

**Handbook for Participants in
The Commonwealth of Virginia
Optional Retirement Plan
For Higher Education**

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Introduction

If you are an eligible employee of a participating institution of higher education you were allowed to choose between the Virginia Retirement System (VRS) defined benefit plan and the Optional Retirement Plan for Higher Education (ORP) defined contribution plan. The following are eligible employees: The president of a participating institution, the Chancellor of the Virginia Community College System, and a full-time salaried person engaged in teaching, administration or research who has faculty rank at a participating institution.

The publication “Choosing Your Retirement Plan” is a comparison guide developed for employees eligible to choose between the VRS defined benefit plan and the ORP defined contribution plan. Review this document prior to selecting your retirement plan. It is available on the VRS Web site’s [Optional Retirement Plan for Higher Education page](#). This guide was designed to help you in evaluating your choice and determining which option is better for you. The rest of this booklet describes your retirement benefit if you elect to become covered by the ORP.

If you do not select the ORP within 60 days from your date of hire in an eligible position with a participating institution, you will be covered by the VRS defined benefit plan instead.

This handbook provides a summary of the most important provisions of the Optional Retirement Plan of the Commonwealth of Virginia for Employees of Institutions of Higher Education (“ORP” or “Plan”) established under the authority of Section 51.1-126 of the Code of Virginia. It is intended to be a non-technical summary of the rules that govern how this Plan works. Other important terms are defined in the section entitled [Glossary](#).

This handbook does not explain every provision of the Plan and does not go into detail about various Plan provisions. If after reading this handbook you have questions or want a copy of the formal legal document that describes all Plan provisions in detail, you should contact your institution’s Human Resources office or refer to the Plan Document and other information found on the VRS Web site’s [Optional Retirement Plan for Higher Education page](#).

You should understand that the Plan document and the Code of Virginia, and not this handbook, would govern if there were any conflict between the information provided in this handbook and the actual Plan provisions. This handbook also provides a summary of the life insurance benefits, retiree health benefits and health insurance credits available to you if you select the

ORP as your retirement plan. The life insurance benefits and retiree health insurance credits described in this booklet are governed by Title 51.1 of the Code of Virginia (Chapters 5 and 14).

About Your Optional Retirement Plan

The Plan is a tax qualified money purchase pension plan regulated by Internal Revenue Code Section 401(a) and is permitted by Section 51.1-126 of the Code of Virginia.

Eligible Position - Am I eligible for this Plan?

If you are employed as the president of a participating institution, the Chancellor of the Virginia Community College System, or a full-time salaried person engaged in teaching, administration or research who has faculty rank at a participating institution you are in an eligible position. No one else is eligible to select this Plan.

Enrollment

You must elect to be covered by the ORP. You make this election by submitting the Election to Participate in the ORP for Higher Education (VRS-65) to your institution's Human Resources office. The VRS-65 must be submitted within 60 days from your date of employment in an eligible position.

The election to enroll in the ORP is irrevocable as long as you remain in an eligible position with any of the participating institutions or with other public institutions of higher education in the Commonwealth of Virginia.

What steps must an eligible employee take to enroll in the ORP?

There are three steps to enrolling in the ORP:

- 1) Within 60 days of being employed in an eligible position, submit a completed VRS-65 to your institution's Human Resources office;
- 2) You will be given an enrollment kit for the provider you select; please choose the funds in which you want your ORP contributions invested and complete the enrollment application;
- 3) Complete the beneficiary forms and return the completed forms to your institution's Human Resource Office (or provide them with a copy if you have been instructed to mail them directly.)

See Section entitled [Your Plan Investments](#) for more information about the investment providers and available investment funds.

Once I select the ORP as my retirement plan, may I later switch to the VRS defined benefit plan?

Generally no. You would be eligible to participate in the VRS defined benefit plan only if you leave the position that makes you eligible for the ORP and become employed in a position that is covered by the defined benefit plan and not eligible for the ORP. You would also be eligible to participate in the VRS defined benefit plan if you terminated employment with the Commonwealth and returned to VRS covered employment after at least a 30 day break in service. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more, based on employer's policy) educational leave, and sabbaticals are not considered breaks in service.

You would continue to be covered by the ORP when moving between Virginia public institutions whether they participate in the Commonwealth's ORP for Higher Education or have their own plan under Section 51.1-126 of the Code of Virginia.

Plan Contributions

How much does my employer contribute for me?

Currently, your employer will contribute an amount equal to 10.4% of your creditable compensation for each pay period to your Plan account. The contribution will generally be made as soon as reasonably possible following the payday for the applicable pay period. You will be 100% vested in each contribution made to the Plan.

What is creditable compensation?

