VRS in partnership with the Virginia Community College System, cover the financial, legal and psychological aspects of retirement. VRS recommends that you attend one of these seminars early in your career.

If you are close to retirement, Group Counseling Sessions give you practical advice about your Social Security benefits, life insurance and the health insurance credit in retirement. The sessions also give advice on completing the retirement application.

VRS publishes schedules for both the Retirement Education Seminars and the Group Counseling Sessions several months in advance in each issue of *Member Bulletin* (see page 8) and on the VRS Web site: [www.varetire.org](http://www.varetire.org).

VRS has also published 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.

## I'm sure I have enough money to retire.

Most people need at least 70 percent of pre-retirement income for a comfortable retirement. Will your VRS retirement benefit and your investments provide enough for a comfortable retirement?

Your Member Benefit Profile (MBP), which VRS issues annually, gives you a summary of your benefits. It provides you with an annual update of your years of service, account balance and the projected amount of your retirement benefit at normal and early retirement ages.

Your MBP also shows the date you joined VRS, the amount of your group life insurance and your optional life insurance coverage.

You can also call the VRS Virginia Informational Phone System (VIPS) for account information. Call 804/649-0126 or toll-free 877/770-8477. Follow the prompts to get your account balance and service credit information, as well as general information about retirement options, disability retirement and life insurance.

## It's too complicated to figure the different payment options and what my benefit might be at different ages.

Oh, no it's not. It couldn't be easier. Go to the VRS Web site for the Service Retirement Calculator. Use the calculator to estimate your benefit at different ages, years of service and retirement options. Just keep in mind that the calculator uses the information you enter. It does not use the figures from your VRS records, so it can provide only retirement projections and not a final determination of your retirement benefit.

If you are within 18 months of retirement, your benefits administrator can help you with a formal estimate of your retirement benefit.





## Completing The Application Process – Don't Wait For Your Benefit

If you are thinking about retirement, it's important to apply as soon as possible. It takes time for VRS to process your Application for Service Retirement (VRS-5) and to set up your account for direct deposit. VRS suggests that you apply at least three months before the date you want to retire.

On the other hand, don't apply too early. To ensure a smooth transition to retirement, VRS prefers to receive your service retirement application no earlier than six months before the date you want to retire. This ensures that your latest available salary information is used. Accurate salary data is critical in obtaining your average final compensation to calculate your retirement benefit.

### COMPLETING THE APPLICATION

VRS has two publications for members applying for service and disability retirement. The *Applying for Service Retirement and Applying for Disability Retirement* booklets summarize eligibility requirements and benefits, and give guidelines for completing retirement forms. They include all the forms you need for your retirement application. These booklets are available on the VRS Web site.

When you're completing your retirement application, be sure to fill it out correctly and include the required forms and signatures. Incorrect information or an incomplete form delays processing of your retirement application.

Submit a completed application package to VRS at least 90 days, but not more than six months before your effective date of retirement.

A complete retirement package includes:

- A signed, dated and properly notarized Application for Service Retirement (VRS-5). If you are married or separated, your spouse's signature is required and must be notarized on or after the date you signed the application and had it notarized.
- A copy of your birth certificate or other evidence of your date of birth, e.g. a passport or a military record.
- If you selected a survivor option, you must provide a birth certificate or other evidence of date of birth for your survivor (called contingent annuitant on the form).
- A Federal and State Income Tax Withholding Form (VRS-15).

- An Authorization for Direct Deposit of Monthly Benefit (VRS-57).
- You may want to change or to designate a beneficiary at your retirement. If so, complete the Designation of Beneficiary (VRS-2).

