Enhanced Benefits for Eligible Political Subdivision Hazardous Duty Employees Handbook for Members Plan 2

There are important updates to your VRS retirement benefits since the last issue of this handbook was published. Refer to this information when reading your handbook. **Changes are in bold.**

Pages 6-7: The following content replaces all of the content on pages 6-7.

myVRS: Helping You Plan for Tomorrow, Today

As a member of VRS, you have access to myVRS, one of your most important retirement planning resources. This secure, online system helps you prepare for your future. It provides up-to-date benefit information based on your VRS member record.

Key Features

- **Retirement Planner and Benefit Estimator**
  Through the Retirement Planner, you can create VRS retirement benefit estimates based on different retirement dates or payout options, to see which will best meet your needs and those of your family when you retire. You can then select a benefit scenario to enter in the Retirement Planner, along with other sources of income and expenses, including income taxes, health insurance and living expenses. The result will help you project your income and expenses in retirement.

  In addition, you can view your life insurance balance, purchase of prior service history and employment history and can update your contact information. Upon leaving employment, you can apply for a refund online and track its progress through your myVRS account.

  If you participate in a deferred compensation plan, you also can view your account balance to see whether you need to increase your contributions to stay on target toward your future retirement income.

- **Member Benefit Profile**
  Through myVRS, you can view your Member Benefit Profile (MBP). This is your annual online benefits statement based on information your employer reports to VRS through June 30 of each year. The MBP shows your earliest retirement eligibility dates, estimated benefit amounts and member contribution account balance, among other information from your member record.

  If you are eligible to participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, your MBP also shows a total retirement income estimate combining your unreduced benefit estimate, a Social Security estimate and an estimated annuity from your deferred compensation plan, if applicable. You can measure this estimate against a retirement income target of 80 percent of your creditable compensation.

  Print a copy of your MBP to share with your family. If you have a financial advisor, he or she will find your MBP to be a helpful planning document.

Note:
The estimates and plans you create through the myVRS Retirement Planner and myVRS Benefit Estimator are for your planning purposes only. They are based on your current member record, the information you enter and the policies in effect at the time you create them. The results may not reflect your actual retirement benefit amount or income and expenses in retirement.

Creating Your myVRS Member Online Account

- **To set up your account, select myVRS from www.varetire.org and then Members-Register, and follow the simple step-by-step instructions.**

- **Each time you log into your myVRS member account, you come to your account home page. From the right column, you can select links to other information in your member record and to your MBP. From the top tabs, you can navigate to your History, the Benefit Estimator and the Retirement Planner.**

Security and Privacy

- **VRS is committed to protecting the security and privacy of your information. Before you are allowed access to your information, your identity is authenticated through the online account creation process. You set up your own username and password, which you use each time you log into myVRS.**

- **Randomly generated questions presented during registration come from a third-party identity verification service and are used only for the initial verification process. VRS does not retain the information or share it with anyone.**

Assistance With myVRS

- **Select Help from the top of any screen for general information.**

- **You will have two attempts to register before a lockout occurs. Once registered, you can use the Forgot Password feature if you get locked out. For additional assistance, call VRS toll-free at 1-888-VARETIR (827-3847) and select option 3 for myVRS online assistance, 8:30 a.m.-5 p.m., Monday through Friday, or contact myvrsonlineassistance@varetire.org.**

  Important email notice: Do not send confidential or personal information, such as your Social Security number, by email even when you are logged into your account. VRS will send only non-confidential replies.

Page 9: In the "Want to plan for retirement or am ready to retire?" section, more saving opportunities are offered.

It's never too soon to plan for retirement:
• Start saving early in your career through the Commonwealth's 457 Plan if you are eligible or another ~~tax-~~ ~~deferred savings~~ **supplemental retirement plan if offered by your employer**. From time to time, check your account balance to see if you can increase your contributions within allowable plan limits.

Page 10: Change in members of the VRS Board of Trustees and a new VRS director.

Robert L. Greene, Chairman
Diana F. Cantor, Vice Chairman
~~**Diana F. Cantor, Chairman**~~
~~**Robert L. Greene, Vice Chairman**~~
~~**A. Marshall Acuff,**~~
~~**Jr.**~~ ~~**Edwin T. Burton III,**~~
~~**Ph.D.**~~
The Honorable J. Brandon Bell, II
Wallace G. Harris, Ph.D.
W. Brett Hayes
William H. Leighty
Joseph W. Montgomery
Mitchell L. Nason
Troilen Gainey Seward, Ed.S.
~~**Colette Sheehy**~~

The board appoints the director of the Virginia Retirement System, who serves as chief administrative officer, as well as the chief investment officer and the internal audit director. The following individuals currently serve in these positions: **Patricia S. Bishop** ~~**Robert P. Schult**~~**ze,** Director; Ronald D. Schmitz, Chief Investment Officer; and Franklin O. Berry, Internal Audit Director.

Pages 11 and page 74: There is a change to the definition for Plan 2.

~~**You are covered under the provisions of the Virginia Retirement System (VRS) Plan 2 if your membership date is before July 1, 2010 and you were not vested (had less than five years of service credit) as of January 1, 2013, or your membership date is on or after July 1, 2010. If you were previously employed in a position covered under Plan 1 and took a refund of your member contributions and interest or withdrew your full account balance in an optional retirement plan authorized or administered by VRS, you will be rehired under Plan 2 if you return to covered employment.**~~

You are covered under Plan 2 if your membership date is from July 1, 2010, to December 31, 2013, and you have not taken a refund. Additionally, you are covered under Plan 2 if you have a membership date prior to July 1, 2010, but you were not vested before January 1, 2013. You are covered under Optional Retirement Plan 2 if you have an ORP membership date after July 1, 2010, and maintain an account balance. If you are a member of VaLORS or SPORS, or an employee of a political subdivision that covers you with enhanced hazardous duty benefits or the hazardous duty alternate option under VRS and were hired on or after July 1, 2010, you are in Plan 2, even if your membership date is after December 31, 2013.

Pages 11 [sidebar], 66, 73: Language concerning non-covered employment is clarified.

Non-covered employment is a part-time position with a VRS-participating employer. Non-covered positions do not provide eligibility for benefits. Part-time positions typically require ~~**less than**~~ 80 percent **or less** of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require ~~**less than**~~ 80 percent **or less** of the hours per year that would be considered fulltime and permanent for that position.

Pages 11, 16 (two instances), 24, 36, 45, 70: Editing the term "compensation" to "creditable compensation."

Average of your 60 consecutive months of highest **creditable** compensation as a covered employee.

Page 17: In the note below the calculation, the IRS has increased compensation limits.

Note: The Internal Revenue Code limits the amount of annual compensation that may be used to calculate a retirement benefit. The current limits are ~~**$360,000**~~ **$395,000** for members whose membership date is before April 9, 1996 and ~~**$245,000**~~ **$265,000** for members whose membership date is on or after April 9, 1996. If these limits apply to you, contact your human resource office for help in calculating your benefit estimate.

Page 20: Under Deferred Compensation Plan, participants may now choose a Roth option.

Plans such as the Commonwealth of Virginia 457 Deferred Compensation Plan or other employer-sponsored savings plans allow you to save for retirement ~~**on a tax-deferred basis**~~. **You may choose a Roth contribution option if you participate in the Commonwealth's 457 Plan. Roth contributions are made on an after-tax basis to your 457 account. You pay income taxes only when you withdraw the money from your plan**. This chapter provides an overview of the Commonwealth's 457 Plan. Contact your human resource office to find out if your employer offers the Commonwealth's 457 Plan and the Virginia Cash Match Plan or another tax-deferred savings plan. Your employer also may provide automatic enrollment in these plans upon employment.

Page 20: In the sidebar, the title is changed and information about the Roth option is added to the third bullet.

~~**The**~~ **Commonwealth's** 457 Plan Makes Saving for Retirement Easy

- You defer paying federal and state income taxes on your contributions until you withdraw the money from your plan**, with the exception of Roth contributions, which are made on an after-tax basis to your 457 Plan and may be withdrawn tax free provided certain criteria are met**.

Page 21: Information about the Roth option is added to Consolidating Your Retirement Funds.

~~**Payments from the 457 and Cash Match Plans are subject to federal and state income taxes.**~~ **You defer paying federal and state income taxes on your contributions until you withdraw the money from your plan with the exception of Roth contributions, which are made on an after-tax basis to your 457 Plan and may be withdrawn tax free provided certain criteria are met.** The IRS also may impose an additional 10 percent tax penalty on Cash Match Plan distributions received before age 59½; there are exceptions to this rule. There is no penalty for early withdrawals from the 457 Plan. When you reach age 70½, you can withdraw your money from your plan at any time, regardless of your employment status. For more information, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Page 24: Under Purchase of Prior Service, there is an addition to the types of service eligible for purchase.

Types of Prior Service
You may purchase up to 48 months of each of the following types of prior public service. Except for some types of military leave, the service you purchase must not be used to qualify you for a benefit under another retirement plan:

- Active duty military service

- Full-time salaried federal service
- Full-time salaried public service other than previous VRS service
- Non-covered service with a VRS-participating employer
- Approved leave for the birth**,** ~~**or**~~ adoption **or death** of a child or approved educational leave, provided you were on leave from a VRS-covered position. **You may purchase up to 12 months of leave taken per birth, adoption or death, up to 48 months total.**
- Non-ported service. You do not need to apply for this service. The amount of service you are eligible to purchase will be determined during the portability process.

Page 25: A sidebar is added informing members about future purchase of prior service changes.

ALERT:
Purchase of Prior Service
Provisions to Change in 2017

Legislation passed in the 2015 Virginia General Assembly will change purchase of prior service provisions, beginning January 1, 2017. The changes will simplify the purchase of prior service provisions for all members and ensure that the purchase cost more closely reflects the actual cost of providing the benefit in retirement.

If you have periods of eligible prior service that you can buy back, you may want to determine if you want to make the purchase before January 1, 2017. Prior service credit counts toward the years needed to become vested, eligibility for retirement and the health insurance credit.

In some cases, the cost of purchasing service credit may increase for some members and the number of months eligible for purchase for some types of service may be limited. For more information about purchasing prior service, visit www.varetire.org/pps or contact your human resource office.

Page 28: Under Applying for Purchase of Prior Service, eligible types of service are added.

In the following cases, the previous employer with which you earned the service will need to certify your prior service:

- Military leave (no cost). A copy of your DD214 or a copy of your orders for National Guard service may be required.
- Full-time salaried federal or other public service. Certification from your previous retirement system also is required.
- Non-covered service with a VRS-participating employer.
- Leave for the birth**,** ~~**or**~~ adoption **or death** of a child or educational leave.

Page 32: The optional life insurance amounts have changed for coverage for member and spouse.

Coverage Options
Yourself. You can select one of the four coverage options shown below to cover yourself, up to a maximum of ~~**$700,000**~~ **$750,000**.

Your spouse. You can cover your spouse for up to half the maximum amount of the coverage you select for yourself, not to exceed ~~**$350,000**~~ **$375,000**. Coverage for your spouse ends when your coverage ends or if you and your spouse divorce.

Optional Group Life Insurance Coverage Options

Option *Select one of the following*	Your Insurance Amount *Not to exceed* *$~~700,000~~750,000*	Spouse Insurance *Not to exceed $~~350,000~~* ***375,000***	Insurance Amount Amount per Dependent Child *At age 15 days*
1	1 x your compensation	½ x your compensation	$10,000
2	2 x your compensation	1 x your compensation	$10,000
3	3 x your compensation	1½ x your compensation	$20,000
4	4 x your compensation	2 x your compensation	$30,000

Page 33: The limit for optional life insurance coverage allowed before needing proof of good health has changed:

Proof of Good Health
Coverage is guaranteed if you enroll in the Optional Group Life Insurance Program within 31 days of your employment date or a qualifying event, such as marriage or the birth or adoption of a child. Proof of good health (evidence of insurability) is required if:

- You apply after 31 days from your employment date or a qualifying event.
- You wish to add your spouse or dependent child to your coverage after 31 days from your employment date.
- You wish to purchase more than **~~$350,000~~ $375,000** for yourself.
- You wish to increase your optional life insurance coverage for yourself or your spouse.
- Your spouse's insurance amount is more than half your salary.

Page 42: Under Service Retirement Pending Appeal of Disability Retirement, there is a change in requirements in the second bullet.

- For work-related disability retirement, VRS cannot process your service retirement application while your disability retirement application is pending. However, if your disability retirement application is denied **and all appeals have been exhausted**, the retirement date and benefit payout option you elect on your service retirement application will be honored.

Page 44: Death-in-Service language change under the Non-Work Related Cause of Death heading.

~~If you are not vested, your spouse, natural or legally adopted minor child or parent will be eligible for a lump-sum payment only, which will be shared with any other primary beneficiaries you have designated.~~

If you are not vested, either your designated beneficiary or, if none, your beneficiary based on order of precedence will be eligible for a lump-sum payment only.

Page 47: Refund instruction changes under the Taking a Refund heading.

Requesting a refund. ~~Complete a Request for Refund (VRS-3) and submit it to your human resource office. If you request a refund after six months from leaving your job, submit the form to VRS.~~

Log into your myVRS account and submit an online request for a refund.

Page 53: Under Forms and Documents, the type of document needed to confirm date of birth is clarified.

Application for Service Retirement (VRS-5). Include acceptable ~~**legible**~~ evidence of your date of birth, such as a **legible** copy of your birth certificate. If you are married or separated, have your spouse complete the spousal acknowledgement section. Your spouse must sign on or after the date you sign the application.

Page 58: Under Cost-of-Living Adjustments, the COLA effective dates are updated.

If you retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from your retirement date. Example: If you retire on November 1, ~~**2014**~~ **2015**, your first COLA will be effective July 1, ~~**2016**~~ **2017** and appear in your August 1, ~~**2016**~~ **2017** benefit payment.

If you retire with a reduced benefit with fewer than 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from the date you would have become eligible for an unreduced benefit. Example: If your unreduced retirement eligibility date is October 1, 2020 but you retire on November 1, ~~**2014**~~ **2015** and have fewer than 20 years of service credit when you retire, your first COLA will be effective July 1, 2022 and appear in your August 1, 2022 benefit payment.

Pages 60-61: Under Deferred Compensation Plan Options, information about the Roth option is added.

Keep your money in your plan. Your **pre-tax** account continues to be tax-deferred. **Your Roth after-tax account can also remain in the plan.** You continue to manage your investments. You cannot contribute to the Commonwealth's 457 Plan unless you return to salaried or wage employment with an employer that offers the plan. You are required to take your first minimum distributions by April 1 of the calendar year following the later of: 1) the calendar year in which you reach age 70½, or 2) the calendar year in which you terminate employment from the employer sponsoring your plan.

Request a distribution (payment) from your plan. You may request a distribution in a lump sum, as a periodic payment or as a combination of these methods. You will be required to pay federal and state income taxes on distributions from your pre-tax account from the Commonwealth's 457 and Cash Match Plans. The IRS also may impose an additional 10 percent tax penalty on Cash Match Plan distributions received before age 59½; there are exceptions to this rule. There is no penalty for early withdrawals from the 457 Plan.

Distributions that you receive from your Roth contributions and any earnings on those may be withdrawn tax free if you meet the following requirements:

- **separated from covered employment with a bona fide break in service**
- **at least five years have passed since January 1 of the year you made your first Roth contribution**
- **at least age 59½, permanently disabled or the assets are being paid to your beneficiaries following your death.**

Note: **You can request separate distributions from your pre-tax account and your Roth after-tax account. For additional distribution information, visit *www.varetire.org/457*.**

Page 62: 2015 legislation changed the minimum reduction for life insurance coverage in retirement for those with at least 30 years of service.

Life Insurance Coverage in Retirement. Your coverage begins to reduce on January 1 following one calendar year of retirement. The reduction rate is 25 percent each January 1 until it reaches 25 percent of the total life insurance benefit value at retirement. **If you have at least 30 years of creditable service, your coverage cannot reduce below $8,000. This minimum will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation.**

Page 63: In the Life Insurance Reduction Chart, under Example, the dates are updated.

Example
March 1~~, 2014~~ **2015**. Your compensation at retirement was $49,780; for your life insurance coverage, that amount is rounded to $50,000 then doubled to equal $100,000 at retirement

Your first 25 percent reduction will be on January 1, ~~2016~~ **2017** with remaining coverage of $75,000

Your next 25 percent reduction will be on January 1, ~~2017~~ **2018** with remaining coverage of $50,000

Your final reduction will be on January 1, ~~2018~~ **2019** and your coverage will remain at $25,000 for the rest of your retirement

Page 63: Optional life insurance limit has increased.

Optional Group Life Insurance Coverage
If you are enrolled in the Optional Group Life Insurance Program, you may continue a portion of your coverage into retirement. You as well as your spouse and dependent children, if enrolled, must have been continuously covered during the 60 months preceding your retirement date. Accidental death and dismemberment coverage ends upon retirement. Optional life insurance amounts will reduce by 25 percent based on your age, beginning with your normal retirement date under your plan; coverage ends at age 80. The maximum amount of optional group life insurance coverage in retirement is ~~$250,000~~ **$275,000**. You must elect to continue your coverage within 31 days of your retirement date. This option is not available after 31 days.

Page 74: The definition for Plan 1 has changed.

~~**You are covered under the provisions of Plan 1 if your membership date is before July 1, 2010 and you were vested (you had at least five years of service credit) as of January 1, 2013. If you leave employment but do not take a refund of your member contributions and interest or are maintaining an account balance in an optional retirement plan authorized or administered by VRS, you will be considered a deferred member. If you return to covered employment, you will be rehired under Plan 1. If you are a deferred member but were not vested as of January 1, 2013, or if you took a refund of your member contributions or your full account balance in an optional retirement plan authorized or administered by VRS, you will be rehired under Plan 2 if you return to covered employment.**~~

You are covered under Plan 1 if your membership date is prior to July 1, 2010, and you were vested before January 1, 2013, and have not taken a refund. You are covered under Optional Retirement Plan 1 if you have an ORP membership date before July 1, 2010, and maintain an account balance. If you have a pre-July 1, 2010, ORP account balance and moved to a defined benefit plan, you must have any combination of VRS creditable service and/or ORP participation that totals five years as of January 1, 2013, to be considered a Plan 1 member.

Virginia Retirement System

VRS Plan 2

Virginia Retirement System Plan 2

Enhanced Benefits for Eligible Political Subdivision Hazardous Duty Employees

Handbook for Members

PROVIDING INFORMATION ABOUT YOUR...

retirement
benefits
resources

VRS Plan 2

Virginia Retirement System (VRS) Plan 2

Enhanced Benefits for Eligible Political Subdivision Hazardous Duty Employees

Handbook for Members

You are in Plan 2 if your membership date is before July 1, 2010 and you were not vested (you had less than five years of service credit) as of January 1, 2013, or your membership date is on or after July 1, 2010.

CONTACT VRS

Website: *www.varetire.org*

Toll-Free Telephone Number: 1-888-VARETIR (1-888-827-3847)

TDD: 804-289-5919

Email: *vrs@varetire.org.* ***Important email notice:*** *Do not send personal or confidential information, such as your Social Security number, by email. VRS will send only non-confidential replies.*

VRS Retirement Counseling Center: 1111 East Main Street in downtown Richmond

VRS Administrative Offices: 1200 East Main Street in downtown Richmond

Mailing Address: P.O. Box 2500, Richmond, VA 23218-2500

Note: The information contained in this document is governed by Title 51.1 of the *Code of Virginia*. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the *Code of Virginia*, which may be amended from time to time.