Creditable compensation means your annual salary. Plan contributions are not made on overtime pay, payments of a temporary nature, accumulated leave pay, or other extra pay. For this Plan, your compensation is determined before reduction for contributions to any 403(b) plan or governmental 457 plan and before reduction for any pre-tax contributions to purchase health insurance or to pay for qualified transportation benefits. This Plan's definition of compensation is the same as creditable compensation for VRS defined benefit plan purposes.

Are there any limits on the amount that may be contributed on my behalf?

There are several limits of which you should be aware. First, Internal Revenue Code Section 401(a)(17) limits the amount of compensation that can be taken into account in making contributions to a tax qualified plan such as this. If you became a participant in the Optional Retirement Plan on or after July 1, 1996, the compensation limit applicable to you for the plan year beginning July 1, 2003 is \$200,000 and for the plan year beginning July 1, 2004 is \$205,000. If you became a participant in the Optional Retirement Plan before July 1, 1996, the compensation limit applicable to you for the plan year beginning July 1, 2003 is \$300,000 and for the plan year beginning July 1, 2004 is \$305,000. The compensation limits are adjusted for cost of living increases, usually on an annual basis.

In addition to the compensation limit, Internal Revenue Code Section 415 provides that the maximum contributions which may be allocated to your accounts in all tax qualified defined contribution plans maintained by your institution or the

Commonwealth in a calendar year are limited to the lesser of \$41,000 or 100% of your total compensation from your institution and the Commonwealth. For this purpose, your total compensation is determined by including all your taxable compensation plus your before-tax contributions to any 403(b) plan or governmental 457 plan, premium conversion or pre-tax welfare plan, or qualified transportation benefit plan of your employer. The \$41,000 limitation will be increased from time to time for inflation.

Generally, contributions made by you to a 403(b) account or to the Commonwealth's Deferred Compensation Plan do not count toward the \$41,000 limit. However, contributions made by the institution on your behalf to a cash match plan are counted toward this limit.

Am I required to make contributions to the Plan?

No, you are not required to make contributions under this Plan. Contributions to the Plan are made by your employer.

Participating in the ORP does not affect your right to participate in the Commonwealth's Deferred Compensation Plan or a 403(b) account available through your institution. If you would like to build up additional retirement savings, ask your Human Resources office about these tax-deferred retirement savings plans.

Can I roll over amounts distributed from other plans into this Plan?

Yes, you are permitted to roll over funds from any employer's tax-qualified 401(a) retirement plan (including any 401(k) plan) as well as from a 403(b) plan, a governmental 457(b) plan and a traditional IRA into this Plan. Beginning July 1, 2004, you may also roll over funds that were contributed on an after-tax basis.

If you were a member of the VRS defined benefit plan prior to becoming eligible for this Plan, you may transfer your member contribution account balance from the VRS to this Plan. If you make this plan-to-plan transfer, you will lose your service credit in the VRS defined benefit plan and the associated benefit. However, the period of employment during which the VRS service credit was earned counts toward the service required to qualify for the retiree life insurance and health insurance credit. The form required for this plan-to-plan transfer is the "Request for Transfer of Refund to the Optional Retirement Plan" (VRS-3ORP), which is found on the VRS Web site's [Optional Retirement Plan for Higher Education page](#).

The retirement funds that you roll over into this Plan will be maintained in a separate rollover account for you. For details, please contact the investment provider that you have chosen.

Your Plan Investments

Who are the investment providers for the Plan?

Effective July 1, 2004, two investment providers are available to accept contributions for Plan participants. You may elect to have contributions sent either to Fidelity (Fidelity Investments Tax-Exempt Service Company) or to TIAA-CREF (Teachers Insurance and Annuity Association -College Retirement Equities Fund). You may not split your on-going contributions between Fidelity and TIAA-CREF. You may, however, change providers once a year during open enrollment, which occurs each October effective January 1 of the following year.

You may contact the providers at:

Fidelity Investments Tax-Exempt Services Company

www.fidelity.com/atwork

1-800-343-0860 (automated voice response system and customer service representatives)

TIAA-CREF

www.tiaa-cref.org

1-800-842-2776 (telephone counseling center)

1-800-842-2252 (automated telephone system)

How is my money invested?

You decide how to invest your Plan money using the investment options selected for the Plan by the Advisory Committee for the Optional Retirement Plan for Higher Education appointed by the Board of Trustees of VRS (the “Committee”). The Committee is made up of members of the VRS Board of Directors and representatives from colleges and universities.

What is the rationale for making the specific investment choices available to Plan participants?

The rationale for the investment options selected for the Plan is described in the Investment Policy Statement. A copy of the Investment Policy Statement is available for your review on the VRS Web site’s [Optional Retirement Plan for Higher Education page](#).

What are my investment options?