Avoid the most common pitfalls of an incomplete application package:

- Did you complete all the applicable boxes on the application for the option you have chosen?
- Has your name changed since you joined VRS? Provide the proper documentation, e.g., a marriage certificate, divorce decree or a court order, to verify your current name.
- Did you mark "yes" to the purchase of service question? You must complete the purchase while you are actively employed, no later than your date of termination of employment. Your benefit cannot be calculated until payment for the purchase has been submitted to VRS.
- Will you be purchasing service credit with your unused sick leave? Please complete the Employer Certification of Accumulated Sick Leave Eligible for Conversion to Service Credit (VRS-26F) and include the form with your retirement application. Your benefit cannot be calculated until payment for the purchase has been submitted to VRS.
- Will you be converting disability credit to service credits when you retire? You must complete a Conversion of Disability Credits (VRS-5A). Your employer must sign this form. Your benefit cannot be calculated until this form is received and the service is credited to your record.
- Did you provide all of the additional requirements for the payout option you have chosen? If you choose the Advanced Pension Option, you must provide VRS with an estimate from Social Security. This estimate must be less than 12 months old and be prepared showing no future earnings after you leave your VRS-covered position. It should be based on your Social Security Earnings Record. It must reflect the age you want to begin to receive your Social Security. This is the same age as you choose to have your VRS benefit reduce.



## What To Remember About PLOP

**A**re you eligible for a lump-sum benefit payment along with your regular retirement benefit? If you work beyond the time you become eligible for unreduced retirement, you may be eligible for the Partial Lump-Sum Option (PLOP). With PLOP, you choose to receive one, two or three years of benefit payments in a lump sum at the time of your retirement.

To determine your benefit with PLOP, VRS calculates your monthly retirement benefit, then adjusts the monthly benefit to reflect your decision to receive a portion in a lump sum. The amount of the lump-sum payment is based on how long you work in your VRS-covered position beyond the date you are eligible for an unreduced retirement benefit.

The lump-sum payment is equal to one year of your annual benefit if you work one year beyond when you are eligible for an unreduced retirement benefit. The payment is your choice of one or two years of your annual benefit if you work two years beyond eligibility for unreduced retirement. If you work three years or more beyond your eligibility, you may choose to receive one, two or three years of your annual benefit in a lump-sum payment.

When you consider choosing PLOP, remember:

- To be eligible to choose PLOP, you must work for at least one full year after qualifying for an unreduced retirement benefit.
- The maximum lump-sum payment is equal to three years of your annual benefit.
- You indicate your choice of PLOP when completing your retirement application. The application gives you the option of selecting PLOP, then selecting one, two or three times your annual basic benefit, depending on the number of years you have worked beyond normal retirement.
- After you submit your application, VRS sends you a letter confirming your request for PLOP. The letter will also ask how you want to receive your payment.
- VRS mails your PLOP payment usually within seven to 10 days after you receive your first retirement payment.
- Payments are subject to taxes (20 percent federal and 4 percent state) at the time you receive the payment. If you are younger than 55, you must also pay a 10 percent penalty on the amount of the lump-sum payout for early distribution from a pension plan. If part of the lump-sum amount consists of member contributions on which you have already paid taxes, that portion is not taxed again. You may delay paying taxes on your lump-sum payment by rolling the taxable amount into the Virginia Cash Match Plan or into an IRA.
- You may choose PLOP and a survivor option. The monthly benefit resulting after PLOP is calculated becomes the basis for calculating the survivor option.

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## Completing The Application Process – Don't Wait For Your Benefit

CONTINUED FROM PAGE 4

- The Partial Lump Sum Option (PLOP) - You must choose the number of months for payment. Be sure to verify with your benefits administrator that you are eligible for the number of months chosen for your PLOP payment.
- Survivor option - Provide a birth certificate or other evidence of the date of birth for your contingent annuitant. Be sure your contingent annuitant's signature is notarized on or after the date that you signed the application and had your signature notarized.

Be sure you or your benefit administrator submits your entire application and package.

By taking these steps, you avoid the delays in processing your retirement from incomplete or inaccurate information.

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## VRS Announces Lower Optional Life Rates

VRS and Minnesota Life, administrator of the Optional Life Insurance Plan, announce that rates on the Optional life plan for members and spouses will decrease on July 1, 2004. Because of claims history of differing age groups, rate reductions for member and spouse will vary based on the age of the insured person. However, no one will see a rate increase.

Additionally, death benefits for all insured dependent children will increase in July 2004 with no change in the monthly premium.