Benefit Information and Planning Resources

Quick reference

VRS Website at *www.varetire.org*

- *my*VRS, a secure online system providing information from your member record and retirement planning
- Benefit information, forms and publications, including the *Handbook for Members*
- Free member education about your benefits, money matters and retirement planning as well as the Commonwealth's 457 Deferred Compensation Plan, if your employer offers the plan

VRS Retirement Counseling

- Talk with a counselor about your retirement options, applying for retirement and retiree benefits. Walk-in counseling is available on a first-come first-served basis. Limited scheduled appointments also are available; call VRS toll free at 1-888-VARETIR (1-888-827-3847) for more information. Counseling hours are 8:30 a.m.-4 p.m., Monday through Friday. Go to *www.varetire.org* for directions and parking information.

Key Contacts

- American Association of Retired Persons: 1-888-OUR-AARP (1-888-687-2277); *www.aarp.org*
- Commonwealth of Virginia 457 Deferred Compensation Plan: 1-VRS-DC-PLAN1 (1-877-327-5261); *www.varetire.org* (select the Defined Contribution Plans tab)
- Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program: Genworth Life, 1-866-859-6060; *www.genworth.com/cov*
- Federal Public Safety Officers' Benefits Act: 1-888-744-6513; *www.ojp.usdoj.gov/BJA*
- Group Life Insurance Program: Minnesota Life, 1-800-441-2258
- Internal Revenue Service: 1-800-829-1040; *www.irs.gov*
- Medicare: 1-800-MEDICARE (1-800-633-4227); *www.medicare.gov*
- Social Security Administration: 1-800-772-1213; *www.socialsecurity.gov*
- Virginia Department for the Aging: 1-800-552-3402; *www.vda.virginia.gov*
- Virginia Department of Taxation: 804-367-8031; *www.tax.virginia.gov*
- Virginia Line of Duty Act, Virginia Department of Accounts: 804-225-3038; *www.doa.virginia.gov*
- Virginia Workers' Compensation Commission: 1-877-664-2566; *www.vwc.state.va.us*

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1 Welcome to VRS

Preparing for Your Future • You and Your Partners • *my*VRS: At Your Service • What to do if I… • About VRS

Preparing for Your Future

As a member of the Virginia Retirement System (VRS), you have a tremendous opportunity to lay the foundation for your future retirement needs. Your partners are your employer and VRS.

In practical terms, preparing for retirement is about having enough income to live comfortably after you retire. Most financial planning experts recommend 80 percent of your current earnings as a retirement income target. The components are:

- Your monthly VRS retirement benefit, which includes enhanced coverage for hazardous duty service;
- Social Security; and
- Savings you put aside for your future. That means not only saving for retirement but also staying on track toward your retirement income target by increasing the amount you save over your active career.

As an employee of a VRS-participating political subdivision, you also may have other benefit coverage to protect you and your loved ones, including:

- Life insurance
- Disability coverage
- Long-term care benefits
- Benefit for your beneficiary or survivor if you die while you are an active member

The Virginia Retirement System *Handbook for Members* explains how these benefits support you while you are working and after you retire. It also describes the member resources available to help you get started on planning ahead.

You and Your Partners

You

You can start saving for your future security from the first day of employment through the Commonwealth of Virginia 457 Deferred Compensation Plan if you are eligible or another tax-deferred savings plan your employer may offer. You or your employer (on your behalf) also contributes 5 percent of your compensation each month toward your future monthly retirement benefit.

While you are an active employee, take time to learn more about your benefits by referring to your member handbook, looking up information on the VRS website at *www.varetire.org* and taking advantage of member education opportunities (see right column).

Your Employer

- One of the most important roles your employer plays is participating in Social Security and contributing to Social Security on your behalf. In addition, without this participation, your employer would not be eligible to participate in VRS.
- Your employer funds your retirement benefit by making a separate contribution to VRS. VRS invests these contributions to provide benefits for future retirees.
- If you participate in the Commonwealth's 457 Plan, your employer may match a portion of your contributions through the Virginia Cash Match Plan.
- Your employer pays toward other coverage that protects you and your loved ones while you are employed and after you retire.

VRS

- VRS administers and pays your monthly benefit after you retire. VRS also assists your loved ones in obtaining benefits for which they may be eligible upon your death.
- VRS manages the investment of contributions. This is critically important: two-thirds of the average VRS retirement benefit is funded by investment earnings. The VRS fund can be used only on behalf of our members, retirees and beneficiaries.
- VRS is committed to continuous innovation. The secure *my*VRS online system is one of the latest innovations to assist you in planning ahead (see next page).

What are Free, Convenient and Help You Plan a Successful Future? – Whether you were just hired or are getting ready to retire, you can take advantage of free educational opportunities on everything from your benefits and money matters to retirement planning. Topics are offered through a variety of online and on-site educational mediums. Schedules and online registration are available at *www.varetire.org*, select Education & Counseling from the Member homepage.

If your employer participates in the Commonwealth's 457 Plan, also sign up for the Deferred Compensation Plan Regional Education Meetings to learn more about planning for financial security, managing your plan and distribution strategies. For more information, select the Defined Contribution Plans tab from *www.varetire.org* and then Commonwealth of Virginia Deferred Compensation Plan (457).

*my*VRS: At Your Service

Note – The estimates and plans you create through the *my*VRS Benefit Estimator and Retirement Planner are for your planning purposes only. They are based on your current member record, the information you enter and the policies in effect at the time you create them. The results may not reflect your actual income and expenses in retirement.

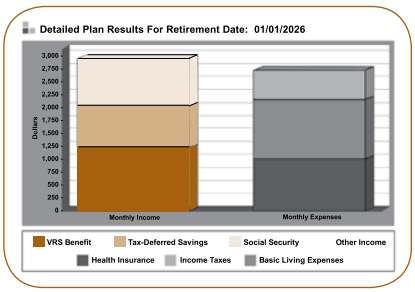
As a member of VRS, you have instant access to *my*VRS, one of your most important resources. This secure, online system is your personal avenue toward preparing for the future. It provides up-to-date benefit information based on your member record.

What You Can View in *my*VRS

- Member contribution account balance, total service credit and 457 Plan account balance if you participate in the plan
- Purchase of prior service information
- Compensation and employment history
- Basic group life insurance coverage for natural death
- Status of an application for retirement or refund

What You Can Do in *my*VRS

Through the *my*VRS Retirement Planner, you can estimate your income and expenses upon retirement. If you participate in the Commonwealth's 457 Plan, you also can look up your account balance to see whether you need to increase your contributions to stay on target toward your future retirement income. Even an increase of as little as $10 per pay period could have a big impact on your future plan balance. If you have an Individual Retirement Account (IRA) or another savings plan, you can include this figure to get a complete picture of your retirement savings progress.



Results of the Detailed Plan in the myVRS Retirement Planner are displayed in a bar graph so that you can easily compare income to expenses. The results also are detailed in a chart below the graph.

Benefit Estimator

With the Benefit Estimator, you can create retirement benefit estimates based on different retirement dates or payout options to see which will best meet your needs and those of your family when you retire. You can then select a benefit scenario to enter in the Retirement Planner along with other sources of income as well as expenses, including income taxes, health insurance and living expenses. For more information about benefit payout options, see Chapter 2-Your Retirement Plan.

Member Benefit Profile

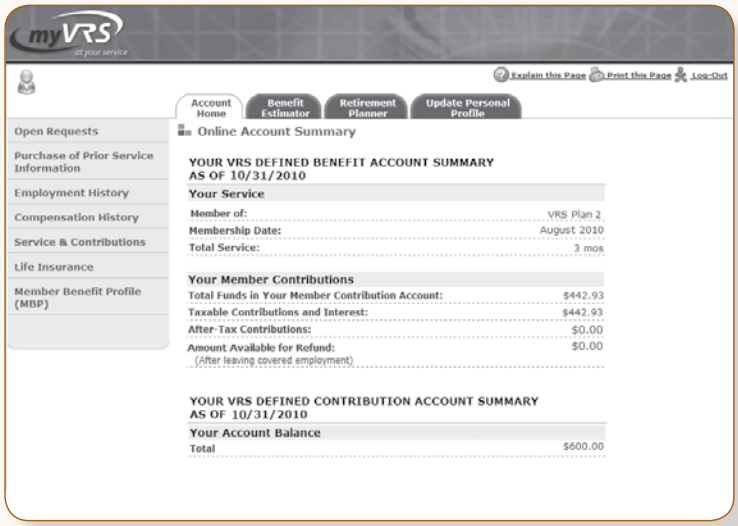
Through myVRS, you can look up your Member Benefit Profile (MBP). This is your annual online benefits statement based on information your employer reports to VRS through June 30 of each year. The MBP shows your earliest retirement eligibility dates, estimated benefit amounts and member contribution account balance, among other information from your member record. Your MBP also shows a total retirement income estimate combining your unreduced benefit estimate, a Social Security estimate and an estimated annuity from your

deferred compensation plan, if applicable. You can measure this estimate against a retirement income target of 80 percent of your compensation. Print a copy of your MBP to share with your family. If you have a financial advisor, he or she will find your MBP a helpful planning document.

Creating Your *my*VRS Member Online Account

Setting up your *my*VRS account is easy. Select *my*VRS Access from *www.varetire.org* and then Members-Register, and follow the simple step-by-step instructions.

Each time you log into your *my*VRS member account, you come to your Account Home (see the following sample page). From the left column, you can select links to other information in your member record. From the top tabs, you can navigate to the Retirement Planner and your Personal Profile.



Security and Privacy

VRS is committed to protecting the security and privacy of your information. Before you are allowed access to your information, your identity is authenticated through the online account creation process. You set up your own username and password, which you use each time you log into *my*VRS.

VRS does not sell your information to anyone. Information is shared only with your employer and third-party administrators authorized to help coordinate benefits and services for VRS members, retirees and beneficiaries. For security tips and more information, select *my*VRS Access from *www.varetire.org*.

myVRS at your service

Assistance with *my*VRS

- Select *my*VRS Help from the bottom of any screen for general information.
- While you are logged in, select Explain this Page from the top right for help with information on a particular screen.
- If you get locked out, call VRS toll free at 1-888-VARETIR (1-888-827-3847).

For additional questions, call VRS or email *myvrs@varetire.org*. **Important email notice:** Do not send confidential or personal information, such as your Social Security number, by email even when you are logged into your account. VRS will send only non-confidential replies.

Ready to Retire? – *my*VRS is a valuable resource as you close in on retirement. You can view your earliest retirement eligibility dates, estimated benefit amounts and Member Benefit Profile (MBP), among other information. You also can create different benefit scenarios and estimate your income and expenses upon retirement. For more information, see Chapter 11-Getting Ready to Retire.

What to do if I...	See...
Want to access my member information? Through *my*VRS, you can view information from your member record, track your savings progress, create benefit estimates and plan for retirement. To create a secure online account, select *my*VRS Access from the VRS website at *www.varetire.org*.	Chapter 1-Welcome to VRS
Want public service from previous employment to count toward my retirement? If you have eligible service from a previous public position, active duty military service, an eligible period of leave or VRS refunded service, you may be able to purchase this service as credit in your plan.	Chapter 4-Enhancing Your Benefit
Change my marital status; have or adopt a child? If your personal or family situation changes, review your beneficiary designation as soon as possible. VRS is required by law to pay benefits according to the latest beneficiary designation in your member record. If you participate in the VRS Group Life Insurance Program and you need to confirm your current designation, request this information by writing to Minnesota Life, the insurer for the Group Life Insurance Program, at P.O. Box 1193, Richmond, VA 23218-1193. Neither Minnesota Life nor VRS can provide this information over the phone. To update your beneficiary, complete the Designation of Beneficiary (VRS-2). If you participate in the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans, complete the Beneficiary Designation 457(b)/401(a) Plan form. Both forms are available at *www.varetire.org*. If you are covered under the VRS Group Life Insurance Program, you are eligible to elect additional coverage for yourself as well as a spouse or dependent children through the Optional Group Life Insurance Program. You pay the premiums through payroll deduction.	Chapter 3-Saving for Retirement Chapter 5-Group Life and Long-Term Care Insurance Programs Chapter 11-Insurance in Retirement
Become disabled? You are eligible to be considered for VRS disability retirement if you have a non-work related or work-related illness or injury that prevents you from performing your job and is likely to be permanent. If your employer participates in the Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program, you may apply for coverage for yourself and select family members.	Chapter 5-Group Life and Long-Term Care Insurance Programs Chapter 6-Retiring on Disability
Leave my job? If you leave your position, you can request a refund of your member contributions and interest. You will receive a full or partial refund based on whether or not you are vested (you have at least five years of service credit) or involuntarily separated from employment for causes other than job performance or misconduct. Taking a refund cancels your membership and eligibility for any future benefits. You have the option of leaving your account balance with VRS. You will be considered a deferred member. If you are vested, you may be eligible for a future retirement benefit if you meet the age and service requirements for your plan. Look up your member contribution account balance and other benefit information in *my*VRS before deciding the option that will best meet your needs. If you leave employment, you may be eligible to continue other coverage such as life insurance or long-term care insurance. If you are involuntarily separated from employment, you may qualify for severance benefits.	Chapter 8-Leaving Employment Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments

	See...
Want to plan for retirement or am ready to retire? It's never too soon to plan for retirement: • Start saving early in your career through the Commonwealth's 457 Plan if you are eligible or another tax-deferred savings plan. From time to time, check your account balance to see if you can increase your contributions within allowable plan limits. • Take advantage of free member education about your benefits, money matters and retirement planning as well as the Commonwealth's 457 Plan, if your employer offers the plan. • Be sure to register for *my*VRS, which gives you secure online access to your benefit information and retirement planning.	Chapter 2-Your Retirement Plan Chapter 3-Saving for Retirement Chapter 9-Getting Ready to Retire
Need to arrange my affairs? If you no longer can take actions on your own behalf, an agent named under a power of attorney can act on your behalf. To name an individual as your agent for VRS matters, submit a VRS Durable Power of Attorney (VRS-901). The form is available at *www.varetire.org*. If you die while you are an active member, your beneficiary may be eligible for a death-in-service benefit, funds from your tax-deferred savings plan if applicable or any life insurance benefits you may have. At retirement, you can elect the Survivor Option if you wish to continue a monthly benefit to a survivor upon your death. If you have VRS basic group life insurance, your coverage includes an accelerated death benefit option if you are diagnosed with a terminal condition and have fewer than 12 months to live. In the event of your death, *Losing a Loved One: Guide for Families* will help your beneficiary or survivor know what to do regarding benefit claims. The publication is available at *www.varetire.org*.	Chapter 5-Group Life and Long-Term Care Insurance Programs Chapter 7-Death-in-Service Benefits Chapter 11-Insurance in Retirement
Want to know more about my benefits as a retiree? Life insurance, the health insurance credit—as a retiree, you may be eligible for these benefits in addition to your monthly retirement benefit. Also, learn more about direct deposit, the cost-of-living adjustment (COLA), taxes and payment options for your deferred compensation plan account, if you participate in the Commonwealth's 457 Plan.	Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments Chapter 11-Insurance in Retirement
Want to work after I retire? Under some circumstances, you can work after retirement with no interruption in your monthly benefit. If you return to VRS-covered employment, your benefits will stop and you will become an active member. Any cost-of-living adjustments (COLAs) you received while retired will not continue when you retire again. You may become eligible for an annual COLA effective July 1 of the second calendar year after your subsequent retirement.	Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments Chapter 12-Working After Retirement

Have a question about my benefits? This *Handbook for Members* describes your benefits as a member eligible for enhanced hazardous duty coverage under the VRS Plan 2. If you have additional questions, contact your human resource office or call VRS toll free at 1-888-VARETIR (1-888-827-3847).

About VRS

Plan: The Virginia Retirement System (VRS) is administered based on the plan year July 1 to June 30. VRS is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. VRS is governed by the provisions of Title 51.1 of the *Code of Virginia*. Changes to the law can be made only by an act of the General Assembly.

Administration: VRS is an independent state agency. As provided under the *Constitution of Virginia,* VRS funds are separate from other state funds and can be used only to administer and pay benefits for members, retirees and beneficiaries. Benefit plans include defined benefit plans through VRS, the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) and the Judicial Retirement System (JRS); defined contribution plans, including the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans; VRS Group Life Insurance Program; Virginia Sickness and Disability Program (VSDP) and VSDP Long-Term Care Plan for state employees; Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program; disability retirement for members not covered under VSDP; and the Retiree Health Insurance Credit Program.

A board of trustees administers the investment program and benefit plans of VRS. Nine members serve on the VRS Board of Trustees. Their appointment is shared between the executive and legislative branches of state government. The Governor appoints five members, including the chairman. The Joint Rules Committee of the Virginia General Assembly appoints four members. The General Assembly confirms all appointments. Of the nine Board members, four must be investment experts; one must be experienced in employee benefit plans; one must be a local government employee; one must be an employee of a Virginia public institution of higher education; one must be a state employee; and one must be a public school teacher. The public employee members may be active or retired. The following individuals currently serve on the Board of Trustees:

Diana F. Cantor, Chairman
Robert L. Greene, Vice Chairman
A. Marshall Acuff, Jr.
Edwin T. Burton III, Ph.D.
Robert L. Greene
Wallace G. Harris, Ph.D.
W. Brett Hayes
Mitchell L. Nason
Troilen Gainey Seward, Ed.S.
Colette Sheehy

The Board appoints the director of the Virginia Retirement System, who serves as chief administrative officer, as well as the chief investment officer and the internal audit director. The following individuals currently serve in these positions: Robert P. Schultze, Director; Ronald D. Schmitz, Chief Investment Officer; and Franklin O. Berry, Internal Audit Director.

Employees Eligible for Membership: Membership in VRS is automatic with employment in a covered position. Covered employment is a full-time permanent, salaried position with a VRS-participating employer. Some part-time permanent, salaried state positions also are covered under VRS. Participating employers include state agencies, public colleges and universities, local public school divisions and political subdivisions that have elected to participate in VRS.

VRS' Relationship with Employers: VRS administers benefits on behalf of employers that participate in VRS. Employers are not agents of VRS nor do they act at the direction of VRS. A list of participating employers is available at *www.varetire.org.*

2 Your Retirement Plan

Eligible Employees • About Your Plan • Qualifying for Retirement • Enhanced Coverage for Hazardous Duty Service • Benefit Payout Options

Eligible Employees

You are covered under the provisions of the Virginia Retirement System (VRS) Plan 2 if your membership date is before July 1, 2010 and you were not vested (had less than five years of service credit) as of January 1, 2013, or your membership date is on or after July 1, 2010. If you were previously employed in a position covered under Plan 1 and took a refund of your member contributions and interest or withdrew your full account balance in an optional retirement plan authorized or administered by VRS, you will be rehired under Plan 2 if you return to covered employment.

Eligible employees include:

- Full-time salaried, sworn sheriffs
- Full-time salaried, sworn deputy sheriffs
- Superintendents and sworn officers of regional jails
- Full-time salaried, sworn local law enforcement officers, firefighters and emergency medical technicians whose employers have elected enhanced hazardous duty coverage

About Your Plan

The VRS Plan 2 is a defined benefit plan. This plan provides a monthly benefit during retirement based on your age, total service credit and average final compensation. Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. Creditable compensation is your annual salary not including overtime pay, payment of a temporary nature or payments for extra duties such as pay for teachers who provide coaching or act as an advisor for special activities.

What is Covered and Non-Covered Employment? –

Covered employment is a full-time permanent, salaried position with an employer that participates in VRS. Some part-time permanent, salaried state positions also are covered under VRS.

Non-covered employment is a part-time position with a VRS-participating employer. Non-covered positions do not provide eligibility for benefits. Part-time positions typically require less than 80 percent of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require less than 80 percent of the hours per year that would be considered full-time and permanent for that position.

How Your Benefit is Paid – When you retire, your benefit is paid first from your member contributions and interest. After these funds have been paid out, your benefit is paid from the separate contribution your employer makes to VRS and investment earnings.

Your benefit is funded through member and employer contributions to VRS, which are invested over your career. VRS holds these funds in a trust protected by the *Constitution of Virginia.* This trust may be used only to pay benefits for VRS members, retirees and beneficiaries.