A number of investment options are available through each provider. The investment options available have been selected and will be monitored on an ongoing basis by the Committee, with the advice and assistance of the Investment Department of VRS.

Through Fidelity, you may select among the following options:

Fund Name	Asset Class
Fidelity Managed Income Portfolio	Stable Value
Fidelity Retirement Government Money Market Portfolio	Money Market
Fidelity U.S. Bond Index Fund	Fixed Income – Domestic Investment Grade – Passively Managed
Fidelity High Income Fund	Fixed Income – High Yield
Fidelity Inflation Protected Bond Fund	Fixed Income – Treasury Inflation Protected (TIPs)
Fidelity Freedom Funds	Lifestyle Asset Allocation
Fidelity Dividend Growth Fund	Equity – Domestic
Fidelity Spartan Extended Market Index Fund*	Equity – Domestic – Passively Managed
Fidelity Low-Priced Stock Fund	Equity – Domestic
Fidelity Diversified International Fund	Equity – International
Fidelity Worldwide Fund	Equity – Global
Fidelity Real Estate Investment Portfolio	Real Estate

*Available October 1, 2004

Through TIAA-CREF, you may select among the following options:

Fund Name	Asset Class
TIAA Traditional Annuity	Fixed Account
CREF Money Market Account	Money Market
CREF Bond Market Account	Fixed Income – Domestic Investment Grade
CREF Inflation-Linked Bond Account	Fixed Income – Treasury Inflation Protected (TIPs)
Vanguard Asset Allocation Fund	Asset Allocation
CREF Stock Account	Equity – Domestic
CREF Equity Index Fund	Equity – Domestic – Passively Managed
DFA International Small Company Portfolio	Equity – International
CREF Global Equities Account	Equity – Global
TIAA Real Estate Account	Real Estate

You should read all Plan investment related materials carefully, because you alone will be responsible for your investment direction, and VRS, its Board of Trustees, the Committee, the Commonwealth and your institution are relieved from any liability or responsibility for your investment choices.

Quarterly statements will be mailed to you. You will also have access to your account information on-line through the providers' Web sites or through the providers' telephone centers or representatives.

How do I select my investment provider and the funds in which I wish my Plan contributions invested?

The VRS-65, which you used to indicate your selection of the ORP as your retirement plan, also directed you to indicate your choice of a provider. Your Human Resources office will provide you an enrollment packet for the provider you have chosen or will direct you to the appropriate Web site to select your investments. Follow the instructions in the enrollment packets or on the site to select your investments.

What happens if I don't decide how to invest?

If you fail to specify your investment direction, your money will be invested with the default investment provider and default investment options selected for the Plan. Since the Committee is unlikely to know all your personal circumstances, the default investment option may not be what you would want so you should make sure you give your own investment direction.

The default investment provider is Fidelity and the default investment fund through Fidelity is the Fidelity Freedom Fund based on your expected normal retirement age.

If you selected TIAA-CREF as your provider but did not select your investments, contributions will be directed to the Vanguard Asset Allocation Fund, which is the default investment fund through TIAA-CREF.

Will I be permitted to change the provider or my investment direction?

You may change your investment direction among the choices available through your provider at any time. You will receive information from your provider on how to make changes. You will have a number of options, including Internet access, telephone access and personal meetings with your provider representative to discuss your needs.

You will be given the opportunity during October of each year to change providers effective January of the following year. If you change providers, you may elect to have your entire account balance moved to the new provider or you might elect only to have future contributions sent to the new provider. Moving your account balances is subject to any restrictions associated with the specific investments you choose. Any such restrictions were outlined in the prospectus, which was provided to you at the time of your selection. You should discuss this decision with the provider representatives so you fully understand the effect of the change and any fees or charges that may be incurred if you move your funds.

You should regularly review your accounts under the Plan with your provider representative or with another financial advisor. Remember that as your circumstances change, you may need to adjust your investment strategy.

Plan Fees and Expenses

What are the costs for the Plan?

There is no direct cost or fees for participation in the Plan; your employer pays the direct administrative costs. However, please refer to the material provided by the providers for full disclosure of investment and administrative fees charged by the providers and investment options.

No Distributions While Employed

Can I withdraw my money whenever I want?

No. The Plan is designed to provide you with retirement income and therefore you are not able to withdraw money until you leave employment with the Commonwealth. Loans and hardship withdrawals are not available under the Plan.

Your Retirement Distribution

When may I receive my retirement distribution?

You may begin to receive distributions from the Plan at any time after your severance from employment with a participating institution and the Commonwealth of Virginia, unless you are reemployed with a public employer in Virginia and become an active participant in one of the retirement plans created by the Code of Virginia Title 51.1, Chapter 1, 2, 2.1 or 3. Transferring from one participating institution to another agency or institution of the Commonwealth is not considered a severance from employment. Transferring from an eligible position to one not eligible for the ORP (but in which the Commonwealth is your employer) is also not considered a severance from employment.