VRS Optional life is term insurance. Term life insurance is an excellent way to protect your income in order to avoid financial hardship for your family in the event your income was unexpectedly lost.

VRS Optional life is also convenient. You can enroll at your place of employment, and premiums are payroll deducted.

While term life insurance is already the most cost effective way to purchase high volumes of coverage, the large group buying power of VRS gives you the opportunity to purchase coverage at attractive group rates. With rates even lower and child protection now higher, it is a good time to explore how VRS Optional Life can benefit you.

For more information about the value of term life insurance, the options available to you, and help determining how much you need, review the Optional Life Brochure, available through your human resource office, or call Minnesota Life at 800/441-2258.



### PREMIUM RATES FOR EMPLOYEE AND SPOUSE - EFFECTIVE JULY 1, 2004

#### MONTHLY PREMIUMS PER \$1,000 OF INSURANCE

Age of Insured Member or Spouse	Current Rate	New Rate
Under 30	\$ .06	\$ .06
30-34	.08	.08
35-39	.09	.09
40-44	.13	.11
45-49	.21	.17
50-54	.37	.34
55-59	.63	.59
60-64	1.10	1.10
65-69	1.95	1.95
70-74	3.53	3.53
75 & Over	3.76	3.76

### BENEFIT SCHEDULES FOR DEPENDENT CHILD INSURANCE MEMBER - EFFECTIVE JULY 1, 2004

Option	Coverage	Current Benefits	New Benefits
1	1 x salary	\$ 8,000	\$ 10,000
2	2 x salary	8,000	10,000
3	3 x salary	16,000	20,000
4	4 x salary	24,000	30,000



## From Your Deferred

## Compensation Plan

### Contribution Rates for 2004 DCP Participants Listed

The Commonwealth's 457 Deferred Compensation Plan (DCP) contribution limits for 2004 are \$13,000 for the annual maximum, \$3,000 for the Age 50+ Catch-Up and \$26,000 for the Standard Catch-Up.

The DCP allows you to defer paying taxes on a portion of compensation while saving for retirement. The minimum

MAXIMUM CONTRIBUTION AMOUNTS			
Year	Annual	Age 50+ Maximum	Std-Catch up
2004	\$13,000	\$3,000	\$26,000
2005	\$14,000	\$4,000	\$28,000
2006	\$15,000	\$5,000	\$30,000
2007- 2010: Indexed to inflation in \$500 increments			

contribution amount is \$10 a pay period. The maximum amount is up to 100 percent of includible compensation or the 2004 limit, whichever is less.

When you are close to retirement, the plan allows an additional contribution, the Standard Catch-Up, during each of the three consecutive calendar years before your designated normal retirement age. The

contribution limit if you are using the Standard Catch-Up in 2004 is \$26,000. The Standard Catch-Up forms are on the Plan Web site at [www.vadcp.com](http://www.vadcp.com) under Plan Information/457 Deferred Compensation. If you are age 50 or over or if you will become age 50 during the calendar year, you may contribute an additional amount, the Age 50+ Catch-Up, into the DCP. You cannot use the Age 50+ Catch-Up and the Standard Catch-Up in the same year.

### Financial Education Opportunity For State Employees

VRS and Great West Retirement Services, the service provider for DCP, are offering "Five Mistakes to Avoid in Today's Market". These investment education seminars focus on the basics of investing during periods of market volatility.

The seminars are available throughout the state. The morning session is a DCP enrollment and education meeting open to all state and participating political subdivision employees. The afternoon session, "Five Mistakes to Avoid in Today's Market" focuses on effective account management. All employees, whether or not they contribute to the DCP, are invited to both presentations.