Member Contributions

You contribute 5 percent of your compensation each month to your member contribution account on a pre-tax salary reduction basis. Your contributions are tax-deferred until you withdraw them as part of your retirement benefit or as a refund. Your account accrues 4 percent interest, which is compounded annually on the balance as of the previous June 30.

> *Note:* If you were an active member as of June 30, 2012, your employer may have elected to phase in your 5 percent member contribution payment beginning July 1, 2012. Contact your human resource office for more information.

If you leave your position before retirement, you can request a refund of your member contributions and interest. If you are vested (you have at least five years of service credit) or involuntarily separated from employment for causes other than job performance or misconduct, you will receive a full refund of your member contribution account balance. If you are not vested, you will receive a refund of the balance, excluding any member contributions made by your employer to your account after July 1, 2010 and the interest on these contributions.

Taking a refund cancels your membership and eligibility for any future VRS benefits. You have the option of leaving your funds with VRS. You will be considered a deferred member. For more information, see Chapter 8-Leaving Employment.

The *Code of Virginia* prohibits members from borrowing from their member contribution accounts.

Employer Contribution

Your employer makes a separate contribution to VRS based on the payroll of all covered employees. The VRS actuary determines the rate your employer pays. This rate is based on several factors, including the number of employees eligible for benefits, number of retired employees, employee salaries, ages and mortality rates. Members are not eligible for a refund of the separate employer contribution.

Qualifying for Retirement

Vesting. Vesting is the minimum length of service needed to qualify for a retirement benefit. You become vested when you have at least five years (60 months) of service credit. Once you are vested, you are eligible for a retirement benefit if you meet the age and service requirements for your plan.

Unreduced retirement. Under VRS, normal retirement age for political subdivision employees eligible for enhanced hazardous duty coverage is age 60. You become eligible for an unreduced benefit at age 60 with at least five years of service credit or at age 50 with at least 25 years of service credit. The mandatory retirement age for political subdivision hazardous duty employees is age 70, excluding sheriffs, regional jail superintendents and jail farm superintendents. There is no mandatory retirement age for these employees.

Reduced retirement. You may retire with a reduced benefit as early as age 50 with at least five years of service credit. To determine your reduced benefit, VRS applies an early retirement reduction factor to the benefit you would receive if you retired with an unreduced benefit.

Enhanced Coverage for Hazardous Duty Service

If you are a VRS-covered sheriff or a regional jail superintendent, your retirement multiplier is 1.85 percent as part of the unreduced and reduced benefit provisions described above. If you serve in another eligible hazardous duty political subdivision position, your multiplier is 1.7 percent or 1.85 percent, depending on your employer's election.

Hazardous Duty Supplement

If you retire with at least 20 years of eligible hazardous duty service credit, you will receive a supplement to your retirement benefit. The supplement is a dollar amount added to your monthly payment. It begins when you retire and ends when you reach your normal retirement age under Social Security. If you earn at least 20 years of hazardous duty service during your career, you do not have to retire from a hazardous duty position to be eligible for the supplement. You also can defer retirement and still receive the supplement.

You are not eligible for the supplement if you are at your normal Social Security retirement age or older when you retire or you retire on disability. Beneficiaries and survivors also are not eligible for the supplement.

Current Hazardous Duty Supplement – The supplement is reviewed every two years. The current supplement amount is available at *www.varetire.org.*

Service eligible for the hazardous duty supplement includes:

- Service in a VRS-covered position eligible for enhanced hazardous duty coverage
- Hazardous duty service if you were covered under VaLORS with the 2.0 percent retirement multiplier or with a VRS-participating political subdivision that does not provide enhanced coverage, provided you retire from a position eligible for the supplement
- Prior service credit for refunded VRS hazardous duty service or for an eligible period of leave while covered under VRS in a hazardous duty position, provided you purchase or are granted this service.

Service not eligible for the supplement. Other types of prior service you may be eligible to purchase, such as active duty military service or hazardous duty service with a non-VRS participating employer, do not count toward eligibility for the hazardous duty supplement. For more information about purchasing prior service, see Chapter 4-Enhancing Your Benefit.

Benefit Payout Options

When you apply for retirement, you choose how you want to receive your benefit. The payout options are the Basic Benefit, Survivor Option, Partial Lump-Sum Option Payment (PLOP) and Advance Pension Option. **The option you elect is irrevocable.** That means you cannot change it after you retire, with the exception of the Survivor Option under some conditions.

Basic Benefit

The Basic Benefit is a monthly benefit based on a formula. See "Your Core Benefit" in this chapter for a calculation example. If you retire with a reduced benefit, VRS will first determine the amount of your Basic Benefit and then apply an early retirement reduction factor. The Basic Benefit does not provide a continuation of a benefit to a survivor. However, your beneficiary will be eligible for a lump-sum payment of any funds remaining in your member contribution account upon your death.

Survivor Option

With this option, you elect to receive a lower monthly benefit during your retirement so that your survivor can receive a monthly benefit after your death. If you elect this option, you will choose a whole percentage of your benefit, between 10 percent and 100 percent, to go to your survivor. Your benefit amount will be based on this percentage, your age and the age of your survivor at your retirement date.

You can name any living person as your survivor; you also can name more than one survivor. The Internal Revenue Service (IRS) may limit the amount of your benefit that can go to a non-spouse survivor. For additional information including a chart on maximum survivor option percentages, contact the IRS toll free at 1-800-829-1040 or visit *www.irs.gov.*

Changing the Survivor Option. You can name a new survivor or revert to the Basic Benefit if:

- Your survivor dies;
- Your survivor is your spouse and you divorce with fewer than 20 years of marriage;
- Your survivor is your spouse, you divorce after 20 or more years of marriage and your spouse dies, remarries or consents in writing to a change in benefit; or
- You provide VRS a written consent from your survivor giving up claim to a benefit along with proof of your survivor's good health.

Note: If you are divorced and VRS has an Approved Domestic Relations Order (ADRO) on file, your benefit must be paid as directed by the ADRO. For more information about attachments to retirement benefits, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Changing Your Survivor – You can change the Survivor Option only once. If you elect the Survivor Option and need to change your survivor after you retire, call VRS toll free at 1-888-VARETIR (1-888-827-3847) for assistance.

Partial Lump-Sum Option Payment (PLOP)

If you work at least one year beyond the date you first become eligible for an unreduced retirement benefit, you may elect to receive a one-time Partial Lump-Sum Option Payment (PLOP). This option reduces the amount of your monthly benefit. You may elect a PLOP with the Basic Benefit or Survivor Option.

Continued on page 18

Your Core Benefit

Your plan provides a monthly benefit when you retire. Your core benefit is called the Basic Benefit. It is calculated using a percentage of your average final compensation multiplied by your service credit at retirement. The percentage is called a retirement multiplier.

If you are a sheriff or a regional jail superintendent, your retirement multiplier is 1.85 percent. For all other political subdivision hazardous duty employees, the retirement multiplier is 1.7 percent. Your political subdivision may elect the 1.85 multiplier for these employees. Check with your human resource office for more information.

Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee, as shown in the following example:

Average Final Compensation Example

60 consecutive months of highest compensation	$	210,000
Divided by five years (60 months)		÷ 5
Average final compensation	$	42,000

What is service? Service is the period of time you are working in a covered position. You accrue credit for service at the rate of one month of service credit for each month you are on the job.

What is service credit? Service credit is credit for service earned as a VRS defined benefit member. Members earn service credit for each month they are reported in a covered position. Service credit also may include credit for prior service a member may have purchased or additional service credit granted by an employer. Service credit is one of the factors used to calculate the VRS retirement benefit and determine eligibility for retiree benefits.

Let *my*VRS Calculate the Best Option for You –
Through *my*VRS, you can create benefit estimates based on different payout options to see which option will best meet your needs and those of your family in retirement. To log in or create a secure online account, select *my*VRS Access from *www.varetire.org*.

Calculating the Basic Benefit

Here is an example of how the unreduced Basic Benefit is calculated:

Basic Benefit Calculation for an Unreduced Benefit

For a member retiring at age 50 with 25 years of service credit

FORMULA	EXAMPLE
Average final compensation	$ 42,000.00
x 1.7%*	x .017
x Years of service credit	x 25
Annual benefit amount	$ 17,850.00
÷ 12 months	÷ 12
Monthly benefit amount before taxes and other deductions	$ 1,487.50

**Your retirement multiplier may be 1.85 percent. Check with your human resource office for more information.*

Benefit Variations

If you retire with a reduced benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option, a reduction factor for reduced retirement or the option you elect will be applied to your unreduced Basic Benefit amount.

Note: The Internal Revenue Code limits the amount of annual compensation that may be used to calculate a retirement benefit. The current limits are $360,000 for members whose membership date is before April 9, 1996 and $245,000 for members whose membership date is on or after April 9, 1996. If these limits apply to you, contact your human resource office for help in calculating your benefit estimate.

Look Up Your Member Information Online –

Through *my*VRS, you can see your current member contribution account balance, service credit and other information from your member record. To log in or create a secure online account, select *my*VRS Access from *www.varetire.org.*

Moving to Another Covered Position?

If you move to a non-hazardous duty position covered under VRS or to the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) or the Judicial Retirement System (JRS), you will come under the plan provisions of the new position for retirement and other benefits. For more information, refer to the current member handbooks for Plan 2 available at *www.varetire.org.* You also can call VRS toll free at 1-888-VARETIR (1-888-827-3847) for assistance.

Continued from page 15

PLOP amounts. You may choose a lump sum equal to one, two or three times the amount of your annual Basic Benefit. The amount depends on how long you work beyond the date you first become eligible for an unreduced retirement benefit, as shown in the following chart:

Beneficiary Payment Under the PLOP – If you elect the PLOP with the Basic Benefit, your beneficiary will be eligible for a lump-sum payment of your member contribution account balance upon your death. However, because the PLOP is paid from your member contribution account, there may be no funds remaining in your account or the balance may be less than if you elected the Basic Benefit without the PLOP.

Partial Lump-Sum Option Payment (PLOP) Amounts

Active Service Beyond Unreduced Retirement Eligibility	PLOP Amount	EXAMPLE *Based on an annual Basic Benefit of $32,000*
12 months	1 x annual Basic Benefit amount (one-year PLOP)	$32,000
24 months	1 or 2 x annual Basic Benefit amount (one- or two-year PLOP)	$32,000 or $64,000
36 months or more	1, 2 or 3 x annual Basic Benefit amount (one-, two- or three-year PLOP)	$32,000, $64,000 or $96,000

Qualifying for the PLOP. Prior service credit or granted service credit counts toward eligibility for unreduced retirement. However, to qualify for a PLOP, you must be working as an active member beyond the date you become eligible for an unreduced retirement benefit. Prior service credit or granted service credit cannot substitute for this active service.

PLOP Example

On March 1, 2016, Debbie will become eligible for an unreduced benefit. She would like to retire with a PLOP. If she works until March 1, 2017, she will qualify for a one-year PLOP. If she works until March 1, 2018, she can elect a one- or two-year PLOP. If she works until March 1, 2019 or later, she can elect a one-, two- or three-year PLOP.

Taxes on the PLOP. If you have the PLOP paid directly to you, VRS will deduct 20 percent for federal income taxes and, if you live in Virginia, 4 percent for state income taxes. The IRS also may impose an additional 10 percent tax penalty for early withdrawal of member contributions if you receive the PLOP before age 59½; there are exceptions to this rule. You can roll over the PLOP to the Virginia Cash Match Plan if applicable, an Individual Retirement Account (IRA) or another qualified tax-deferred savings plan. For more information, read the IRS 402(f) Special Tax Notice available at *www.varetire.org;* or contact a tax advisor or the IRS toll free at 1-800-829-1040 or *www.irs.gov.*

Advance Pension Option

With this option, you elect to increase your monthly benefit temporarily. The temporary increase will begin when you retire and continue until an age you choose, between age 62 and the age you become entitled to a full Social Security benefit. At that point, your benefit will be permanently reduced. You can elect this option with an unreduced or reduced retirement benefit.

To figure your benefit amount, VRS will add a percentage of your estimated monthly Social Security benefit to your monthly VRS benefit. The percentage is based on several factors, including your age when you retire and the age you want your benefit to permanently reduce. When the temporary increase ends, your benefit will be reduced by the estimated monthly Social Security benefit used to determine your temporary increase. However, it will never be reduced by more than 50 percent of your Basic Benefit amount.

Important Note: This option does not affect the amount of your Social Security benefit. You also may draw your Social Security when you are eligible for it, regardless of the age you choose for your benefit to reduce. The Advance Pension Option does not provide a continuation of a benefit to a survivor. You cannot elect the Advance Pension Option with other benefit payout options.

Benefit Payout Options and the COLA

The cost-of-living adjustment (COLA) is an annual increase in your retirement benefit. The COLA calculation is based on the payout option you elect at retirement, excluding the hazardous duty supplement:

- For the Basic Benefit or Advance Pension Option, the calculation is based on the Basic Benefit amount.
- For the Basic Benefit with the Partial Lump-Sum Option Payment (PLOP), Survivor Option or Survivor Option with the PLOP, the calculation is based on the reduced benefit amount.

During years of no inflation or deflation, the COLA will be 0 percent. For more information about the COLA, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Estimating and Electing the Advance Pension Option – You will need a Social Security benefit estimate adjusted for purposes of estimating or electing this option. The estimate must be less than 12 months old, assume you will have no future earnings and be based on your Social Security earnings record. For detailed instructions, go to *www.varetire.org/apo*.

When You're Ready to Think About Retirement – For more information, see Chapter 9-Getting Ready to Retire. Information about deferring retirement also is included in this chapter.

3 Saving for Retirement

Deferred Compensation Plan • Allowable Contribution Amounts • Consolidating Your Retirement Funds • Deferred Compensation Plan Resources

Deferred Compensation Plan

Plans such as the Commonwealth of Virginia 457 Deferred Compensation Plan or other employer-sponsored savings plans allow you to save for retirement on a tax-deferred basis. You pay income taxes only when you withdraw the money from your plan. This chapter provides an overview of the Commonwealth's 457 Plan. Contact your human resource office to find out if your employer offers the Commonwealth's 457 Plan and the Virginia Cash Match Plan or another tax-deferred savings plan. Your employer also may provide automatic enrollment in these plans upon employment.

The 457 Plan Makes Saving for Retirement Easy –

- Your contributions are deducted automatically from your paycheck, and you may be eligible for an employer cash match.
- You can increase the amount you save at any time, subject to tax code and plan limits.
- You defer paying federal and state income taxes on your contributions until you withdraw the money from your plan.
- You select your investments from the plan's investment options.

Allowable Contribution Amounts

Regular contribution limit. Each year, you may contribute up to 100 percent of your includible compensation to the 457 Plan, not to exceed the limit set by the Internal Revenue Service (IRS) which is updated from time to time. Includible compensation is the compensation you receive from your employer, less any amount you may be using to purchase VRS service credit on a tax-deferred basis. Contributions are not subject to federal or Virginia income taxes but are subject to employment taxes such as FICA.

Standard Catch-Up. During each of the three calendar years before your normal retirement age, you may contribute up to twice the regular IRS contribution limit or the amount of your Standard Catch-Up credit, whichever is less. The Standard Catch-Up credit is the amount you did not contribute, or did not contribute to the maximum allowed, in previous years in which you were eligible. Use the Standard Catch-Up worksheet available at *www.varetire.org* to determine the amount of your credit, or call toll free 1-VRS-DC-PLAN1 (1-877-327-5261) for assistance.

Age 50+ Catch-Up. If you are age 50 or older, you may contribute an additional amount over the regular IRS contribution limit to the 457 Plan. You cannot use the Age 50+ Catch-Up and the Standard Catch-Up in the same calendar year.

Military leave make-up. If you leave your position for military service, you will not be able to contribute to the 457 Plan, unless you continue to receive compensation from your employer from which contributions can be made. If you return to employment with an employer that offers the plan, you may contribute the amount of deferrals you were unable to make during your period of military leave. If applicable, you will receive the employer cash match on these make-up contributions.

Contribution Limits – Current IRS contribution limits are available at *www.varetire.org*. Select the Defined Contribution Plans tab.

If You Leave Employment – If participate in the 457 Plan and leave your position, your contributions will stop. However, you can continue to manage your account or request a distribution. If you return to an employer that offers the plan, you may resume your contributions. For more information about distribution options, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Consolidating Your Retirement Funds

If you have a Virginia Cash Match Plan account, you can use your account to consolidate your retirement funds, such as rolling over money from an Individual Retirement Account (IRA) or another qualified plan to your cash match account. If you leave employment or retire, you can roll over your 457 Plan balance to your cash match account or contribute some or all of a Partial Lump-Sum Option Payment (PLOP), if you elect this option at retirement (see "Benefit Payout Options" in Chapter 2-Your Retirement Plan). You also can use your 457 Plan account to consolidate payments you may be eligible to receive when you leave employment or retire, such as a payment of unused sick leave or annual leave. As provided under the Internal Revenue Code, you cannot contribute cash severance payments to the 457 Plan.

Payments from the 457 and Cash Match Plans are subject to federal and state income taxes. The IRS also may impose an additional 10 percent tax penalty on Cash Match Plan distributions received before age 59½; there are exceptions to this rule. There is no penalty for early withdrawals from the 457 Plan. When you reach age 70½, you can withdraw your money from your plan at any time, regardless of your employment status. For more information, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Deferred Compensation Plan Resources

Publications and education are available to help you get the most out of your 457 Plan. Publications include the *Focus Newsletter, Plan Features and Highlights* and *Planning and Investment Guide.* The Deferred Compensation Plan Regional Education Meetings cover topics such as long-term planning for financial security, managing your plan and distribution strategies. Meetings are held at sites around the state. You can find these plan resources at *www.varetire.org* (select the Defined Contribution Plans tab).

Registered plan representatives also are available for one-on-one counseling. Call toll free 1-VRS-DC-PLAN1 (1-877-327-5261) or visit the local plan representative at 919 East Main Street in downtown Richmond. Counseling hours are 8:30 a.m.-5 p.m., Monday through Friday.

Designating a Beneficiary for the 457 Plan

Complete the Beneficiary Designation 457(b)/401(a) Plan form* online at *www.varetire.org* to name a beneficiary to receive your plan account balance upon your death (select the Defined Contribution Plans tab). If there is no valid beneficiary designation on file or your named beneficiary is deceased at the time of your death, VRS is required by law to pay benefits according to an order of precedence. For more information about order of precedence, see "Designating a Beneficiary" in Chapter 5-Group Life Insurance Program.

**You cannot use the Designation of Beneficiary (VRS-2) to name a beneficiary for the 457 Plan. The VRS-2 is only for naming a beneficiary for your VRS member contributions and life insurance benefits. See Chapter 5 for more information.*

4 Enhancing Your Benefit

Purchasing Prior Service • Types of Prior Service • Prior Service Eligibility Periods and Cost • VRS Refunded Service • No-Cost Military Leave • Sick Leave Conversion at Retirement • Payment Methods • Applying for Purchase of Prior Service

Purchasing Prior Service

You may be able to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as credit in your plan. Prior service credit counts toward the five years needed to become vested and eligibility for retirement, and may increase your future benefit or allow you to qualify for retirement at an earlier date. Prior service credit also counts toward eligibility for the health insurance credit, if offered by your employer (see Chapter 11-Insurance in Retirement).

To be eligible to purchase prior service, you must be an active member. If you are on leave without pay, you also may be eligible; contact your human resource office for more information. You are not eligible to purchase prior service if you are employed in a non-covered position such as a wage position, you are a deferred member or you are receiving a VRS retirement benefit.

Types of Prior Service

You may purchase up to 48 months of each of the following types of prior public service. Except for some types of active duty military service, the service must not be used to qualify you for a benefit under another retirement plan:

Active duty military service. If this service was with the Armed Forces Reserves or the National Guard, you may purchase this service even if it will be used to qualify you for a military pension. Other types of military service that qualify you for a military pension are not eligible for purchase.