Please note that the date you choose to begin your distribution from the Plan may affect your eligibility for the State retiree health benefits and for the retiree health insurance credit.

When you are preparing to leave employment contact your provider representative to get information about your payout options.

When must I begin receiving my retirement distribution?

If you have severed employment, you must begin to receive your retirement distribution no later than April 1 following the calendar year in which you attain age 70 ½. However, if you remain employed after attaining age 70½, you must wait until the date you retire. This required beginning date is imposed by Internal Revenue Code Section 401(a)(9).

How will my benefits under the Plan be paid to me?

Your benefits may be paid to you in the form of an annuity for your lifetime. The amount of monthly annuity payments is based on the value of your account, your life expectancy, prevailing interest rates at the time you start receiving your life annuity and whether or not you select a survivor option.

You may choose to have your benefit paid as a joint and survivor annuity with a percentage of the annuity payable to you during your lifetime continuing to your named survivor after your death for the rest of that person's life. You may choose a survivor percentage of 50%, 66-2/3% or 100%.

In addition, instead of an annuity payment, the Plan permits you to elect to receive your benefit as a single lump sum payment or in systematic installment payments of a fixed amount per payment or for a term certain selected by you.

Please note that if you select a lump sum payment, including a rollover to another plan, you will not be eligible for State Retiree Health Benefits or for the retiree health insurance credit.

Other options may be also available through your investment provider. You will have the opportunity to discuss distribution options with your provider representative who will help you understand and select the best option for your circumstances.

Will the time and form of payment that I choose have any affect on other benefits available to me in retirement?

Yes, in order to be eligible for State Retiree Health Benefits, you must take an immediate periodic benefit from the Plan. This is analogous to a VRS retiree who must take an immediate (not deferred) annuity in order to be eligible for enrollment in the State retiree health insurance.

In order to be eligible for retiree health insurance credit, you must be receiving periodic payments from the Plan when the benefit starts if otherwise qualified. You can, therefore, defer your retirement payment and later qualify for retiree health insurance credit.

Are there any other rules governing the payout option that I may choose?

Yes. The Plan requires you to choose a payout option that will satisfy certain minimum distribution rules which are necessary according to Internal Revenue Code Section 401(a)(9).

Under these rules, you must choose a payout option that will pay out your benefit over your life or life expectancy, or over the joint lives or life expectancies of you and your beneficiary.

Your provider representative can help you determine whether your selected payout option will satisfy these rules.

What tax rules apply to the benefits paid under the Plan?

All benefit payments under the Plan are subject to federal and state income taxes when distributed to you or your beneficiary. Depending upon your age when you begin receiving the benefit you may also be subject to a 10% early withdrawal penalty. The 10% early withdrawal penalty will not apply if you sever employment after age 55 or take your distribution in the form of periodic payments.

If you select an annuity or distribution option that can be rolled over directly into an Individual Retirement Account (IRA) or other tax qualified or governmental 457 plan (an “eligible rollover distribution”), you may continue to defer income taxation on the distribution until the Required Beginning Date imposed by the IRS. If you do not elect to have an eligible rollover distribution transferred directly into an IRA, 20% federal and 4% State withholding (for Virginia residents at the time of distribution) is required.

If you select a periodic payment over more than 10 years the payment is not eligible for rollover and therefore, the mandatory 20% federal and 4% State tax withholding do not apply. There is a required 10% federal and 4% State tax withholding unless you specify a different amount or no withholding. Review the “Special Tax Notice” found on the VRS Web site’s [Optional Retirement Plan for Higher Education page](#).

You can also choose to leave your account in the plan until it is needed or until you are required to begin receiving benefits under IRS minimum distribution rules.

Your Death Benefit

Who will receive my ORP account in the event of my death?

When you join the Plan you will be asked to complete a Designation of Beneficiary form for each provider with which you have an account. You may choose as a beneficiary any natural person or another non-natural entity such as a trust. You may designate any number of beneficiaries. You can also specify different classes of beneficiaries – for example one or more primary beneficiary(ies), and then one or more contingent beneficiary(ies) who get any remaining benefit if your primary beneficiary(ies) dies before you do. If you name more than one beneficiary, the Plan will assume that all beneficiaries in the same class should get equal shares, unless you specify otherwise.

You may change your beneficiary designation at any time by filing a new beneficiary designation form with your provider.

If I have accounts with different providers, am I required to designate the same beneficiary for each provider?

No. You may designate the same or different beneficiaries for each provider. It is very important that you review your beneficiary designations to be sure they are as you wish them to be.