Date	DCP Education & Enrollment	Five Mistakes to Avoid in Today's Market	Location
June 17, 2004	10 AM	2 PM	Montgomery County Health & Human Services Community Room 210 South Pepper Street Christiansburg, VA 24073
June 24, 2004	10 AM & 11AM	2 PM	State Corporation Commission 3rd Floor Training Room 1300 East Main Street Richmond, VA 23219
July 8, 2004	10 AM	2 PM	James Madison University University Services Building Rooms 111-113 181 Patterson Street Harrisonburg, VA 22807
July 20, 2004	10 AM	2 PM	Department of Transportation Culpeper District Auditorium 1601 Orange Road Culpeper, VA 22701
July 20, 2004	10 AM	2 PM	John Tyler Comm. College Midlothian Campus Academic Building Room A113 740 Gardner Court Midlothian, VA 23113
July 22, 2004	10 AM	2 PM	Department of Transportation Old Highway Building 1st Floor Auditorium 1221 East Broad Street Richmond, VA 23219
July 26, 2004	10 AM	2 PM	The Library of Virginia Conference Room A 800 East Broad Street Richmond, VA 23219
July 29, 2004	10 AM	2 PM	Dept of Transportation Fredericksburg District Auditorium 86 Deacon Road Fredericksburg, VA 22405



## VRS 2004 RETIREMENT EDUCATION SEMINAR & GROUP COUNSELING SCHEDULE

Date	RES	GCS	Location/Contact
June 8	8 AM – 12 PM	1 PM – 4PM	Northern Virginia Community College, Annandale Email: Ellen L. Gray Mail: Northern Virginia Comm. Coll., Suite 600, 7630 Little River Tpk., Annandale, VA 22003-3796 Phone: (703) 323-3102; FAX: (703) 813-1325
June 9	8 AM – 12 PM	1 PM – 4PM	J. Sargeant Reynolds Com. Coll., North Run Campus Email: Judy Payton Mail: J. Sargeant Reynolds Comm. Coll., P.O. Box 85622, Richmond, VA 23285 Phone: (804) 371-3250 FAX: (804) 371-3054
June 23	8 AM – 12 PM	1 PM – 4PM	Lord Fairfax Community College, Middletown Email: Nancy Lloyd & Stephanie Gray Mail: Lord Fairfax Comm. Coll., 173 Skirmisher Lane, Middletown, VA 22645 Phone: (540) 868-7021 FAX: (540) 868-7020
July 14	8 AM – 12 PM	1 PM – 4PM	Blue Ridge Community College, Weyers Cave Email: Nola Dunsmore Mail: Blue Ridge Comm. Coll., Box 80, Weyers Cave, VA 24486 Phone: (540) 942-2722 FAX: (540) 234-8102
July 21	8 AM – 12 PM	1 PM – 4PM	J. Sargeant Reynolds Com. Coll., North Run Campus Email: Judy Payton Mail: J. Sargeant Reynolds Comm. Coll., P.O. Box 85622, Richmond, VA 23285 Phone: (804) 371-3250 FAX: (804) 371-3054
TBD	8 AM – 12 PM	1 PM – 4PM	Greenfield Education and Training Center Email: Ronald L. Coleman Mail: Roanoke Higher Education Center, 108 N. Jefferson St., Roanoke, VA 24016 Phone: (540) 767-6123 FAX: (540) 767-6098
July 29	8 AM – 12 PM	1 PM – 4PM	Mountain Empire Community College, Big Stone Gap Email: 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
TBD	8 AM – 12 PM	1 PM – 4PM	Northern Virginia Comm. Coll., Annandale Email: Ellen L. Gray & Kristie Fitzsimmons Mail: Northern Virginia Comm. Coll., Suite 600, 7630 Little River Tpk., Annandale, VA 22003-3796 Phone: (703) 323-3102 FAX: (703) 813-1325
August 18	8 AM – 12 PM	1 PM – 4PM	Central Virginia Community College, Lynchburg Email: Linda Wright & Kathy Payne Mail: Central Virginia Community College, 3506 Wards Road, Lynchburg, VA 24502 Phone: (434) 832-7607 FAX: (434) 832-7761
August 26	8 AM – 12 PM	1 PM – 4PM	J. Sargeant Reynolds Com. Coll., North Run Campus Email: Judy Payton Mail: J. Sargeant Reynolds Comm. Coll., P.O. Box 85622, Richmond, VA 23285 Phone: (804) 371-3250 FAX: (804) 371-3054

### 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. 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 THE LAST FOUR NUMBERS OF YOUR GUEST'S 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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