Full-time salaried federal service. This is service in a civilian position with the federal government.

Prior Service Credit Eligible for the Hazardous Duty Supplement – If you purchase or are granted the following types of prior service, the credit will count toward eligibility for the hazardous duty supplement:

- Refunded VRS hazardous duty service
- Eligible period of leave while covered under VRS in a hazardous duty position

Note: Other types of prior service credit, such as active duty military service or hazardous duty service with a non-VRS participating employer, do not count toward eligibilty for the hazardous duty supplement. For more information about the supplement, see Chapter 2-Your Retirement.

Full-time salaried public service other than previous VRS service. This is service with a public employer or school system of another state or United States territory, or with a Virginia public employer that does not participate in VRS.

Non-covered service with a VRS-participating employer. If you worked in a temporary, part-time or other non-covered position for an employer that participates in VRS, you may be eligible to purchase this service.

Approved leave for the birth or adoption of a child. You must be on leave from a VRS-covered position. If your spouse is an active VRS member, he or she also may purchase this leave.

Approved educational leave. You must be on leave from a VRS-covered position.

Non-ported service. If you move to a VRS-covered position from a non-VRS participating employer with which VRS has a portability agreement, you can elect to transfer your retirement assets from your previous employer's plan to purchase service credit in VRS. If not all of your previous service transfers, you can purchase the remainder as non-ported service, not to exceed 48 months. Your employer will determine the amount of assets eligible for transfer. VRS will determine the amount of service the transferred assets will purchase in the VRS plan. If you have more than 48 months of non-ported service, you can purchase the remainder as public service (see previous page), not to exceed 48 months of all eligible public service you may have previously purchased.

What is Average Final Compensation? – Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. It is one of the factors used to calculate your retirement benefit.

You also may purchase VRS refunded service, apply for no-cost military leave or convert unused sick leave to service credit at retirement if you are eligible (see next two pages).

VRS Portability Agreements

VRS has portability agreements with the following Virginia public employers:

- City of Charlottesville
- City of Danville
- City of Newport News
- City of Norfolk
- City of Richmond
- City of Roanoke
- County of Fairfax

Prior Service Eligibility Periods and Cost

One-Year Eligibility Period

If you purchase prior service within one year of becoming eligible, your cost will be based on an approximate normal cost rate as a percentage of your compensation or average final compensation at the time of purchase, whichever is higher. The exceptions are VRS refunded service, no-cost military leave and unused sick leave conversion. If you purchase service through a contract, your cost will be based on your compensation, even if your average final compensation is higher.

Approximate normal cost is the average cost of one year of VRS service credit. The rate varies depending on your retirement plan. If you move to a position with a different VRS-participating employer, your normal cost rate may change. The current rates are available at *www.varetire.org*.

After the One-Year Eligibility Period

If you have not formally arranged to purchase prior service within one year of becoming eligible, your cost will be based on an actuarial equivalent rate. This rate represents the amount of money needed in today's dollars to pay for the increase in your future retirement benefit or earlier retirement eligibility date resulting from purchasing prior service.

When Does the Eligibility Period Begin?

Your eligibility period begins upon employment in a VRS-covered position or returning from an eligible period of leave. If you do not purchase your prior service and leave your job, you will remain eligible to purchase it if you return to covered employment. However, your eligibility period will still be in effect. *Exception:* If you go on active duty military leave and return to covered employment, your eligibility period will be extended by the amount of time you were on military leave.

Note that if you accrue eligible prior service after leaving covered employment and then return to covered employment, your eligibility period to purchase this service will begin upon your re-hire date.

VRS Refunded Service

If you leave covered employment and take a refund of your member contributions and interest, your membership and eligibility for any future benefits will be cancelled. If you return to covered employment, you can purchase up to the full amount of the service represented by the refund as credit in Plan 2. The cost rate will be 5 percent of your compensation or average final compensation at the time of purchase, whichever is higher or depending on the payment method you choose.

If you do not purchase your refunded service within three years of your rehire date, your cost rate will still be 5 percent, but you will be required to use a lump-sum payment. You do not have to purchase all of your refunded service at the same time as long as you purchase more than one month with each payment. For more information about refunds, see Chapter 8-Leaving Employment.

No-Cost Military Leave

You may receive service credit at no cost for each occurrence of leave from a covered position for active duty military service. You can apply at any time provided you are not dishonorably discharged, return to covered employment within one year of discharge and do not take a refund of your member contributions and interest.

Workers' Compensation

If you go on workers' compensation and retirement contributions are not withheld from your workers' compensation payment, you may be eligible to purchase up to 24 months of service credit for this period of time. The cost will be based on 5 percent of your compensation at the time you apply. For more information, contact your human resource office.

Changing Employers?

If you move to a position with another VRS-participating employer and are purchasing prior service on a contract, you must work with your employer to submit a new contract to continue purchasing your service. For more information, contact your human resource office.

Sick Leave Conversion at Retirement

If you are eligible for a payment of unused sick leave at retirement, you may elect to have this payment converted to service credit toward your benefit calculation. Your employer will deduct the appropriate tax withholding from the payment and then send the remainder of the payment to VRS for this purchase. The service credit will be calculated based on an actuarial equivalent rate. If you wish to apply the full payment toward the conversion, you may add back the amount of taxes withheld through a lump-sum payment.

Payment Methods

Lump-sum payment. You can purchase prior service with a personal check, trustee-to-trustee transfer of funds or pre-tax rollover of funds.

After-tax payroll deduction contract. If you are within your one-year eligibility period, you may purchase prior service through an after-tax payroll deduction based on the normal cost rate. The payment will be deducted from your paycheck each month. The rate will not change even if it takes you longer than one year to complete your purchase.

Pre-tax salary reduction contract. If you are within your one-year eligibility period, you may purchase prior service through a pre-tax salary reduction contract, if your employer offers this option. If you have more than 12 months to purchase and elect to purchase 12 months at a time, you must enter into a new contract before your current contract lapses. If your contract lapses and you are within your eligibility period, you can enter into another pre-tax salary reduction contract or purchase your remaining service with a lump sum based on the normal cost rate. If your eligibility period has ended and you wish to purchase the balance, your cost will be based on the actuarial equivalent rate. You also will be required to purchase the remaining service with a lump-sum payment.

Combination lump-sum payment and contract methods. You may purchase a portion of your prior service in a lump sum and the remainder with a payroll deduction contract or salary reduction contract, as described above.

Note – If you apply for and are approved to purchase multiple service periods, you must purchase the most recent period first.

Cost Letter – After your current employer completes your application and verifies your eligibility to purchase prior service, your current employer will provide you with a cost letter to explain the cost, months of service you may purchase and the payment methods available to you. The cost letter is valid for 90 days. If your eligibility period has passed or your compensation has increased, your purchase cost should be recalculated because your actual cost to purchase the service may increase.

Applying for Purchase of Prior Service

Your current employer will help you with your purchase of service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service. If you would like to purchase prior service, see your human resource office.

In the following cases, the previous employer with which you earned the service will need to certify your prior service:

- Military leave (no cost). A copy of your DD214 or a copy of your orders for National Guard service may be required.
- Full-time salaried federal or other public service. Certification from your previous retirement system also is required.
- Non-covered service with a VRS-participating employer.
- Leave for the birth or adoption of a child or educational leave.

Certification from a previous employer is not required for the following types of prior service:

- Active duty military service. Provide a copy of your DD214 or a copy of your orders for National Guard service to your current employer.
- VRS refunded service.
- Non-ported service. You do not need to apply to purchase non-ported service. The amount of service you are eligible to purchase will be determined during the portability process.

5 Group Life and Long-Term Care Insurance Programs

Basic Group Natural and Accidental Death, Dismemberment and Other Life Insurance Benefits • Designating a Beneficiary • Optional Group Life Insurance Program • Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program

Basic Group Natural and Accidental Death, Dismemberment and Other Life Insurance Benefits

If your employer participates in the VRS Group Life Insurance Program, you are covered under the Basic Group Life Insurance Program from the first day of employment. Your employer may pay your portion of the premiums. Basic group life insurance coverage includes the following benefits:

Natural death benefit. The natural death benefit is equal to your compensation rounded to the next highest thousand and then doubled. *Example:* If your compensation is $41,400, that amount will be rounded to $42,000 and then doubled for a natural death benefit of $84,000.

Accidental death benefit. The accidental death benefit is double the natural death benefit. *Example:* If your natural death benefit is $84,000, that amount will be doubled for an accidental death benefit of $168,000.

Accidental dismemberment benefit. For the accidental loss of one limb or the sight of one eye, the dismemberment benefit is equal to your compensation rounded to the next highest thousand. For the accidental loss of two or more limbs, total loss of eyesight or the loss of one limb and the sight of one eye, the benefit is equal to your compensation rounded to the next highest thousand and then doubled.

Safety belt benefit. If you are killed or dismembered in an accident while driving or riding in a private passenger vehicle, your life insurance will pay an amount equal to 10 percent of your accidental death or dismemberment benefit or $50,000, whichever is less. You must have been using a safety restraint. No benefit is payable if you or another person was driving without a license, under the influence of alcohol or drugs or otherwise impaired.

Repatriation benefit. If you die in an accident 75 miles or more from your home, your life insurance will pay for the cost of transportation to return your remains, up to $5,000.

What is Creditable Compensation? – Creditable compensation is your annual salary not including overtime pay, payment of a temporary nature or payments for extra duties such as pay for teachers who provide coaching or act as an advisor for special activities.

Look Up Your Life Insurance Coverage in *my*VRS – If you have VRS group life insurance, you can view the amount of your coverage through *my*VRS. To log in or create a secure online account, select *my*VRS Access from *www.varetire.org*.

Felonious assault benefit. Your basic group life insurance coverage provides additional benefits if you die or are dismembered as a result of a felonious assault while performing your job duties. The incident must have occurred at your employer's normal place of business or while you were on work-related travel. The assaulter must have used force with intent to cause harm and be charged with a misdemeanor or felony. No benefit is payable if the assaulter is an immediate family member. Felonious assault benefits include:

- $50,000 or 25 percent of your accidental death or dismemberment benefit, whichever is less
- Virginia Education Savings Trust account for each dependent child if you die as a result of the assault. The amount is approximately equal to tuition and mandatory fees to attend a public college or university in Virginia. Your child may attend any accredited college or university in the United States that participates in federal student financial aid programs.

Accelerated death benefit option. If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.

Designating a Beneficiary

You can designate or change your beneficiary for life insurance benefits as well as member contributions and interest while you are an active or deferred member or after you retire. Submit a Designation of Beneficiary (VRS-2) to VRS. The form is available at *www.varetire.org*. Be sure to keep a copy for your records. You will not receive a copy or confirmation of receipt.

Who Can Be a Beneficiary?

You can name any living person or an entity, such as an eligible trust or charity, as your beneficiary.

Beneficiary Designation for the Deferred Compensation Plan

The Designation of Beneficiary (VRS-2) applies only to beneficiary payments of any life insurance benefits you may have and member contributions and interest. For information on designating a beneficiary for the Commonwealth's 457 Plan, see Chapter 3-Saving for Retirement.

Primary and Contingent Beneficiaries

- You can name more than one primary beneficiary to share in life insurance benefits and any funds remaining in your member contribution account upon your death, or a different primary beneficiary for each benefit.
- You can name a contingent beneficiary or beneficiaries. If your primary beneficiary or beneficiaries are deceased at the time of your death, your contingent beneficiary or beneficiaries will receive benefit payments according to your designation.

Changing Your Beneficiary

VRS is required by law to pay benefits according to the latest beneficiary designation in your member record. Review your beneficiary designation after a personal milestone such as a change in marital status, the birth or adoption of a child or as you near retirement. To change your beneficiary, submit a new Designation of Beneficiary (VRS-2) to VRS as soon as possible. If you cannot remember your designation, submit a new VRS-2 or write to Minnesota Life, P.O. Box 1193, Richmond, VA 23218-1193. Neither Minnesota Life nor VRS can provide your designation over the phone.

If There is No Beneficiary Designation

If there is no valid beneficiary designation on file or your named primary beneficiary or beneficiaries are deceased at the time of your death and there is no contingent beneficiary or beneficiaries, VRS will pay benefits according to the following order of precedence, as required by law:

Order of Precedence

- First, to your spouse
- If no spouse, to your natural or legally adopted children or descendents of your deceased natural or legally adopted children
- If none of the above, to your parents equally or to the surviving parent
- If none of the above, to the duly appointed executor or administrator of your estate
- If none of the above, to your next of kin under the laws of the state where you resided at the time of your death

Note: The Designation of Beneficiary (VRS-2) allows you to elect the order of precedence instead of designating a beneficiary.

Naming Multiple Beneficiaries – The Designation of Beneficiary (VRS-2) allows you to name up to three individuals as your beneficiaries. If you wish to name more than three, list the additional beneficiaries on the Designation of Beneficiary-Continuation (VRS-2A) and submit this form with the VRS-2.

Death-in-Service Benefits – Your beneficiary or your spouse, natural or legally adopted minor child or parent may be eligible for an additional benefit if you die while you are an active member. For more information, see Chapter 7-Death-in-Service Benefits.

Optional Group Life Insurance Program

If you are covered under the VRS Group Life Insurance Program, you may purchase additional coverage for yourself through the Optional Group Life Insurance Program. If you elect this coverage, you also may cover a spouse or dependent children. Optional group life insurance provides benefits for natural and accidental death or dismemberment. You pay the premiums through payroll deduction.

More Information – VRS has contracted with Minnesota Life as the insurer for the Group Life Insurance Program. For more information about your coverage, call Minnesota Life toll free at 1-800-441-2258.

Coverage Options

Yourself. You can select one of the four coverage options shown below to cover yourself, up to a maximum of $700,000.

Your spouse. You can cover your spouse for up to half the maximum amount of the coverage you select for yourself, not to exceed $350,000. Coverage for your spouse ends when your coverage ends or if you and your spouse divorce. If both you and your spouse are eligible to participate in the Optional Group Life Insurance Program, neither of you can buy additional coverage for the other.

Your dependent children. You can cover each dependent child who is at least 15 days old for $10,000, $20,000 or $30,000, depending on the coverage option you select for yourself. Coverage for dependent children ends when your coverage ends or your child marries, becomes self-supporting, reaches age 21 or reaches age 25 as a dependent attending college full time. Coverage continues for dependent unmarried children who are disabled.

Optional Group Life Insurance Coverage Options

Option *Select one of the following*	Your Insurance Amount *Not to exceed $700,000*	Spouse Insurance Amount *Not to exceed $350,000*	Insurance Amount per Dependent Child *At age 15 days*
1	1 x your compensation	½ x your compensation	$10,000
2	2 x your compensation	1 x your compensation	$10,000
3	3 x your compensation	1½ x your compensation	$20,000
4	4 x your compensation	2 x your compensation	$30,000

Proof of Good Health

Coverage is guaranteed if you enroll in the Optional Group Life Insurance Program within 31 days of your employment date or a qualifying event, such as marriage or the birth or adoption of a child. Proof of good health (evidence of insurability) is required if:

- You apply after 31 days from your employment date or a qualifying event.
- You wish to add your spouse or dependent child to your coverage after 31 days from your employment date.
- You wish to purchase more than $350,000 for yourself.
- You wish to increase your optional life insurance coverage for yourself or your spouse.
- Your spouse's insurance amount is more than half your salary.

In the Event of Your Death – If you die while you are an active member, your beneficiary should contact your employer. The employer will assist in coordinating any benefits that may be due. For more information, see *Losing a Loved One: Guide for Families* available at *www.varetire.org.*

Group Life Insurance Coverage After You Retire – See Chapter 11-Insurance in Retirement.

Additional Information About Your Life Insurance

Coverage while on leave without pay. If you go on leave without pay or go on military leave, your basic group life insurance coverage will continue for up to 24 months or for as long as you are on military leave, provided the premiums are paid. If you have optional life insurance, your coverage will continue as long as you pay the premiums and remain covered under the basic group life program.

Irrevocable assignment. You own your rights in your group life insurance coverage. That means you can designate a beneficiary or exercise the accelerated death benefit option of your policy. You may give your ownership rights to another living person or entity. However, **this is an irrevocable assignment**; you cannot change it once it is made. Before making an irrevocable assignment, contact a legal advisor or Minnesota Life toll free at 1-800-441-2258 for assistance.

Loans prohibited. You may not borrow from or use your group life insurance coverage to secure a loan.

Imputed income taxes. Imputed income is the cost of life insurance in excess of $50,000, as determined by the Internal Revenue Service (IRS). It is subject to FICA and income taxes and is reflected in your W-2 you receive from your employer. When you retire, VRS will deduct FICA taxes and report taxable or imputed income for as long as your group life insurance coverage exceeds $50,000.

Child support liens. The Department of Social Services may file child support liens against proceeds payable under the Group Life Insurance Program. VRS is required to pay life insurance proceeds to the Department of Social Services to satisfy any outstanding child support obligations at your death.

Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program

Deferred Members and Retirees – If you are a deferred member and have at least five years of service credit or if you are receiving a retirement benefit, you are eligible to apply for the COV Voluntary Group Long Term Care Insurance Program, provided you are under age 80. Your employer is not required to have elected the program. Medical underwriting will be required. Visit *www.genworth.com/cov* for more information.

The employee-paid Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program provides a maximum monthly benefit for covered long-term care expenses. VRS has contracted with the Genworth Life Insurance Company as the insurer for the program. If your employer participates in the program, you are eligible to apply for coverage for yourself and select family members between the ages of 18 and 79. Family members include a spouse, adult children, parents, parents-in-law, step parents, step parents-in-law, grandparents, grandparents-in-law, step grandparents and step grandparents-in-law.

Premium Payment Methods. If you elect to pay the premiums to Genworth on a quarterly, semi-annual or annual basis, you may be eligible for a premium discount. Or, you can pay the premiums through a monthly Electronic Fund Transfer from your checking or savings account. Some employers may offer employees the option to pay premiums through a payroll deduction.

Other program features:

- Coverage is guaranteed if you apply within 60 days of employment. Medical underwriting (proof of good health) will be required if you apply after 60 days and for any family members who apply.
- At group rates, your premiums may be more affordable. Premium rates are guaranteed through March 1, 2020 and will change only if you make changes to your coverage.
- You can choose one of three benefit increase options that will allow you to increase your coverage over time to help protect against the rising cost of care.

For more information, contact Genworth Life toll free at 1-866-859-6060 or visit *www.genworth.com/cov*.

6 Retiring on Disability

Eligibility • Medical Review • Non-Work Related Disability Retirement Benefit • Work-Related Disability Retirement Benefit • Benefit Payout Options • Applying for Disability Retirement • After You Retire on Disability

Eligibility

If you cannot perform your job because of a medical condition that is likely to be permanent, you may be eligible to retire on disability. You are not eligible to retire on disability if you are a state employee covered under the Virginia Sickness and Disability Program (VSDP), you defer retirement or you take a refund of your member contributions and interest.

Under the provisions for VRS disability retirement, a disability may be:

- The result of a physical illness or injury, or a cognitive condition. A cognitive disability is a loss or deterioration in intellectual capacity, such as Alzheimer's disease.
- Non-work related or work-related. A work-related disability is the result of an occupational illness or injury that occurs on the job and the cause is determined to be compensable under the Virginia Workers' Compensation Act.
- A chronic condition, such as diabetes or mental illness, that worsens to the point that you no longer can perform your job duties.

If you were disabled before becoming employed in a covered position, your condition must significantly worsen for you to be considered for disability retirement.

There are no minimum requirements for age or service under VRS disability retirement. You can apply from the first day of covered employment or within 90 days of your last day of employment. If you are on leave without pay, you have up to 24 consecutive months on leave without pay to apply for disability retirement; after 24 months, you are no longer eligible to apply. If you are on active duty military leave, you can apply at any time while on military leave.

More Information – The VRS *Disability Retirement Handbook for Members* provides more details as well as instructions and forms to assist you with the application process. The handbook is available at *www.varetire.org*.