Is my beneficiary designation with one provider valid for the other provider?

No. At this time, you need to file a separate beneficiary designation form for each provider with which you have plan assets. It is very important that you review your beneficiary designations to be sure they are as you wish them to be.

What if I do not designate a beneficiary?

If you die without having a designated beneficiary or your designated beneficiary predecease you, your beneficiary will be deemed to be your surviving spouse, or if none, your children and descendants of your deceased children, per stirpes, or if none, your parents, equally if both are living, or if none, the duly appointed executor or administrator of your estate, or if none, the next of kin entitled to inherit under the laws of the State of your domicile at the time of your death.

What happens if I die before I begin receiving my retirement benefit?

If you die before you begin your retirement distribution, your full account is payable to your designated beneficiary or according to the order of precedence if no valid beneficiary designation is on file with the provider. Your beneficiary may choose any approved Plan payout option, except for a joint and survivor annuity, as long as it meets the minimum distribution rules. If your beneficiary fails to choose a form of payment, he or she will receive a lump sum payment.

When must the beneficiary start to receive payments?

If your beneficiary is your spouse, your spouse must start to receive payments by the later of: 1) December 31 of the year in which you would have reached age 70 ½; or 2) December 31 of the 5th calendar year after the date of your death.

If your beneficiary is not your spouse, your beneficiary must either 1) start to receive payments by December 31 of the 1st calendar year following the year in which your death occurs, or 2) be paid all the death benefit no later than December 31 of the 5th calendar year following the year of your death.

If your beneficiary elects to begin receiving payments by the end of the calendar year following the year of your death, the death benefit may be paid over the beneficiary's life expectancy.

May my beneficiary choose to begin payments sooner?

Yes. A beneficiary may begin payments at any time after your death.

What happens if I die after I begin receiving my retirement benefit?

If you die after you begin your retirement distribution, your beneficiary will receive further payment according to the terms of the payout option that you selected. Any money remaining in your account will be paid to your designated beneficiary or if none according to the order of precedence. If you used your ORP account balance to purchase an annuity and die after beginning to receive a retirement benefit, your

beneficiary will receive further payments (if any) according to the terms of the payout option that you selected.

Military Service

What if I'm away from work on military service?

If you perform duty in a uniformed service (defined below) and meet the eligibility requirements outlined below, your employer will make-up contributions for the period during which you were in uniformed service. Creditable compensation used for determining the make-up contribution will be the same compensation, based on rate of pay, you would have received but for your military service. These special rules apply only to the extent required by the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

Under USERRA, an employee who leaves a civilian job for military/uniformed service and is reemployed by an institution participating in the Plan is entitled to certain retirement and other benefits that would have accrued had the employee not been absent due to uniformed service.

For purposes of USERRA, uniformed services include: the Army, Navy, Air Force, Marines, Coast Guard and the reserve component of these services, the commissioned corps of the Public Health Service, as well as the National Guard and any other category of persons designated by the President in a time of war or emergency. Service for purposes of USERRA means active duty, active duty for training, initial active duty for training, inactive duty training, examination to determine fitness for duty, funeral honors, and full-time National Guard duty. Service may be voluntary or involuntary.

The following conditions must be met in order for ORP participants to qualify for USERRA benefits:

- The employee must give the employer advance written or verbal notice of service.
- The employee has no more than 5 years of total absences from the employer for military purposes. However, this limitation is subject to exceptions. Most notably, service resulting from an order to active duty because of war or national emergency declared by the President or Congress does not count against the five-year limit.
- The employee must not have been released from service under dishonorable or other punitive conditions.
- The employee must return to employment with the original employer within the following specified time frames based on the length of his or her service:
 - Less than 31 days: The employee must report to work no later than the beginning of the first full work period on the first full calendar day following

discharge, allowing reasonable time required to return home safely and an 8 hour rest period.

- More than 30 days but less than 181 days: The employee must return to employment no later than 14 days following discharge.
- More than 180 days: The employee must return to employment no later than 90 days following discharge.

Domestic Relations Orders

If I divorce or separate, or have to pay child support, can the court order payments to come from my Plan money?

Yes. With only a few exceptions, your interest in your Plan account may not be sold or given away. Similarly, your creditors normally may not attach or garnish your Plan account. The assignment or alienation of your Plan account is permitted only to the extent that the Code of Virginia allows it. One important exception to this general rule is for an Approved Domestic Relations Order (ADRO).

If you divorce, your Plan balance could be regarded as marital property in a property settlement. The Code of Virginia and the Plan authorize the Plan Administrator to make direct payment to a former spouse if the court awards the spouse part of the Plan benefit. It's important to remember that the law does not require that the court divide Plan benefits. It simply authorizes the Plan Administrator to make direct payments if the court divides the benefit. The court - not the Plan Administrator - makes the decision whether or not to divide your retirement benefits. Your attorney should work with VRS Member Services Department to determine how this can be done.

The Plan Administrator implements the court decision only if a certified copy of an Approved Domestic Relations Order (ADRO) is received and the order does not require the Plan to make a distribution contrary to the terms of the Plan or the Code of Virginia regarding the distribution of your account.

The language of the ADRO must conform to the requirements of the Plan Administrator. Your attorney should provide the VRS Member Services Department with a draft of the ADRO before filing it with the court to ensure that the language of the order is acceptable.

Contact the VRS Member Services Department for information on ADRO requirements.

The Plan requires that distribution to an alternate payee be made in a lump-sum as soon as practicable after a domestic relations order has been accepted or approved by the Plan.

Neither the provider, nor the Plan Administrator will release information about your benefit to anyone other than yourself without your written authorization. However, information may be secured by a subpoena without your authorization.

Amendment or Termination of this Plan

Can this Plan be amended or terminated?

The Board of Trustees of the Virginia Retirement System can amend this Plan at any time. However, the Board cannot make an amendment contrary to the Virginia statute that governs this Plan.

The Commonwealth of Virginia can amend or terminate this Plan at any time by action of the General Assembly.

What happens if the Plan is amended or terminated?

Any amendment or termination of the Plan cannot reduce the amount credited to your account before the date of the amendment or termination. You remain entitled to your total account.

About Your Health Insurance

Health insurance for active ORP participants is the same as for active VRS participants. For information about your health insurance benefits contact your institution's Human Resources office.

About Your Disability Protection

As an ORP participant am I covered by the Virginia Sickness and Disability Program (VSDP) or the VRS disability retirement benefit?

No. ORP participants are not covered by VSDP or the VRS disability retirement benefit. Most colleges and universities have arrangements by which faculty members have income protection during periods of disability. Check with your Human Resources office to determine if such a benefit is available to you.

As an ORP participant what benefit is available to me in the event of disability?

If you terminate employment due to a disability you may start a distribution from the ORP. The benefit you receive is determined by the amount in your accounts. There are no additional disability benefits associated with the Plan.

Your institution may make available to you a disability program. Generally, you pay the premiums required to participate. Your institution's Human Resources office can provide additional information. In determining whether or not to participate in your employer-sponsored disability program, review your need for income should you become disabled.

You should also be aware that unless you qualify based on service, your eligibility to receive up to the full amount of the health insurance credit should you become disabled is dependent upon your receiving a benefit from your employer's long-term disability program.

About Your Life Insurance

As an ORP participant, am I covered by the VRS life insurance?

State employees participating in the ORP have the same life insurance coverage as those who elected to be covered by the Virginia Retirement System defined benefit plan. That coverage includes basic group life, accidental death and dismemberment coverage and optional coverage for you and your dependents as described below.

Basic Group Life Insurance

If your employer provides VRS Basic Group Life Insurance, coverage is automatic. Your basic group life insurance provides you with basic life insurance and accidental death and dismemberment insurance during active employment. Your life insurance benefits are:

- group life insurance without a medical examination,
- natural death benefits,
- double the natural death benefit for an accidental death,
- dismemberment payments for accidental loss of one or more limbs or the loss of sight in one or both eyes, and
- accelerated death benefit for a terminal medical condition,
- a safety belt benefit,
- repatriation benefit,
- felonious assault benefits.

The VRS group life insurance provider is Minnesota Life. Questions about your life insurance coverage can be directed to:

Minnesota Life
P.O. Box 1193
Richmond, VA 23218-1193
Toll free: 1-800-441-2258

Amount of Benefit

For natural death, the amount of basic group life insurance is equal to your annual salary rounded to the next highest thousand, and then doubled. For example, if your annual salary is \$65,200, it is rounded up to the next highest thousand - \$66,000. When doubled it is \$132,000 for natural death. If death is accidental, the amount is doubled again, so in this example, the benefit amount is \$264,000 (\$132,000 natural death benefit and \$132,000 for accidental death).

Dismemberment Benefit

You receive a payment equal to your salary rounded to the next highest thousand for the accidental loss of one limb or the sight of one eye. You receive a payment equal to your salary rounded to the next highest thousand and doubled, for the loss of two or more limbs, the total loss of eyesight, or the loss of one limb and the sight of one eye.

Felonious Assault Benefits

The life insurance benefit pays an amount equal to the lesser of \$50,000 or 25 percent of the accidental death or dismemberment benefit amount, if you die or suffer dismemberment because of a felonious assault.