Service Credit for Workers' Compensation – If you are on leave without pay receiving only workers' compensation and retirement contributions are not being withheld from your workers' compensation payment, you may be eligible to purchase up to 24 months of service credit for this period. You must purchase this service before you retire on disability. For more information, contact your human resource office. For more information about purchasing prior service, see Chapter 4-Enhancing Your Benefit.

Medical Review

As provided in the *Code of Virginia*, VRS has hired an independent medical board to review the medical and job information submitted with applications for disability retirement and to recommend to VRS whether to approve or deny an application. The VRS Medical Board bases its recommendation on several factors, including whether your condition prevents you from performing your job and is likely to be permanent. Your doctor must submit all required objective medical evidence for your condition. If your doctor does not submit this information, you can request a copy of your medical records and submit this to VRS; you will be responsible for any costs associated with collecting this information.

The Medical Board may require an independent examination by a specialist. You will be notified in this event. If you refuse the examination, your disability retirement application may be denied.

Non-Work Related Disability Retirement Benefit

If you are vested (you have at least five years of service credit) and have a non-work related disability, the amount of the disability retirement benefit will be the VRS formula amount or the minimum guaranteed benefit, as described below, whichever is higher. If you are not vested, you will be eligible for the minimum guaranteed benefit only.

VRS Formula Amount

- If you are under age 60, the benefit will be equal to 1.65 percent of your average final compensation multiplied by (a) twice the amount of your total service credit or (b) your actual service credit plus the number of years remaining between your age at disability retirement and age 60, whichever is less.
- If you are age 60 or older, the benefit will be equal to 1.65 percent of your average final compensation multiplied by your total service credit.

Minimum Guaranteed Benefit

The minimum guaranteed benefit calculation will be adjusted by any primary Social Security benefits you are eligible to receive:

- If you are eligible for a full Social Security benefit, the VRS minimum guaranteed benefit will be equal to 33⅓ percent of your average final compensation. You will receive the minimum guaranteed benefit or the full VRS formula amount, whichever is higher.

What is Average Final Compensation? – Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. It is one of the factors used to calculate your disability retirement benefit as well as your service retirement benefit.

- If you are eligible for a Social Security Disability Insurance (SSDI) benefit, the VRS minimum guaranteed benefit will be equal to 50 percent of your average final compensation. You will receive the minimum guaranteed benefit or the full VRS formula amount, whichever is higher, until the effective date of your eligibility for SSDI. VRS will then adjust your benefit to 33⅓ percent of your average final compensation; you will receive this amount if it is higher than the full VRS formula amount. If applicable, this adjustment will be retroactive to your effective SSDI eligibility date and reflected in your VRS benefit.
- If you are not eligible for a full Social Security benefit and your SSDI claim is denied, the VRS minimum guaranteed benefit will be equal to 50 percent of your average final compensation. You will receive the minimum guaranteed benefit or the full VRS formula amount, whichever is higher. You must submit a copy of your SSDI denial letter or your letter appealing the denial with your VRS disability retirement application.

What are Primary Social Security Benefits?

The amount of the non-work related minimum guaranteed benefit or the work-related guaranteed benefit is adjusted by any primary Social Security benefits you are eligible to receive. A primary Social Security benefit is a full (normal) Social Security retirement benefit or a Social Security Disability Insurance (SSDI) benefit. If you are not eligible for full Social Security when you retire on VRS disability, even if you qualify for an early Social Security retirement benefit, you must apply for benefits under SSDI. A Social Security age chart is provided in Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Coordinating your applications for SSDI and VRS disability retirement.

Be sure to include a copy of the Receipt of Application, decision letter or online application confirmation you receive from the Social Security Administration with your VRS disability retirement application. If you do not provide this information and your VRS disability retirement application is approved, VRS will be required to pay 33⅓ percent of your average final compensation or the full VRS formula amount, whichever is less. *Note:* If you apply for SSDI before you leave your position, your SSDI application may be denied based on your current income. A denial of SSDI benefits will result in your receiving the lesser amount.

Work-Related Disability Retirement Benefit

Applying for Workers' Compensation – Your human resource office will assist you with your workers' compensation claim. For more information, visit the Virginia Workers' Compensation Commission website at *www.vwc.state.va.us.*

If you suffer an occupational illness or injury on the job and the cause is determined to be compensable under the Virginia Workers' Compensation Act, you may be eligible to retire on work-related disability. VRS does not determine whether your disability is work-related. You must file a claim under the act and include a copy of the letter from the Virginia Workers' Compensation Commission approving your claim or a copy of a workers' compensation award letter as well as an accident report, if applicable, with your disability retirement application.

Work-Related Disability Benefit Calculation

If you retire on work-related disability, you will receive a refund of your member contribution account balance in addition to a monthly benefit. The monthly benefit calculation will be adjusted first by any primary Social Security benefits you are eligible to receive:

- If you are eligible for a full Social Security benefit, the VRS work-related guaranteed benefit will be equal to 50 percent of your average final compensation. You will receive the guaranteed benefit or the full VRS formula amount as described in "Non-Work Related Disability Retirement Benefit," whichever is higher.
- If you are eligible for an SSDI benefit, the VRS work-related guaranteed benefit will be equal to 66⅔ percent of your average final compensation. You will receive the guaranteed benefit or the full VRS formula amount, whichever is higher, until the effective date of your eligibility for SSDI. VRS will then adjust your benefit to 50 percent of your average final compensation; you will receive this amount if it is higher than the full VRS formula amount. If applicable, this adjustment will be retroactive to your effective SSDI eligibility date and reflected in your VRS benefit.
- If you are not eligible for a full Social Security benefit and your SSDI claim is denied, the VRS work-related guaranteed benefit will be equal to 66⅔ percent of your average final compensation. You will receive the guaranteed benefit or the VRS formula amount, whichever is higher. You must submit a copy of your SSDI denial letter or your letter appealing the denial with your VRS disability retirement application.

The benefit amount will then be adjusted by any workers' compensation benefits you receive:

- If your workers' compensation benefit is equal to or greater than your VRS disability retirement benefit, you will not receive a VRS benefit unless your workers' compensation benefit is reduced or ends.

- If your workers' compensation benefit is less than your VRS disability retirement benefit, VRS will pay the difference between the two benefits to bring you to your VRS benefit amount.
- If you receive a lump-sum workers' compensation settlement, VRS will determine the monthly value of the settlement and then adjust your VRS benefit accordingly.

Important note if you retire on work-related disability: If you do not comply with the provisions of the Virginia Workers' Compensation Act and your workers' compensation benefits end, or if you are approved to work with job modifications, your VRS disability retirement benefit will continue to be offset by the workers' compensation amount. If you are notified of a change or end to your workers' compensation benefits, send a copy of the notification letter to VRS at P.O. Box 2500, Richmond, VA 23218-2500 as soon as possible.

Benefit Payout Options

If you apply for disability retirement, you will choose how you want to receive your benefit. The payout options are the Basic Benefit and Survivor Option. **The payout option you elect is irrevocable.** That means you cannot change it after you retire, with the exception of the Survivor Option under some conditions.

Note: The Partial Lump-Sum Option Payment (PLOP) and the Advance Pension Option are not available to members who retire on disability.

Basic Benefit

The Basic Benefit is based on your average final compensation at retirement and whether you are retiring on non-work related or work-related disability. The benefit amount is adjusted by any primary Social Security benefits or workers' compensation benefits you are eligible to receive, as described in this chapter. The Basic Benefit does not provide a continuation of a benefit to a survivor. However, your beneficiary will be eligible for a lump-sum payment of any funds remaining in your member contribution account upon your death.

Survivor Option

With this option, you elect to receive a lower monthly benefit during your retirement so that your survivor can receive a monthly benefit after your death. If you elect this option, you will choose a whole percentage of your benefit, between 10 percent and 100 percent, to go to your survivor. Your benefit amount will be based on this percentage, your age and the age of your survivor at your disability retirement date.

Taxes and the Work-Related Disability Benefit – Refunds of pre-tax member contributions and interest are subject to income taxes. The Internal Revenue Service (IRS) also may impose an additional 10 percent tax penalty if you receive a refund before age 59½; there are exceptions to this rule. To defer taxes, the refund can be rolled over to an Individual Retirement Account (IRA) or another qualified plan. For more information, read the IRS 402(f) Special Tax Notice available at *www.varetire.org*.

If you retire on work-related disability with the guaranteed benefit, your benefit will not be subject to federal or state income taxes. The work-related benefit based on the VRS formula amount is subject to income taxes. For more information, contact a tax advisor or the IRS toll free at 1-800-829-1040 or *www.irs.gov*.

You can name any living person as your survivor; you also can name more than one survivor. The Internal Revenue Service (IRS) may limit the amount of your benefit that can go to a non-spouse survivor. For additional information including a chart on maximum survivor option percentages, contact the IRS toll free at 1-800-829-1040 or visit *www.irs.gov.*

Changing Your Survivor – You can change your survivor only once. If you elect the Survivor Option and need to change your survivor after you retire, call VRS toll free at 1-888-VARETIR (1-888-827-3847) for assistance.

Changing the Survivor Option. You can name a new survivor or revert to the Basic Benefit if:

- Your survivor dies;
- Your survivor is your spouse and you divorce with fewer than 20 years of marriage;
- Your survivor is your spouse, you divorce after 20 or more years of marriage and your spouse dies, remarries or consents in writing to a change in benefit; or
- You provide VRS written consent from your survivor giving up claim to a benefit along with proof of your survivor's good health.

Note: If you are divorced and VRS has an Approved Domestic Relations Order (ADRO) on file, your benefit must be paid as directed by the ADRO. For more information about attachments to retirement benefits, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Applying for Disability Retirement

Retirement Date and Monthly Benefit Payments

Disability retirement is effective on the first of the month. Your monthly benefit will begin following a bona fide break in service of at least one full calendar month from your retirement date over a period you normally would work.

Do You Have a Power of Attorney? – The VRS Durable Power of Attorney (VRS-901) allows you to name a person as your agent to take actions on your behalf in the event you no longer can handle your own affairs. The VRS-901 is for VRS matters only. For more information, visit *www.varetire.org.*

Forms and Documents

Read the directions on all forms carefully and provide all signatures and required documents. If you need help applying for disability retirement, your human resource office, a family member or an individual authorized to act on your behalf, such as an agent named under a power of attorney or a legal guardian, may be able to assist you. For more information, call VRS toll free at 1-888-VARETIR (1-888-827-3847).

Your application must include:

- Application for Disability Retirement (VRS-6). If you are married or separated, your spouse must complete the spouse certification section and sign on or after the date you sign the application. Your employer also must certify and sign your application and include a copy of your job description.
- Explanation of Disability (VRS-6A)
- Physician's Report (VRS-6B). Each doctor you list on the VRS-6A must complete this form and attach all relevant objective medical evidence.
- Employer Information for Disability Application (VRS-6D)
- Designation of Beneficiary (VRS-2)
- Request for Income Tax Withholding (VRS-15). Submit this form if you are applying for non-work related disability retirement. If you are applying for work-related disability retirement, you will be asked to submit this form if you will be receiving the VRS formula amount. Do not submit the VRS-15 if you will be receiving the work-related guaranteed benefit; this benefit is tax exempt.
- Authorization for Direct Deposit of Monthly Benefit (VRS-57)

Other forms and documents you may need:

- If you are electing the Survivor Option, acceptable legible evidence of your survivor's date of birth
- Request for Estimate of Disability Retirement Benefits (VRS-6C)
- If you are not eligible for a full Social Security retirement benefit, documentation that you have applied for Social Security Disability Insurance (SSDI) benefits, such as a copy of the Receipt of Application, decision letter or online confirmation
- If you are applying for work-related disability retirement, copy of the letter from the Virginia Workers' Compensation Commission approving your claim or copy of your workers' compensation award letter as well as an accident report, if applicable
- Request for the Health Insurance Credit (VRS-45) if VRS will not be deducting retiree health insurance premiums from your monthly benefit. If VRS will be deducting premiums, you do not need to apply for it; VRS will apply the credit automatically to your benefit payment. Contact your human resource office about retiree health insurance your employer may offer. Some employers have arranged with VRS to deduct retiree health insurance premiums from the monthly benefit. For more information, see "After You Retire on Disability" on the next page.

Disability Reexamination – After you retire on disability, you will be required to provide updated medical information until your normal retirement age under your plan. You also may be required to have annual follow-up examinations until you reach your normal retirement age. If you refuse to provide updated information or be examined, your benefits will stop until you comply. If you refuse to comply for six months following a request for reexamination or if VRS determines you are no longer disabled, your disability retirement benefits will end.

Service Retirement Pending Approval of Disability Retirement

If you are eligible for service (regular) retirement when you apply for disability retirement, it may be to your advantage to apply for both:

- If you apply for non-work related disability retirement and your application is denied, you can begin receiving a service retirement benefit, even if you decide to appeal the denial.
- For work-related disability retirement, VRS cannot process your service retirement application while your disability retirement application is pending. However, if your disability retirement application is denied, the retirement date and benefit payout option you elect on your service retirement application will be honored.

Is Disability Retirement Your Best Option? – Even if you have a disability that is likely to be permanent, you do not have to retire on disability, particularly if you are eligible for the hazardous duty supplement, which is not payable to members who retire on disability. If you qualify for service retirement, compare a disability retirement estimate with your service retirement estimate including the supplement, if eligible, to see which option would best meet your retirement needs. For estimates, contact your human resource office or call VRS toll free at 1-888-VARETIR (1-888-827-3847) for assistance.

Applying for service retirement. Complete the Application for Service Retirement (VRS-5), electing the Basic Benefit or Survivor Option, and submit the application with your disability retirement application. Your employer will certify both applications. If you wish to retire under the Partial Lump-Sum Option Payment (PLOP) or Advance Pension Option in the event your disability application is denied, include a second service retirement application electing one of these payout options; your employer does not have to certify this application. For more information about service retirement, see Chapter 2-Your Retirement Plan and Chapter 9-Getting Ready to Retire.

After You Retire on Disability

Receiving Your Benefit and the COLA

Your disability retirement benefit will be deposited to the financial institution account you designate on the Authorization for Direct Deposit of Monthly Benefit (VRS-57). You are eligible for a COLA effective July 1 following one full calendar year (January 1 to December 31) from the effective date of your disability retirement. The COLA will be reflected in your August 1 benefit payment. If you elect the Survivor Option, the COLA calculation will be based on your reduced benefit amount. During years of no inflation or deflation, the COLA will be 0 percent.

Taxes

Your benefit will be subject to federal income taxes and, if you live in Virginia, state income taxes, unless you retire on work-related disability with the guaranteed benefit. If taxes are being withheld, you will receive a 1099-R form from VRS each January for the previous calendar year's benefit payments and tax withholdings. You will file this form with your federal and state income tax returns.

Group Life Insurance Coverage

If you have VRS group life insurance coverage, some basic benefits will continue after you retire on disability. Your basic group life insurance coverage will begin to reduce by 25 percent beginning on the January 1 following one calendar year from your Social Security retirement age. It will continue to reduce by 25 percent each January 1 until it reaches 25 percent of its original value. *Example:* If you reach your Social Security retirement age on May 2, 2016, your first 25 percent reduction will occur on January 1, 2018. If you have optional group life insurance coverage, you may continue a portion of your coverage into retirement or convert your coverage to an individual policy.

If you have optional group life insurance coverage, you may continue a portion of your coverage into retirement if you and your spouse and dependent children, if applicable, were continuously covered during the 60 months preceding your retirement date. If you were covered for less than 60 months before retirement, your coverage will continue until the end of the month in which you reach your normal retirement age. In either case, you have the option to convert your coverage to an individual policy upon retirement. For more information, contact Minnesota Life, the insurer for the VRS Group Life Insurance Program, toll free at 1-800-441-2258.

Health Insurance Credit

The health insurance credit is a tax-free benefit that assists with health insurance premiums you pay for single coverage, excluding any portion of the premiums covering a spouse or dependents. If you retire on disability as a political subdivision employee and your employer participates in the health insurance credit program, the maximum health insurance credit is $45 per month. The credit cannot exceed the amount of your monthly premiums and ends upon your death.

Working After Disability Retirement

In some cases, you can continue to receive your disability retirement benefits if you work in a temporary, hourly or other non-covered position with a VRS-participating employer. If you work for any employer in a position that requires the same or similar duties as those you performed before retiring on disability, including non-covered employment with a VRS-participating employer, your disability retirement benefits will end. If you return to covered employment, your benefits will end and you will become an active member. If you are considering employment after you retire on disability, contact VRS toll free at 1-888-VARETIR (1-888-827-3847) to determine whether the position would disqualify you from continuing to receive your disability retirement benefits. See also Chapter 12-Working After Retirement.

Benefits and Insurance in Retirement – For more information about the COLA, taxes, group life insurance and the health insurance credit, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments and Chapter 11-Insurance in Retirement.

Important Note if You Return to Covered Employment – If you retire on disability and then return to covered employment, you will retire under service retirement when you retire again. The period of time you were retired on disability will be included in the calculation of your service retirement benefit. If you wish to be considered for disability retirement again, you must resubmit all required disability retirement forms and documents. Your application will be evaluated under the medical review process based on the duties of your new position.

7 Death-in-Service Benefits

What is a Death-in-Service Benefit? • Non-Work Related Cause of Death • Work-Related Cause of Death

What is a Death-in-Service Benefit?

A death-in-service benefit is a payment of any member contributions and interest in your member contribution account to your named beneficiary or your spouse, natural or legally adopted minor child or parent in the event of your death as an active member (while you are in service). The benefit may be a lump-sum payment, a monthly benefit or both. This payment is in addition to any life insurance benefits you may have.

Designating a Beneficiary – You can name any living person or an entity, such as an eligible trust or charity, as your beneficiary. For more information, see Chapter 5-Group Life and Long-Term Care Insurance Programs.

Non-Work Related Cause of Death

If you die while you are an active member from a non-work related cause, your named beneficiary or your spouse, natural or legally adopted minor child or parent will be eligible for a death-in-service benefit according to whether or not you are vested (you have at least five years of service credit) at the time of your death:

- If you are vested and your spouse, natural or legally adopted minor child or parent is one of your named beneficiaries, or is your beneficiary based on order of precedence (see "Death-in-Service Order of Precedence" in this chapter), he or she will be eligible for a lump-sum payment of any balance in your member contribution account or a monthly benefit to the exclusion of all other primary beneficiaries.
- If you are not vested, your spouse, natural or legally adopted minor child or parent will be eligible for a lump-sum payment only, which will be shared with any other primary beneficiaries you have designated.

Non-Work Related Monthly Benefit Calculation

The non-work related monthly benefit is calculated based on your average final compensation, your total service credit, your age and the age of your eligible named beneficiary at the time of your death. Your age and your beneficiary's age are calculated as follows:

- If you die before age 50, you are presumed to be age 50 for purposes of calculating the benefit. If your beneficiary is younger than you, the age difference is subtracted from age 50 to arrive at his or her adjusted age. If your beneficiary is older than you, the age difference is added to age 50 to arrive at his or her adjusted age.
- If you die at age 50 or older, your age and the actual age of your beneficiary are used to calculate the benefit.

Work-Related Cause of Death

A work-related cause of death is the result of an occupational illness or injury and the cause is determined to be compensable under the Virginia Workers' Compensation Act. If you die while you are an active member from a work-related cause, your named beneficiary will be eligible for a lump-sum payment of any funds remaining in your member contribution account. In addition, your spouse, natural or legally adopted minor child or parent will be eligible for a monthly benefit according to an order of precedence (see next page). If this individual also is your named beneficiary, he or she will receive both benefits.