A felonious assault is a physical assault by another person resulting in bodily harm. The assault must take place while you are performing your customary duties at your employer's normal place of business or while you are on work-related travel, and must involve the use of force with intent to cause harm and must be either a felony or a misdemeanor. No benefit is payable if the assault is committed by an immediate family member.

If the assault causes your death, and you have an eligible child or children, the benefit will provide a Virginia Education Savings Trust account to be used for college tuition and mandatory fees at any accredited college or university in the country that is eligible to participate in federal student financial aid programs. The amount will be approximately equal to the current cost of a pre-paid tuition contract for tuition and mandatory fees for a public four-year institution of higher education in Virginia.

Repatriation Benefit

If you die in an accident at least 75 miles from home, this benefit pays an additional accidental death benefit for returning your remains. The amount paid will be either the cost of transportation or \$5,000 whichever is less.

Safety Belt Benefit

If you die or suffer dismemberment in an accident while driving or riding in a private passenger vehicle, your life insurance benefit will pay an additional amount equal to 10 percent of the accidental death or dismemberment amount, provided the private passenger car was equipped with a safety restraint system that was in proper use at the time of the accident, and the driver of the vehicle was a licensed driver and was not intoxicated, impaired, or under the influence of alcohol or drugs. The maximum benefit payable is \$50,000. A safety restraint system means a properly installed seatbelt, lap and shoulder restraint or other restraint system approved by the National Highway Safety Administration. An air bag system is not required.

Accelerated Death Benefit

If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw any amount of your life insurance coverage (up to the total amount of your natural death benefit) for any purpose. Any amount left in the plan is paid to your beneficiary. If you withdraw the entire amount of your life insurance coverage, no payment remains for your beneficiary.

Voluntary Irrevocable Assignment

You may make an irrevocable assignment of your ownership rights to the insurance provided by the basic group life insurance benefit by completing a form provided by Minnesota Life. Anyone considering such an assignment should seek the advice of legal counsel.

An irrevocable assignment does not automatically change the beneficiary designation made before the date the assignment is made; however, the new owner may change the beneficiary. Using the life insurance as collateral to secure a loan is prohibited.

Taxes

Basic group life insurance is subject to imputed income and FICA taxes. This means that if your coverage exceeds \$50,000, the value of the coverage in excess of \$50,000 will be subject to FICA and federal and state income taxes if the premiums are paid by your employer. The value used to determine imputed income is based on a table provided by the Internal Revenue Service, not by VRS or Minnesota Life.

Cost of Coverage

As a State employee, your employer pays the premium for coverage.

Coverage While On Leave Without Pay

You can continue coverage while on leave without pay for up to a total of 24 months.

Termination of Employment

Your basic group life insurance benefit ends when you terminate ORP or VRS-covered employment before you are eligible for retirement. In order to retain your group life insurance benefit in retirement you must be age 55 with at least 5 years of service or age 50 with at least 10 years of service at the time you terminate employment with the Commonwealth.

If you meet the age and service requirements at the time you terminate employment, whether you take a distribution from the Plan or defer your retirement payout, your basic group life insurance remains in effect at no cost. A 25 percent reduction in the amount of your coverage begins on January 1 of the first full calendar year after you terminate employment and continues each January 1 until the amount of your coverage is 25 percent of the value of the natural death coverage at termination of employment. If you met the age and service eligibility and terminated ORP or VRS-covered service before July 1, 2001, the reduction is 2 percent of the original natural death benefit each month, commencing with the month of retirement, until the benefit reaches 25 percent of the original amount.

To be eligible to continue basic group life insurance, you must have had at least five years of service when you leave employment. Your employer must certify to VRS your eligibility to continue group life insurance.

Conversion of Basic Group Life Insurance Benefits

As noted above, your Basic Group Life Insurance benefit ends when you leave ORP or VRS-covered employment. If you do not meet the age and service requirement to continue the benefit, you may convert to an individual whole-life policy at non-group rates by completing an Enrollment Form for Conversion of Group Life Insurance (VRS-35). The conversion must take place within 31 days of the last day of the month in which you terminate employment. If you die within 31 days of the last day of the month in which you terminate employment, the natural death benefit is payable. Accidental death and dismemberment coverage ends at termination of employment.

The conversion privilege is not available to ORP participants who meet age and service requirements to continue coverage at the time they terminate employment with the Commonwealth.

Life Insurance After Retirement

When you terminate employment, your basic group life insurance coverage continues at no cost to you provided you are at least 50 years of age and have at least 10 years of service or you are age 55 with at least 5 years of service. This service includes ORP service plus service in a salaried position with other employers for which no refund of defined benefit contributions has been made (excluding rollovers of VRS account balances to the ORP). After retirement, the amount of your insurance reduces by 25 percent annually starting January 1 following your first full year of retirement and each January 1 thereafter, until your coverage reaches 25 percent of its value at your retirement.