Work-Related Monthly Benefit Calculation

- If your spouse, natural or legally adopted minor child or parent is eligible for Social Security survivor benefits, the VRS work-related benefit will be equal to 33⅓ percent of your average final compensation at the time of your death. If he or she is not eligible for Social Security survivor benefits, the VRS work-related benefit will be equal to 50 percent of your average final compensation at the time of your death.
- If your spouse, natural or legally adopted minor child or parent is eligible for a workers' compensation survivor benefit, the VRS work-related benefit will supplement the workers' compensation benefit. The VRS benefit also may be exempt from income taxes.

Additional Line-of-Duty Benefits

If you die in the line of duty, your beneficiary or survivor may be eligible for state or federal line-of-duty benefits. For more information, contact:

- Virginia Line of Duty Act: Virginia Department of Accounts at 804-225-3038 or *www.doa.virginia.gov*
- Federal Public Safety Officers' Benefits Act: Bureau of Justice Assistance toll free at 1-888-744-6513 or *www.ojp.usdoj.gov/BJA*

What is Average Final Compensation? – Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. It is one of the factors used to calculate your retirement benefit.

Taxes and Member Contribution Account Payments – Lump-sum payments of pre-tax member contributions and interest are subject to income taxes. The Internal Revenue Service (IRS) also may impose an additional 10 percent tax penalty on member contributions received before age 59½; there are exceptions to this rule. To defer taxes, the payment can be rolled over to an Individual Retirement Account (IRA) or another qualified plan. For more information, read the IRS 402(f) Special Tax Notice available at *www.varetire.org*, or contact a tax advisor or the IRS toll free at 1-800-829-1040 or *www.irs.gov*.

More Information – In the event of your death, *Losing a Loved One: Guide for Families* will help your beneficiary or survivor know what to do regarding benefit claims. The publication is available at *www.varetire.org*.

In addition:

- For more information about workers' compensation survivor benefits, contact your human resource office.
- For more information about Social Security survivor benefits, contact the Social Security Administration toll free at 1-800-772-1213 or visit *www.socialsecurity.gov*.
- For more information about income taxes, contact the Internal Revenue Service (IRS) toll free at 1-800-829-1040 or visit *www.irs.gov*.

Death-in-Service Order of Precedence

The death-in-service benefit may be a lump-sum payment of any balance remaining in your member contribution account, a monthly benefit or both. As required by law, VRS will pay a death-in-service benefit according to the following order of precedence if you die from a non-work related cause and there is no valid beneficiary designation on file or your named beneficiary is deceased. If you die from a work-related cause, your spouse, natural or legally adopted minor child or parent will be eligible for a monthly benefit as well as a lump-sum payment of your member contribution account balance if he or she also is your named beneficiary.

First, to your spouse	If your spouse is eligible for a monthly benefit, the benefit will continue if your spouse remarries. It will end when your spouse dies.
If no spouse, to your natural or legally adopted minor child or children	If you have more than one natural or legally adopted minor child, each child will receive an equal share of the death-in-service benefit. If they are eligible for a monthly benefit, the youngest child's age will be used to calculate the benefit. As each child reaches age 18, his or her share of the benefit will be redistributed equally among the remaining minor children. The benefit will end when the last child reaches age 18.
If none of the above, to your parent or parents	If both parents are living, each parent will receive an equal share of the death-in-service benefit. If they are eligible for a monthly benefit, the youngest parent's age will be used to calculate the benefit. When one parent dies, the other parent will receive the deceased parent's share. The benefit will end when the surviving parent dies.
If none of the above	Any funds remaining in your member contribution account will be paid in a lump sum accordingly: • To your natural or legally adopted adult child or children • If none, to the descendants of your deceased natural or legally adopted adult child or children • If none, to the duly appointed executor or administrator of your estate • If none, to your next of kin under the laws of the state where you resided at the time of your death

8 Leaving Employment

Options if You Leave Your Job • Impact on Benefit Coverage • Severance Benefits

Options if You Leave Your Job

If you leave covered employment and do not retire, you can take a refund of your member contributions and interest or leave your member contribution account balance with VRS and become a deferred member.

Taking a Refund

If you request a refund and are vested (you have at least five years of service credit) or involuntarily separated from employment for causes other than job performance or misconduct, you will be eligible for a full refund of your member contribution account balance. If you are not vested, you will be eligible for a refund of the balance, excluding any member contributions made by your employer to your account after July 1, 2010 and the interest on these contributions.

Requesting a refund. Complete a Request for Refund (VRS-3) and submit it to your human resource office. If you request a refund after six months from leaving your job, submit the form to VRS. The form is available at *www.varetire.org*.

Refunds cannot be processed until at least a full calendar month after you have left all employment with a VRS-participating employer, including non-covered employment, and are no longer being reported to VRS by your employer. Periods of leave with or without pay do not count toward satisfying this break from employment. Example: If you leave your job effective June 12 and request a refund, the earliest VRS can process your refund is August.

Before You Decide –

Through *my*VRS, you can check your member contribution account balance and view other information from your member record. Knowing this information may help you weigh your options if you are thinking of leaving covered employment. To log in or create a secure online account, select *my*VRS Access from *www.varetire.org*. You also can contact your human resource office or VRS toll free at 1-888-VARETIR (1-888-827-3847) for assistance.

Taxes on refunds. If you have your refund paid directly to you, VRS will withhold federal taxes of 20 percent and, if you live in Virginia, state taxes of 4 percent. Any after-tax member contributions in your refund will not be taxed again. If you have your refund paid directly to you before age 59½, the Internal Revenue Service (IRS) may impose an additional 10 percent tax penalty for early withdrawal of member contributions; there are exceptions to this rule.

You can defer taxes by rolling over your refund to an Individual Retirement Account (IRA) or another qualified plan that accepts rollovers. For more information, read the IRS 402(f) Special Tax Notice available at *www.varetire.org;* or contact a tax advisor or the IRS toll free at 1-800-829-1040 or *www.irs.gov.*

Before Leaving Your Position – If you are not taking a refund, submit a Name and Address Declaration for Deferred Members (VRS-3A) to VRS. Use the VRS-3A to notify VRS of any future address changes. The form is available at *www.varetire.org.*

Becoming a Deferred Member

If you leave your member contributions with VRS, you will become a deferred member. If you are vested, you may be eligible for a future retirement benefit if you meet the age and service requirements for your plan. For information on qualifying for retirement, see Chapter 2-Your Retirement Plan. If you return to covered employment, member contributions and the service credit you earn upon reemployment will be added to your member record.

As a deferred member, you will remain eligible to request a refund of your member contributions and interest. You will receive a full or partial refund, as described on the previous page.

Deferring retirement. If you have reached retirement eligibility when you leave covered employment, you can defer receiving a retirement benefit until a later date. If you decide to defer retirement, submit an Application for Service Retirement (VRS-5) to VRS at least 60 days, but not more than four months (120 days), before the date you wish to retire. For more information about applying for retirement, see Chapter 9-Getting Ready to Retire.

VRS communication. As a deferred member, you will have access to *my*VRS where you can view information from your member record and plan for retirement online. To log in or create a secure online account, select *my*VRS Access from *www.varetire.org.*

Moving to Another Covered Position?

If you move to another covered position, you will come under the plan provisions of the new position for retirement and other benefits. For more information, refer to the current member handbooks for Plan 2 available at *www.varetire.org* or contact your human resource office.

Impact on Benefit Coverage

Group Life Insurance

Basic group life insurance coverage. If you are covered under the VRS Group Life Insurance Program and leave covered employment before you are eligible to retire, or if you take a refund of your member contributions and interest, your basic group life insurance coverage will end within 31 days of the end of the month in which the last premium is paid. If you die before the end of this period, your beneficiary will receive your natural death benefit. You can convert your coverage to an individual policy if you leave employment before you reach retirement eligibility. If you have reached retirement eligibility but defer retirement and do not take a refund of your member contributions and interest, some basic life insurance benefits will continue after you leave your position.

More Information – See Chapter 5-Group Life and Long-Term Care Insurance Programs and Chapter 11-Insurance in Retirement.

Optional group life insurance coverage. If you have optional group life insurance coverage and leave covered employment, you may convert your coverage to an individual policy. If you do not convert your coverage and you die within 31 days of the end of the month in which the last premium is paid, your beneficiary will receive your optional life insurance natural death benefit.

Converting your group life insurance coverage. If you wish to convert your coverage, you must do so within 31 days of your last day of employment; you will pay the premiums. Proof of good health will not be required. This option is not available after 31 days. Submit a Conversion of Group Life Insurance Enrollment (VRS-35E) to Minnesota Life at P.O. Box 1193, Richmond, VA 23218-1193. The form is available at *www.varetire.org*. For more information, call toll free 1-800-441-2258.

Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program

If you leave employment and are enrolled in the COV Voluntary Group Long Term Care Insurance Program, you can continue your coverage by paying the premiums directly to Genworth Life, the insurer for the program. If you are not enrolled, you can apply for coverage if you are a vested deferred member or a retiree, provided you are under age 80. Your employer is not required to have elected the program. Medical underwriting will be required. For more information, call toll free 1-866-859-6060 or visit *www.genworth.com/cov.* For an overview of the program, see Chapter 5-Group Life and Long-Term Care Insurance Programs.

Deferred Compensation Plan Options

If you participate in the Commonwealth's 457 Plan and leave your position, your contributions will stop. However, you can continue to manage your account or request a distribution. If you are eligible for a payment of unused sick leave or annual leave, you can contribute this payment to your account. As provided under the Internal Revenue Code, you cannot contribute cash severance payments to the 457 Plan. For more information about the plan, see Chapter 3-Saving for Retirement and Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Severance Benefits

If you are involuntarily separated from employment, you may be eligible for severance benefits under the Transitional Benefits Program sponsored by the Commonwealth of Virginia, if your employer has elected to participate in this program. Involuntarily separation is a layoff because of a budget reduction, agency reorganization, workforce downsizing or another cause not related to job performance. Contact your human resource office for more information.

9 Getting Ready to Retire

Retirement Readiness Resources • Applying for Retirement • Deferring Retirement • Retirement Readiness Checklist

Retirement Readiness Resources

Member Education

Whether you just started work or are ready to retire, you can take advantage of free educational opportunities to learn more about everything from your benefits and money matters to how to apply for retirement. You can select from a variety of educational mediums according to what's most convenient for you. These include live presentations, seminars, webinars, e-courses and regional meetings. Visit *www.varetire.org* for more information. Courses include:

- Retirement planning sessions geared to new and current members, members within five or more years of retirement and those ready to retire
- "Money Matters for Virginians" financial education courses
- Courses on topics such as the hazardous duty supplement, purchase of prior service and retirement payout options.

How to Register – Go to *www.varetire.org* and select the Member homepage, then Education & Counseling. For the deferred compensation plan meetings, select the Defined Contribution Plans tab.

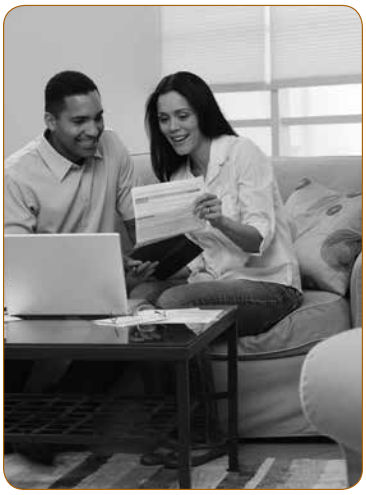
Learn more about everything from banking and home finance to investment basics. Visit *www.varetire.org* for more information.

Need Individual Counseling?

Meet with a counselor at the VRS Retirement Counseling Center at 1111 East Main Street in downtown Richmond. Sessions are offered on a first-come first-served basis between 8:30 a.m. and 4 p.m., Monday through Friday. Limited scheduled appointments are available. Go to *www.varetire.org* for directions to the center and the parking deck; the first hour of parking is free.

Deferred Compensation Plan Regional Education Meetings

If your employer participates in the Commonwealth's 457 Plan, be sure to sign up for the deferred compensation plan meetings. The meetings are held at sites around the state and cover topics such as long-term planning for financial security, managing your plan and distribution strategies.



The *Getting Ready to Retire Guide* provides information to assist you with the application process. The guide is available at *www.varetire.org*. Forms also are available on the website. Retirement forms are fillable. Select the fillable version, complete it online and then print and sign it before submitting.

Use *my*VRS to Prepare for Retirement

How much would your estimated VRS benefit be, based on different payout options? What would your retirement income look like if you included other income sources? How would that compare to your expenses?

The following online tools allow you to estimate benefit scenarios and finances upon retirement and develop a retirement income plan that will help meet your needs and those of your family:

- Use the Benefit Estimator to create estimates of your VRS retirement benefit based on different benefit payout options or retirement dates.
- Use the Retirement Planner to estimate your income and expenses upon retirement.
- Include your estimated retirement benefit or an estimate you create in the Benefit Estimator. You also can enter a different retirement date.
- Include estimated income from a spouse, part-time job, Social Security if you are eligible on the date you use for your plan, or other sources of retirement income.
- Build in retirement expenses, including income taxes and health insurance. You can use the assumptions in the planner or enter your own figures.
- If you participate in the Commonwealth's 457 Plan, include an estimated annuity from your plan. Also, check your savings progress; you may be eligible for catch-up contributions. For more information, see Chapter 3-Saving for Retirement. If you have another tax-deferred savings account, you can include this income in your plan.

To log in or create a secure online account, select *my*VRS Access from *www.varetire.org*.

Applying for Retirement

Retirement Date and Monthly Benefit Payments

Retirement is effective on the first of the month. Your monthly benefit will begin following a bona fide break in service of at least one full calendar month from your retirement date over a period you normally would work.

To begin receiving your benefit payments in a timely manner, submit your application and all required documents to your employer at least 60 days, but not more than four months (120 days), before you want to retire. *Example:* If you wish to retire on July 1, submit your application by May 1. You will receive your first benefit payment on August 1 for the month of July.

Forms and Documents

Read the directions on all forms carefully and provide all signatures and required documents. An incomplete or incorrect application will delay the processing of your retirement. If you need assistance applying for retirement, your human resource office, a family member or an individual authorized to act on your behalf, such as an agent named under a power of attorney or a legal guardian, may be able to assist you. For more information, call VRS toll free at 1-888-VARETIR (1-888-827-3847).

Your application must include:

- Application for Service Retirement (VRS-5). Include acceptable legible evidence of your date of birth, such as a copy of your birth certificate. If you are married or separated, have your spouse complete the spouse certification section. Your spouse must sign on or after the date you sign the application.
- Designation of Beneficiary (VRS-2) to ensure your beneficiary designation is up to date. If you elect the Survivor Option, you must submit a VRS-2 to designate a beneficiary for life insurance benefits; you may name your survivor or another individual as your beneficiary.
- Request for Income Tax Withholding (VRS-15)
- Authorization for Direct Deposit of Monthly Benefit (VRS-57)

Other forms and documents you may need:

- If you are electing the Survivor Option, acceptable legible evidence of your survivor's date of birth.
- If you are electing the Advance Pension Option, a Social Security benefit estimate. The estimate must be less than 12 months old, assume you will have no future earnings after leaving your position and be based on your Social Security earnings record. For detailed instructions, go to *www.varetire.org/apo*.
- Request for Health Insurance Credit (VRS-45) if you are eligible for the credit and VRS will not be deducting retiree health insurance premiums from your

Purchase Prior Service Before You Retire – If you have eligible prior service and want this service applied to your benefit calculation, submit an Application for Purchase of Prior Service Credit (VRS-26) at least 60 days before your retirement date. For more information about purchasing prior service, see Chapter 4-Enhancing Your Benefit.

Employer Certification – Submit your completed application and all required documents to your human resource office. Your employer will review your application, complete the employer certification section and submit your application to VRS. If you apply for retirement after 12 months from leaving employment, submit your application to VRS.

Retirement Certificate

Once your application has been processed, you will receive a retirement certificate and the *Retiree Handbook*. The retirement certificate outlines your benefit payment and other information about your retiree benefits. Keep your certificate and handbook for future reference.

monthly benefit payment. If VRS will be deducting premiums, you do not need to submit this form; VRS will apply the credit automatically to your monthly benefit. If your employer offers a retiree health insurance plan, your employer may have an arrangement with VRS to deduct the premiums from your benefit. Contact your human resource office for more information. For more information about the health insurance credit, see Chapter 11-Insurance in Retirement.

Deferring Retirement

If you leave covered employment and are eligible for retirement, you can defer receiving your retirement benefit until a later date. Submit a Name and Address Declaration for Deferred Members (VRS-3A) before you leave your position. If you are covered under the VRS Group Life Insurance Program, some basic benefits will continue after you leave your position, provided you do not take a refund of your member contributions and interest. For more information, see Chapter 11-Insurance in Retirement.

When you apply for retirement, your benefit will be calculated based on your service credit and average final compensation at the time you left your position. Submit the VRS-5 and other required forms and documents to VRS within 60 days, but not more than four months (120 days), before your retirement date.

Mandatory Retirement Distribution

If you defer retirement and do not apply for retirement by April 1 following the calendar year in which you turn age 70½, VRS will pay you a retirement benefit (Basic Benefit option), as required by law. VRS is not required to pay benefits retroactively; if your address changes, notify VRS as soon as possible by submitting a Name and Address Declaration for Deferred Members (VRS-3A).

If you are not vested, you will receive a refund of your member contribution account balance, excluding any member contributions made by your employer to your account after July 1, 2010 and the interest on these contributions.

Retirement Readiness Checklist

DURING YOUR CAREER

- ❏ Create a *my*VRS member online account through the VRS website at *www.varetire.org.* Use the *my*VRS Retirement Planner to see if you are on track for saving for retirement.
- ❏ Review your annual Member Benefit Profile (MBP) through *my*VRS.
- ❏ Sign up for free member education courses to learn more about your benefits and resources.

PREPARING FOR RETIREMENT

- ❏ Use the *my*VRS Benefit Estimator to create different retirement benefit estimates and the *my*VRS Retirement Planner to estimate your income and expenses in retirement.
- ❏ Sign up for member education courses and, if applicable, the Deferred Compensation Plan Regional Education Meetings.
- ❏ Let your human resource office know your retirement plans at least six months before the date you wish to retire.

60-120 DAYS BEFORE YOUR RETIREMENT DATE

- ❏ Apply for retirement.
- ❏ If you have eligible prior service and want this service applied to your benefit calculation, see Chapter 4-Enhancing Your Benefit.
- ❏ If you participate in the Optional Group Life Insurance Program, decide whether you want to continue or convert your coverage upon retirement.

RIGHT AFTER YOU RETIRE

- ❏ Create a *my*VRS retiree online account. VRS will send you a one-time authentication code in the mail shortly after you retire, which you will use to set up your secure online account.
- ❏ If you are enrolled in the COV Voluntary Group Long Term Care Insurance Program, you can continue your coverage by paying the premiums directly to the insurer. If you are not participating in the program when you retire, you can apply as a retiree, provided you are under age 80. Your employer is not required to have elected the program. For more information, visit *www.genworth.com/cov.*

10 Receiving Retirement and Deferred Compensation Plan Payments

Direct Deposit • Taxes • Cost-of-Living Adjustments (COLAs) • Social Security • If You Divorce • Deferred Compensation Plan Options • *my*VRS: At Your Service When You Retire

Direct Deposit

After you retire, your monthly benefit will be deposited to the financial institution account you designate on the Authorization for Direct Deposit of Monthly Benefit (VRS-57). Benefit payments are deposited on the first of the month for the preceding month's benefit. If the first falls on a weekend or holiday, the payment will be deposited on the last business day of the preceding month. If the net amount of your benefit changes, you will receive an earnings statement from VRS reflecting the new amount.

If Your Account Information Changes – If you change your financial institution, submit a VRS-57 with the new account information. Do not close your old account until your direct deposit begins in your new account. You can verify your new deposit information through *my*VRS (see "*my*VRS: At Your Service When You Retire" in this chapter).

Taxes

Your retirement benefit will be subject to federal income taxes and, if you live in Virginia, state income taxes. Any after-tax member contributions in your benefit payment will not be taxed again.

If you do not file a Request for Income Tax Withholding (VRS-15) when you retire, VRS will withhold federal taxes as if you were married with three allowances and state taxes, if applicable, as if you had zero allowances. If you do not want VRS to withhold taxes from your benefit, notify VRS using the VRS-15. Note that you may be responsible for paying estimated taxes or face tax penalties if your estimated tax payments are insufficient. For more information, contact a tax advisor or the Internal Revenue Service (IRS) toll free at 1-800-829-1040 or *www.irs.gov.*

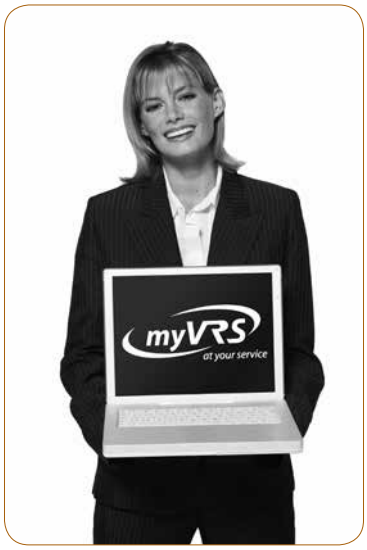
VRS does not deduct income taxes for other states. If you retire in Virginia and then move out of state, you can update your tax withholding through *my*VRS or by submitting a new VRS-15.

Hazardous Duty Supplement – If you are eligible for the hazardous duty supplement when you retire, the supplement will be added to your monthly benefit payment and continue until your normal retirement age under Social Security. The current supplement amount is available at *www.varetire.org*. For more information about the supplement, see Chapter 2-Your Retirement Plan.

1099-R Form

After you retire, you will receive a 1099-R form from VRS each January for the previous calendar year's benefit payments and tax withholdings. You will file this form with your federal and state income tax returns. The 1099-R shows:

- Total amount of your benefit for the previous year
- Taxable amount of your benefit
- Total amount of federal income taxes and, if applicable, state income taxes withheld from your benefit during the previous year
- Amount of your benefit that is not taxed, if any, as determined by the IRS
- Whether your benefit is a retirement benefit, disability benefit or survivor benefit
- Total health insurance premiums for the previous year, less any health insurance credit reimbursements you receive. The health insurance credit is a non-taxable benefit and will not be included in your 1099-R. For more information about the health insurance credit, see Chapter 11-Insurance in Retirement.



Imputed income. The cost of VRS group life insurance over $50,000 on the premiums paid by VRS is called imputed income. The Internal Revenue Service (IRS) considers this amount as income to you and subject to income taxes and FICA (Social Security and Medicare) taxes. If you are covered under the program when you retire and your coverage exceeds $50,000, VRS will automatically withhold FICA taxes and send you a W-2 form each year showing the amount of FICA taxes withheld and the additional taxable income. As your life insurance coverage reduces, the amount of imputed income also will reduce. If your coverage reduces to less than $50,000, these taxes will no longer be withheld. For more information about the life insurance coverage reduction, see Chapter 11-Insurance in Retirement.

Update Your Tax Withholdings Online – After you retire, you can set up a *my*VRS retiree account, providing secure online access to your retirement information. Through *my*VRS, you can submit changes to your tax withholdings online. See *"my*VRS: At Your Service When You Retire" in this chapter.

myVRS at your service

If You Retire as a Public Safety Officer

The federal Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act allows eligible retired public safety officers to exclude a certain amount per year from retirement income used for qualified health insurance premiums or long-term care insurance premiums. Premiums covering yourself as well as a spouse or dependent children may be eligible for this exclusion. You must claim the premiums on your tax return. The 1099-R reflects total taxable income without any adjustment for this benefit. For more information, contact a tax advisor or the IRS toll free at 1-800-829-1040 or *www.irs.gov.*

Cost-of-Living Adjustments (COLAs)

Cost-of-living adjustments (COLAs) allow your retirement benefit to keep pace with inflation. The COLA is based on the Consumer Price Index for all Urban Consumers (CPI-U), published by the U.S. Bureau of Labor Statistics and updated each July 1. During years of no inflation or deflation, the COLA is 0 percent.

If you retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from your retirement date. *Example:* If you retire on November 1, 2014, your first COLA will be effective July 1, 2016 and appear in your August 1, 2016 benefit payment.

If you retire with a reduced benefit with less than 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from the date you would have become eligible for an unreduced benefit. *Example:* If your unreduced retirement eligibility date is October 1, 2020 but you retire on November 1, 2014 and have less than 20 years of service credit when you retire, your first COLA will be effective July 1, 2022 and appear in your August 1, 2022 benefit payment.

The COLA is calculated using the first 2 percent increase in the CPI-U and half of any additional increase (up to 2 percent), for a maximum COLA of 3 percent. *Example:* If the CPI-U is 3.52 percent, the COLA will be 2.76 percent: 2 percent + (1/2 x 1.52 percent) = 2.76 percent.

For the current COLA, visit *www.varetire.org* (select the Retiree homepage).

What is the Consumer Price Index for all Urban Consumers (CPI-U)? – The U.S. Bureau of Labor Statistics defines the CPI-U as a measure of the average change over time in the prices paid by urban consumers for goods and services such as food, housing, apparel, transportation, medical care, recreation, education, communication and other goods and services.

Exceptions to COLA Effective Dates

If you are eligible for a COLA under any of the following circumstances, your COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from your retirement date:

- You were within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- You retire on disability.
- You are involuntarily separated from employment for causes other than job performance or misconduct and are eligible to retire under the Transitional Benefits Program.

- You die in service and your survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

How the COLA is Calculated

1. The average of the monthly Consumer Price Index for all Urban Consumers (CPI-U) for the most recent calendar year used to determine the VRS COLA is the difference between (i) the average for the calendar year just ended and (ii) the average for the most recent calendar year in which a COLA was paid.
2. This difference is then divided by the CPI-U for the most recent COLA being paid.
3. The result is multiplied by 100 to convert it to a percentage.

If you retire under the Basic Benefit or Advance Pension Option, the COLA calculation will be based on your Basic Benefit amount. If you retire under the Basic Benefit with the Partial Lump-Sum Option Payment (PLOP), Survivor Option or Survivor Option with the PLOP, the COLA calculation will be based on your reduced benefit amount.

Social Security

You will be eligible for a full Social Security retirement benefit when you reach your normal Social Security retirement age (see the following chart). You may qualify for a benefit as early as age 62. For more information, call the Social Security Administration toll free at 1-800-772-1213, visit *www.socialsecurity.gov* or contact your local Social Security Administration office.

Social Security Retirement Ages for Full Benefits

Year of Birth	Normal Retirement Age	Year of Birth	Normal Retirement Age
1937 or earlier	65 years	1955	66 + 2 months
1938	65 + 2 months	1956	66 + 4 months
1939	65 + 4 months	1957	66 + 6 months
1940	65 + 6 months	1958	66 + 8 months
1941	65 + 8 months	1959	66 + 10 months
1942	65 + 10 months	1960 or later	67 years
1943-54	66 years		

If You Divorce

Approved Domestic Relations Order (ADRO)

In the event of a divorce, your retirement benefit may be regarded as marital property in a property settlement. The *Code of Virginia* authorizes VRS to make a direct payment to a former spouse if he or she is awarded part of your benefit by the court. VRS implements the court decision when it receives a certified copy of an Approved Domestic Relations Order (ADRO). The court, not VRS, decides whether to divide your retirement benefit and how it is to be divided, provided the order is in compliance with the provisions of the *Code of Virginia*. Your attorney should provide VRS a draft ADRO before filing it with the court to ensure the language conforms to VRS' requirements. ADRO guidelines are available at *www.varetire.org*.

Other attachments. The *Code of Virginia* allows other attachments to your VRS benefit. Examples include IRS tax levies, debt to an employer, child support or other marital rights as stated in an ADRO or divorce decree.

Release of information. VRS will not release information about your benefit to anyone other than yourself without your written authorization, unless your information is subpoenaed.

If You Request a Distribution from Your Plan – Distributions are effective following a bona fide break in service of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. Periods of leave with or without pay does not count toward satisfying this break in service.

Deferred Compensation Plan Options

If you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, you have the following options when you retire or leave employment:

Keep your money in your plan. Your account continues to be tax-deferred and you continue to manage your investments. You cannot contribute to the 457 Plan unless you return to salaried or wage employment with an employer that offers the plan. A required minimum distribution will begin if you have not arranged to receive payments from your plan by age 70½ or when you leave a position with an employer providing the plan, whichever is later.

Request a distribution (payment) from your plan. You may request a distribution in a lump sum, as a periodic payment or as a combination of these methods. You will be required to pay federal and state income taxes on distributions from the 457 Plan as well as the Virginia Cash Match Plan. The IRS also may impose an additional 10 percent tax penalty on Cash Match Plan distributions received before age 59½; there are exceptions to this rule. There is no penalty for early withdrawals from the 457 Plan.

More Information – Call toll free 1-VRS-DC-PLAN1 (1-877-327-5261) or visit *www.varetire.org* (select the Defined Contribution Plans tab). For more information about enrolling in the plan, contributions and plan resources, see also Chapter 3-Saving for Retirement.

Roll over money from your 457 Plan or cash match account. You may roll over some or all of the balance in your 457 or Cash Match Plan to an Individual Retirement Account (IRA) or another qualified plan that accepts rollovers. Check with the plan sponsor to determine if the plan accepts rollovers and whether any fees or penalties apply.

Contribute sick leave, annual leave or other payments to your 457 Plan. If you are eligible to be paid for unused sick leave or annual leave or to receive other compensation when you leave your position, you can defer taxes on this payment by contributing it to the 457 Plan. To elect this option, submit the 457 One-Time Deferral Form to your employer while you are still employed or no later than the month before you would otherwise receive the payment. The form is available at *www.varetire.org* (select the Defined Contribution Plans tab). As provided under the Internal Revenue Code, you cannot contribute cash severance payments to the 457 Plan.

Use your cash match plan to consolidate your retirement funds. You may roll over money from an IRA or another qualified plan to your cash match account. If you elect the Partial Lump-Sum Option Payment (PLOP) at retirement, you can contribute some or all of your PLOP to your cash match account. For more information about benefit payout options, see Chapter 2-Your Retirement Plan.

*my*VRS: At Your Service When You Retire

After you retire, you can create a secure *my*VRS online account. Your retiree account is based on information you provide when you apply for retirement and information your employer reports to VRS.

What You Can Do in *my*VRS

- View your monthly retirement benefit payment amount and benefit payment history.
- See when your benefit payment is deposited and confirm your financial institution account information.
- View your cost-of-living adjustments (COLAs) and retiree life insurance coverage amount, as well as your health insurance premium deductions and health insurance credit, if applicable.
- View your income tax withholdings and manage your withholdings online.
- Review the information used to calculate your retirement benefit, including the benefit payout option you elected at retirement.
- Update your personal profile.
- Print income verification information and tax documents for income tax filing purposes.

Creating Your *my*VRS Retiree Online Account is Easy – When you retire, you will receive a one-time authentication code from VRS in the mail. You will use this code to create your online account. Select *my*VRS Access from *www.varetire.org* and then Retirees-Register. Any time you want to log in, you will enter the username and password you set up to create your account.

11 Insurance in Retirement

Group Life Insurance • Health Insurance Credit • Long-Term Care Coverage

Group Life Insurance

Basic Group Life Insurance Coverage

If you are covered under the VRS Group Life Insurance Program, some basic group life insurance benefits will continue into retirement or if you are eligible to retire but defer retirement. Your coverage will end if you have not met the age and service requirements for retirement or you take a refund of your member contributions and interest.

More Information – VRS has contracted with Minnesota Life as the insurer for the Group Life Insurance Program. For more information, call toll free 1-800-441-2258.

What is Creditable Compensation? – Creditable compensation is your annual salary not including overtime pay, payment of a temporary nature or payments for extra duties such as pay for teachers who provide coaching or act as an advisor for special activities.

Benefits include:

- Death benefit equal to your compensation at retirement, rounded to the next highest thousand and then doubled. If you retire with 20 or more years of service credit, the death benefit will be based on your highest compensation as a covered employee, even if your salary at retirement is lower. The benefit is payable if you die of natural or accidental causes.
- Accelerated death benefit option. If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.

The provisions that allow for double the natural death benefit for accidental death and dismemberment end upon retirement.

Life Insurance Coverage in Retirement. Your coverage begins to reduce on January 1 following one calendar year of retirement. The reduction rate is 25 percent each January 1 until it reaches 25 percent of the total life insurance benefit value at retirement.

When	Your Life Insurance Benefit	EXAMPLE
You retire	Your life insurance benefit is equal to your compensation at retirement, rounded to the next highest thousand and then doubled	You retired on March 1, 2013. Your compensation at retirement was $49,780; for your life insurance coverage that amount is rounded to $50,000 then doubled to equal $100,000 at retirement
On January 1 after you complete one calendar year of retirement (January through December)	Your life insurance coverage reduces 25 percent	Your first 25 percent reduction will be on January 1, 2015 with remaining coverage of $75,000
On January 1 after you complete two calendar years (January through December) of retirement	Your life insurance coverage reduces another 25 percent	Your next 25 percent reduction will be on January 1, 2016 with remaining coverage of $50,000;
On January 1 after you complete three calendar years (January through December) of retirement	Your life insurance coverage reduces a final 25 percent and remains at that value for the rest of your retirement	Your final reduction will be on January 1, 2017 and your coverage will remain at $25,000 for the rest of your retirement

In the Event of Your Death After You Retire – Your beneficiary or survivor should call Minnesota Life toll free at 1-800-441-2258. Minnesota Life can initiate all benefit claims and will provide information to VRS for processing any benefits due. For more information, see *Losing a Loved One: Guide for Families* available at *www.varetire.org*.

Additional Information About Your Life Insurance – For information about irrevocable assignment, imputed income taxes and child support liens, see Chapter 5-Group Life and Long-Term Care Insurance Programs.

Optional Group Life Insurance Coverage

If you are enrolled in the Optional Group Life Insurance Program, you may continue a portion of your coverage into retirement. You as well as your spouse and dependent children, if enrolled, must have been continuously covered during the 60 months preceding your retirement date. Accidental death and dismemberment coverage ends upon retirement. Optional life insurance amounts will reduce by 25 percent based on your age, beginning with your normal retirement date under your plan; coverage ends at age 80. The maximum amount of optional group life insurance coverage in retirement is $250,000. You must elect to continue your coverage within 31 days of your retirement date. This option is not available after 31 days.

You as well as your spouse and dependent children, if enrolled, can convert your coverage to an individual policy. You will be billed for the premiums. Submit a Conversion of Group Life Insurance Enrollment (VRS-35E) to Minnesota Life within 31 days of the last day of the month in which you leave your position. The form is available at *www.varetire.org*. This option is not available after 31 days.

Health Insurance Credit

If your employer offers the health insurance credit and you retire with at least 15 years of service credit, you may be eligible for this tax-free benefit. The health insurance credit assists with health insurance premiums you pay for single coverage, excluding any portion of the premiums covering a spouse or dependents. As set by the General Assembly, the dollar amount is $1.50 per year of service credit per month, up to a maximum of $45 per month, not to exceed the individual premium amount.

Disability and the Health Insurance Credit – If you retire on disability and your employer offers the health insurance credit, you will be eligible for a maximum health insurance credit of $45 per month, not to exceed the amount of your individual premiums. For more information, see Chapter 6-Retiring on Disability.

The health insurance credit is applied to your retirement benefit payment. If you do not receive a monthly benefit, VRS will reimburse you for the amount. The credit ends upon your death.

Qualifying Health Plans

- Individual health plans
- Coverage as a dependent on a spouse's plan
- Employer-sponsored health plans
- Medicare Part B
- Dental and vision plans
- Prescription drug plans, including Medicare Part D

The following are examples of plans not eligible for the health insurance credit:

- Coverage for specific diseases or procedures to treat a specific illness, such as cancer insurance
- Hospital or other indemnity policies
- Limited benefit plans, which offer coverage for only particular health care conditions or diseases, and do not replace traditional health insurance
- Plans covering home health care
- Long-term care insurance
- Long-term disability insurance
- Life insurance
- Network discount programs or policies, such as pharmacy discount programs
- Policies that include non-healthcare coverage, such as an auto club membership that includes a prescription discount program

Applying for the Health Insurance Credit

If you are eligible for the health insurance credit upon retirement and VRS will be deducting your health insurance premiums, you do not need to apply for it; VRS

will apply the credit automatically to your benefit payment. For any premiums VRS will not be deducting, complete and send the Request for Health Insurance Credit (VRS-45) to VRS. The form is available at *www.varetire.org*.

Annual Health Insurance Credit Notice

If you are eligible for the health insurance credit, you will receive an annual Health Insurance Credit Notice from VRS reminding you to verify and update your health insurance information, if necessary. This will ensure you are receiving the proper credit amount in a timely manner and are not at risk for overpayments. For any premiums VRS will not be deducting, you will report a change or cancellation by submitting a Request of Health Insurance Credit (VRS-45) to VRS.

Health Insurance in Retirement

Your employer may offer retiree health insurance coverage. Some employers have arranged with VRS to deduct the premiums from the monthly retirement benefit. Contact your human resource office for more information.

When you reach age 65, you will become eligible for Medicare. Medicare is a federal government-sponsored health insurance program. Medicare includes coverage for hospital care (Part A) at no cost to you and medical care (Part B), for which you pay a monthly premium. You also may elect coverage under the prescription drug plan (Part D). You should apply for Medicare at least three months before your 65th birthday.

Before you retire, you can estimate your health insurance and other expenses in retirement through the *my*VRS Retirement Planner. You can use the assumptions built into the planner or enter your own figures. Depending on the retirement date you use for your plan, you also can include a Medicare premium estimate. To create a secure online account, select *my*VRS Access from *www.varetire.org.*

myVRS at your service

Long-Term Care Coverage

If you are enrolled in the Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program when you retire, you can continue your coverage by paying the premiums directly to Genworth Life, the insurer for the program. If you are not enrolled, you can apply as a retiree, provided you are under age 80. Your employer is not required to have elected the program. Medical underwriting (proof of good health) will be required. Visit *www.genworth.com/cov* for more information. For an overview of the program, see also Chapter 5-Group Life and Long-Term Care Insurance Programs.

12 Working After Retirement

Non-Covered Employment • K-12 Critical Shortage Positions • Returning to Covered Employment • Retiring Again

After you retire, you can work for any employer that does not participate in the Virginia Retirement System (VRS) and continue to receive your retirement benefits. If you return to covered employment with a VRS-participating employer, you will become an active member and your retirement benefits will stop.

What is Covered and Non-Covered Employment? –

Covered employment is a full-time permanent, salaried position with an employer that participates in VRS. Some part-time permanent, salaried state positions also are covered under VRS.

Non-covered employment is a part-time position with a VRS-participating employer. Non-covered positions do not provide eligibility for benefits. Part-time positions typically require less than 80 percent of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require less than 80 percent of the hours per year that would be considered full-time and permanent for that position.

Non-Covered Employment

In some cases, you can work in a non-covered position with a VRS-participating employer and continue to receive your retirement benefits. If you return to non-covered employment with the employer from which you retired, you must have a bona fide break in service of at least one full calendar month from your retirement date. This break must occur over a period you normally would work. Periods of leave with or without pay do not count toward satisfying this break in service.

The Commonwealth of Virginia, including all state agencies and public colleges and universities, is considered one employer. Public school divisions and political subdivisions are considered separate employers. Your employer can make no verbal or written offer of reemployment before you retire. You and your employer must certify that no such pre-arrangement has been made on the Application for Service Retirement (VRS-5).

Interim Appointments

In some cases, retirees can work in an interim position for up to six months without interruption in retirement benefits. Examples include working in a vacant position while the employer recruits for a full-time permanent employee or while the incumbent is on leave. If you are considering an interim appointment, your employer must discuss the appointment with VRS before hiring you in the position. If you return to the employer from which you retired, you also must have a bona fide break in service as described above.

K-12 Critical Shortage Positions

You may be eligible to teach or serve as a principal or assistant principal in a critical shortage position in a Virginia public school. You do not have to retire as a teacher or school administrator as long as you become licensed by the Virginia Board of Education for the position you will hold. Positions are full time and temporary (non-covered) for the current school year; and if you qualify, you will continue to receive your retirement benefits.

To be considered for a K-12 critical shortage position, you must:

- Work in a designated critical shortage position;
- Hold a Virginia Board of Education license for the position;
- Have a break in service of at least 12 consecutive months between your retirement date and the date you wish to work in a critical shortage position. This break in service means not working in any full-time, part-time or temporary position with any VRS-participating employer; and
- Not take a refund of your member contributions and interest or defer retirement.

For more information on critical shortage designations and how to apply, visit the Department of Education website at *www.doe.virginia.gov* or contact the school system where you would like to work.

Returning to Covered Employment

If you return to covered employment, your retirement benefits will stop and you will become an active member.

Group Life Insurance Coverage

If you return to an employer that participates in the VRS Group Life Insurance Program and had this coverage as a retiree, you will resume your active member coverage. Your coverage will be based on the compensation you earn upon reemployment or your highest career compensation as a covered employee if you have 20 or more years of service credit. If you did not have retiree coverage, you will be enrolled automatically in the program upon reemployment.

If you return to an employer that does not participate in the VRS Group Life Insurance Program and you had retiree coverage, your coverage will continue at the level to which it had reduced before reemployment. For more information about the program, see Chapter 5-Group Life and Long-Term Care Insurance Programs and Chapter 11-Insurance in Retirement.

Disability Coverage

If you return to covered employment with the Commonwealth of Virginia, you will be enrolled automatically in the Virginia Sickness and Disability Program (VSDP). You will be required to fulfill eligibility periods for non-work related disability and certain income replacement levels. For more information, refer to the *Virginia Sickness and Disability Program Handbook for State Employees* available at *www.varetire.org*. If you return to a faculty position and elect the VRS defined benefit plan, you will have the option to enroll in VSDP or the institution's disability program, if offered.

If you return to covered employment with a school division or a political subdivision, you will be eligible to be considered for VRS disability retirement if you have a medical condition that prevents you from performing your job and is likely to be permanent. For more information, refer to the VRS *Disability Retirement Handbook for Members* available at *www.varetire.org*. See also Chapter 6-Retiring on Disability.

If You Retire on Disability – If you accept a position with any employer, including a VRS-participating employer, that requires the same or similar duties as those you performed before you retired on disability, your disability retirement benefits will end. If you are considering employment after you retire on disability, contact VRS to determine whether the position would disqualify you from continuing to receive disability retirement benefits.

Commonwealth of Virginia 457 Deferred Compensation Plan

If you return to employment with an employer that offers the Commonwealth's 457 Plan, you will be able to resume your contributions or enroll in the plan and may be eligible for an employer cash match through the Virginia Cash Match Plan. If you return to salaried state employment and are not participating in the plan, you will be enrolled automatically and will receive the employer cash match. If you return to employment and are receiving plan distributions, you can continue or suspend your distributions; you cannot start distributions unless you are age 70½ or older and eligible for an in-service distribution. For more information about the plan, see Chapter 3-Saving for Retirement and Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

Before You Accept Employment

If you want to work after you retire, call VRS toll free at 1-888-VARETIR (1-888-827-3847) to determine the impact on your retirement benefits. Also contact the Social Security Administration toll free at 1-800-772-1213 or visit *www.socialsecurity.gov* for information on the effect of earnings during retirement on your eligibility for Social Security benefits.

Retiring Again

When you retire again, you must submit a new Application for Service Retirement (VRS-5) and retire under the same benefit payout option you elected for your previous retirement. Your monthly benefit will be recalculated based on the additional service credit you earn and any changes in your average final compensation. If you retire under the Partial Lump-Sum Option Payment (PLOP), you will not receive another PLOP; your subsequent benefit also will be adjusted for the previous PLOP. If you retire under the Advance Pension Option, your subsequent benefit will be adjusted for the temporary increase in your previous benefit.

Any cost-of-living adjustments (COLAs) you were receiving during your previous retirement will not resume when you retire again. The COLA will be calculated as if you were retiring for the first time. For more information about the COLA, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.

13 Frequently Used Terms

Active Member	You are an active member if you are working in a covered position with an employer that participates in the Virginia Retirement System (VRS).
Active Service	Active service is the number of years you work in a covered position. You earn one month of service credit for each month you are employed ("in service").
Actuarial Equivalent Rate	Actuarial equivalent rate represents the amount of money needed in today's dollars to pay for the increase in your future retirement benefit or earlier retirement eligibility date resulting from purchasing prior service. If you purchase prior service after your eligibility period, your cost will be based on this rate.
Advance Pension Option	The Advance Pension Option is one of the benefit payout options available at retirement. This option allows you to temporarily increase your monthly benefit amount until an age you select, between age 62 and your normal retirement age under Social Security. At that point, your benefit is permanently reduced.
Approved Domestic Relations Order (ADRO)	An Approved Domestic Relations Order (ADRO) is a court order related to marital property rights and other attachments to your benefit such as child support at the time of divorce. If you divorce, your VRS benefit may be regarded as marital property in a property settlement.
Average Final Compensation	Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. It is one of the factors used to calculate your retirement benefit.
Basic Benefit	The Basic Benefit is calculated based on a formula using your average final compensation, a retirement multiplier and your total service credit at retirement. You can elect the Basic Benefit or another payout option when you apply for retirement.
Beneficiary	Your beneficiary is eligible for a payment of any funds remaining in your member contribution account and any life insurance benefits you may have upon your death. You may designate a beneficiary or beneficiaries on the Designation of Beneficiary (VRS-2).

Benefit Payout Option	When you apply for service retirement, you elect how you want to receive your benefit. You choose from four benefit payout options, depending on your eligibility: Basic Benefit, Survivor Option, Partial Lump-Sum Option Payment (PLOP) or Advance Pension Option. **The option you elect is irrevocable.** That means you cannot change it once you retire, with the exception of the Survivor Option under some conditions.
Bona Fide Break in Service	A bona fide break in service is a break of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. Periods of leave with or without pay do not count toward satisfying this break in service.
Child Support Liens	The Department of Social Services may file child support liens against proceeds payable under the VRS Group Life Insurance Program. VRS is required to pay life insurance proceeds to the Department of Social Services to satisfy any outstanding child support obligations at your death.
Consumer Price Index for all Urban Consumers	The cost-of-living adjustment (COLA) is based on the Consumer Price Index for all Urban Consumers (CPI-U) published by the U.S. Bureau of Labor Statistics. The CPI-U is defined as a measure of the average change over time in the prices paid by urban consumers for goods and services such as food, housing, apparel, transportation, medical care, recreation, education, communication and other goods and services.
Cost-of-Living Adjustment (COLA)	Cost-of-living adjustments (COLAs) allow your retirement benefit to keep pace with inflation. The COLA is based on the Consumer Price Index for all Urban Consumers (CPI-U), published by the U.S. Bureau of Labor Statistics and updated each July 1. During years of no inflation or deflation, the COLA will be 0 percent. For more information about the COLA, see Chapter 10-Receiving Retirement and Deferred Compensation Plan Payments.
Covered Employment	Covered employment is a full-time permanent, salaried position with an employer that participates in VRS. Some part-time permanent, salaried state positions also are covered under VRS.
Creditable Compensation	Creditable compensation is your annual salary not including overtime pay, payment of a temporary nature or payments for extra duties such as pay for teachers who provide coaching or act as an advisor for special activities.
Death-in-Service Benefit	If you die while you are an active member ("in service"), your beneficiary may be eligible for a death-in-service benefit in addition to any life insurance benefits you may have.
Deferred Member	You are considered a deferred member if you have left covered employment but have not withdrawn your member contributions and interest and have service credit in VRS or are maintaining an account balance in a Virginia optional retirement plan.
Defined Benefit Plan	The retirement plan under VRS is a defined benefit plan. This plan provides a monthly benefit during retirement based on age, total service credit and average final compensation.

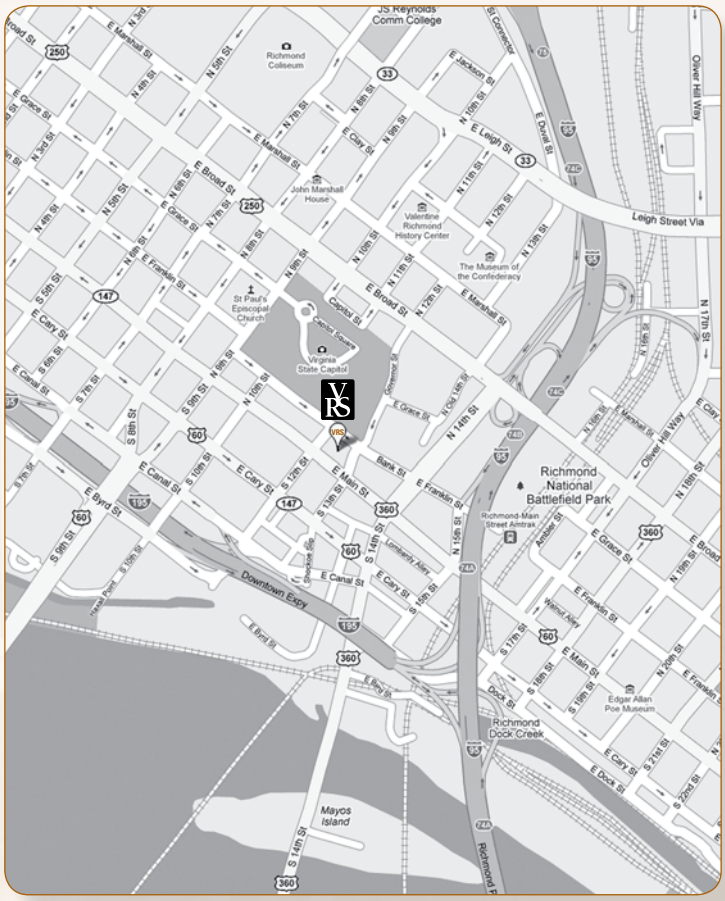
Defined Contribution Plan	The benefit under a defined contribution plan is based on contributions and net investment gains on these contributions. The defined contribution plans administered or authorized by VRS include the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans, optional retirement plans for selected employees and a supplemental plan for certain school employees.
Direct Deposit	When you apply for retirement, you must include the Authorization for Direct Deposit of Monthly Benefit (VRS-57) to designate the financial institution account where VRS will deposit your monthly retirement benefit payment. You also will use the VRS-57 to notify VRS if your account changes.
Disability Retirement	You may be eligible for disability retirement if you have a non-work related or work-related disability that prevents you from performing your job and is likely to be permanent.
Employer Contribution	Your employer makes a separate contribution to VRS toward funding current and future benefits for all covered employees. Members are not eligible for a refund of the separate employer contribution.
Form 1099-R	After you retire, you will receive a 1099-R form from VRS each January for the previous year's benefit payments and tax withholdings. You will file this form with your income tax returns.
Full-Time Employment	Full-time employment is typically 40 hours a week. Thirty-two hours a week is considered the minimum number for full-time employment. Employers, not VRS, classify positions as full time or part time and define the hours applicable to each classification.
Hazardous Duty Supplement	The hazardous duty supplement is a dollar amount added to the monthly retirement benefit. It continues until your normal retirement age under Social Security. You qualify for the supplement if you retire with at least 20 years of eligible hazardous duty service credit from a position providing the supplement.
Imputed Income	Imputed income is the cost of life insurance in excess of $50,000, as determined by the Internal Revenue Service (IRS). It is subject to FICA and income taxes and reflected in your W-2 you receive from your employer. When you retire, VRS will deduct FICA taxes and report taxable or imputed income for as long as your group life insurance exceeds $50,000.
Irrevocable Assignment	Irrevocable assignment means assigning your ownership rights in your life insurance coverage to another person or an entity such as an eligible trust or charity. You cannot change this assignment once it is made.
Line-of-Duty Benefits	If you are disabled or die in the line of duty, you or your survivor may be eligible for state or federal line-of-duty benefits. For more information about the Virginia Line of Duty Act, call the Department of Accounts at 804-225-3038 or visit *www.doa.virginia.gov.* For more information about the Federal Public Safety Officers' Benefits Act, call toll free 1-888-744-6513 or visit *www.ojp.usdoj.gov/BJA*.
Mandatory Retirement Age	The mandatory retirement age for political subdivision employees eligible for enhanced hazardous duty coverage, excluding sheriffs, is age 70. There is no mandatory retirement age for sheriffs.

Mandatory Retirement Distribution	If you defer retirement and do not apply for retirement by April 1 following the calendar year in which you turn age 70½, VRS will pay you a retirement benefit (Basic Benefit option), as required by law. If you are not vested, you will receive a refund of your member contribution account balance, excluding any member contributions made by your employer to your account after July 1, 2010 and the interest on these contributions.
Member Benefit Profile (MBP)	The Member Benefit Profile is your annual online benefits statement. It is based on information your employer reports to VRS through June 30 of each year. You can view your MBP through your *my*VRS member online account.
Member Contributions	You contribute 5 percent of your compensation each month to your member contribution account on a pre-tax salary reduction basis. The Code of Virginia prohibits members from borrowing from their member contribution accounts.
Membership Date	The effective date of membership in VRS is the first of the month.
Non-Covered Employment	Non-covered employment is a part-time position with a VRS-participating employer. Non-covered positions do not provide eligibility for benefits. Part-time positions typically require less than 80 percent of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require less than 80 percent of the hours per year that would be considered full-time and permanent for that position. Note that some part-time permanent salaried state positions are covered under VRS.
Normal Cost (Approximate)	Approximate normal cost is the average cost of one year of VRS service credit. If you purchase prior service within one year of becoming eligible, you will pay an approximate normal cost rate as a percentage of your compensation or average final compensation at the time of purchase.
Normal Retirement Age	Normal retirement age for eligible political subdivision hazardous duty employees covered under VRS is age 60.
Order of Precedence	If there is no valid beneficiary designation on file or your beneficiary is deceased at the time of your death, VRS is required by law to pay benefits according to an order of precedence. You designate a beneficiary on the Designation of Beneficiary (VRS-2). You can elect the order of precedence on the VRS-2 instead of naming a beneficiary.
Part-Time Employment	Part-time employment is typically less than 80 percent of full-time employment. Employers, not VRS, classify positions as full time or part time and define the hours applicable to each classification.
Partial Lump-Sum Option Payment (PLOP)	The Partial Lump-Sum Option Payment (PLOP) is one of the benefit payout options available at retirement. You may elect a PLOP if you work at least one year beyond the date you first become eligible for an unreduced retirement benefit. You can choose an amount equal to one, two or three times your annual retirement benefit amount, depending on how long you work beyond your unreduced retirement eligibility date. This option is paid from your member contribution account and reduces your monthly benefit.

Plan 1	You are covered under the provisions of Plan 1 if your membership date is before July 1, 2010 and you were vested (you had at least five years of service credit) as of January 1, 2013. If you leave employment but do not take a refund of your member contributions and interest or are maintaining an account balance in an optional retirement plan authorized or administered by VRS, you will be considered a deferred member. If you return to covered employment, you will be rehired under Plan 1. If you are a deferred member but were not vested as of January 1, 2013, or if you took a refund of your member contributions or your full account balance in an optional retirement plan authorized or administered by VRS, you will be rehired under Plan 2 if you return to covered employment.
Plan 2	You are covered under the provisions of Plan 2 if your membership date is before July 1, 2010 and you were not vested (had less than five years of service credit) as of January 1, 2013, or your membership date is on or after July 1, 2010. If you were previously employed in a position covered under Plan 1 and took a refund of your member contributions and interest or withdrew your full account balance in an optional retirement plan authorized or administered by VRS, you will be rehired under Plan 2 if you return to covered employment.
Plan Provisions	Plan provisions are the requirements that govern the plans or programs under which you are covered based on your current position of employment.
Portability	Portability means transferring the value of your retirement assets from a previous employer with which VRS has a portability agreement to a VRS-participating employer, through the purchase of VRS service credit, in order to consolidate your retirement benefits. Currently, VRS has portability agreements with the following public employers: City of Charlottesville, City of Danville, City of Newport News, City of Norfolk, City of Richmond, City of Roanoke and County of Fairfax.
Power of Attorney	Under a power of attorney, you can name an individual as your agent to take actions on your behalf if you no longer can take care of your own affairs. To name an agent for VRS matters, submit the VRS Durable Power of Attorney (VRS-901).
Prior Service Credit	Eligible prior service includes federal and other public service, active duty military service, certain types of leave and VRS refunded service. If you have prior service, you may be eligible to purchase this service as credit in your plan. Prior service credit counts toward vesting, eligibility for retirement and eligibility for the health insurance credit, if offered by your employer.
Refund	A refund is a lump-sum payment of your member contribution account balance. If you leave covered employment, you can request a refund. You will receive a full or partial refund based on whether or not you are vested or involuntarily separated from employment for causes other than job performance or misconduct.
Required Minimum Distribution	If you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, a required minimum distribution will begin if you have not arranged to receive payments from your account by age 70½ or when you leave a position with an employer providing the plan, whichever is later.

Retiree	You are a retiree if you are no longer employed in a covered position and are receiving a monthly retirement benefit from VRS.
Retirement Benefit-Reduced	Under VRS, eligible political subdivision hazardous duty employees are eligible for a reduced benefit beginning at age 50 with at least five years of service credit.
Retirement Benefit-Unreduced	Under VRS, eligible political subdivision hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least five years of service credit or age 50 with at least 25 years of service credit.
Retirement Date	The effective date of retirement is the first of the month.
Retirement Multiplier	For sheriffs, regional jail superintendents or jail officers, the retirement multiplier is 1.85 percent for service retirement. For law enforcement officers, firefighters or emergency medical technicians, the retirement multiplier is 1.7 percent or 1.85 percent, depending on the employer's election.
Rollover	A rollover is a contribution of a pre-tax lump-sum payment, such as a refund or a Partial Lump-Sum Option Payment (PLOP), to an Individual Retirement Account (IRA) or another qualified plan. A rollover allows you to defer income taxes until you withdraw the money from your plan.
Service Credit	Service credit is credit for service earned as a VRS defined benefit member. Members earn service credit for each month they are reported in a covered position. Service credit also may include credit for prior service a member may have purchased or additional service credit granted by an employer. Service credit is one of the factors used to calculate the VRS retirement benefit and determine eligibility for retiree benefits.
Service Retirement	Service retirement is another term for regular retirement.
Survivor Option	The Survivor Option is one of the benefit payout options available at retirement. Under the Survivor Option, you elect to continue a monthly benefit to a survivor upon your death. This option reduces your monthly benefit. You can name any living person as your survivor; you also can name more than one survivor.
Vesting	You become vested when you have at least five years (60 months) of service credit. Vesting is the minimum length of service needed to qualify for a retirement benefit, if you meet the age and service requirements for your plan, or to receive any contributions made by your employer to your member contribution account after July 1, 2010 should you leave covered employment and request a refund.

VRS - Richmond, Virginia



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Want to learn more about your VRS benefits? – Meet with a counselor at the VRS Retirement Counseling Center at 1111 East Main Street in downtown Richmond. Sessions are held on a first-come first-served basis with limited scheduled appointments available. The hours are 8:30 a.m.-4 p.m., Monday through Friday. Go to *www.varetire.org* for directions to the center and the parking deck; the first hour of parking is free.

Also take advantage of free member education opportunities. Schedules and registration are available on the VRS website; select Education & Counseling from the Member homepage. For Deferred Compensation Plan Regional Education Meetings, select the Defined Contribution Plans tab.

VRS Plan 2

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