Your life insurance also continues if you terminate employment because of a disability. If you terminate because of disability and you are receiving a payout from an employer-sponsored long-term disability plan, your basic group life insurance does not begin to reduce until you reach age 65. Beginning January 1 following the date you reach age 65 and each January 1 thereafter, your insurance begins to reduce at the rate of 25 percent annually until your coverage reaches 25 percent of its value at the time of termination of employment due to disability.

Members who terminated employment before July 1, 2001 and qualified for retiree group life insurance have their basic group life insurance reduced 2 percent per month, commencing with the month the participant is separated from employment, until it reaches 25 percent of its value at retirement.

Retirees are not required to pay premiums. Accidental death and dismemberment coverage ceases when you leave employment. This includes coverage for felonious assault, the repatriation benefit and the safety belt coverage. The accelerated death benefit and the right to voluntary irrevocable assignment continue into retirement.

At the time you terminate employment, your employer must certify your eligibility for continued group life insurance coverage.

Returning to Work after Retirement

If you return to employment covered by the VRS group life insurance, you also resume your group life insurance coverage. If you retired with 20 years or more of service and left State employment after July 1, 1999, the value of your life insurance is based on your highest career salary in covered employment.

Beneficiary Designations

VRS pays life insurance benefits according to the order of precedence:

- Spouse
- If no surviving spouse, children and descendants of deceased children, per stirpes
- If none of the above, to the parents
- If none of the above, to the duly appointed executor or administrator of the estate
- If no executor is named, to the next of kin under the laws of the state where the member resided at the time of death

You should complete a Designation of Beneficiary (VRS-2) only if you wish to designate a beneficiary other than in the order of precedence, or if your beneficiary form on file is incorrect.

If a valid designation form is on file with VRS, it will be followed at the time of your death. You may obtain information on your current beneficiary designation by contacting Minnesota Life. Minnesota Life can be reached at:

Minnesota Life
P.O. Box 1193
Richmond, VA 23218-1193
Toll free: 1-800-441-2258

Optional Group Life Insurance

The Optional Group Life Insurance Program is a voluntary program that allows you to purchase additional protection for yourself and your family. Minnesota Life, the administrator of the Group Life Insurance Program also administers the Optional Group Life Insurance Program.

Amount of Insurance

You can purchase the optional group life insurance coverage for one, two, three, or four times your salary, not to exceed \$600,000. You are responsible for paying the premiums through payroll deduction.

If you purchase optional group life insurance within 31 days of becoming covered by the VRS basic group life insurance (this is generally your first day of state employment), you may purchase the optional insurance without providing evidence of insurability. If you apply for optional life insurance program after your first 31 days of covered employment, if you request more than \$300,000 of coverage, or if you later request an increase in the amount of coverage, you must provide evidence of insurability.

Dependent Coverage

If you are an active employee, participating in the Optional Group Life Insurance plan, optional group life insurance is also available to your spouse and dependent children. Your spouse is eligible for up to 50 percent of the maximum amount of your optional group life insurance coverage. You can purchase optional group life coverage for your minor children.

	Employee	Spouse	Children	
Option	Insurance Amount	Insurance Amount	15 Days to Maximum	
1	1 x salary	1/2 x salary	\$10,000	
2	2 x salary	1 x salary	\$10,000	
3	3 x salary	1.5 x salary	\$20,000	
4	4 x salary	2 x salary	\$30,000	

If both you and your spouse are covered under VRS-sponsored group life insurance, you can both purchase optional life coverage for yourselves, but neither one of you can choose spousal coverage. If you have dependent children, you or your spouse, but not both, may elect coverage for your children.

Your spouse's coverage ends when your coverage ends. Your spouse's coverage also ends if there is a final divorce decree between you and your spouse.

Optional life coverage for minor children ends when a child turns age 21, or age 25, if he or she is a full-time student. Optional life coverage also ends when a child marries or becomes self-supporting. If a minor dependent has a physical or mental disability, coverage may continue until three months after he or she is no longer disabled.

Proof of good health is required for all coverage if not elected within 31 days of your first day of coverage under basic group life insurance or qualifying event (e.g., marriage or birth or adoption of a child). Proof of good health is also required for amounts in excess of \$300,000 for you and for more than one-half of your salary for your spouse's coverage.

After you have had insurance coverage for two years from your effective date of coverage, the insurance provider cannot contest your coverage, except in cases of fraud or non-payment of premiums.

Optional Life Insurance After Retirement

You may continue a portion of optional life insurance coverage for yourself, your spouse and dependents, into retirement. If you want to continue coverage, you and your dependents must have been covered continuously under optional life insurance during the 60 months immediately preceding retirement. You must elect the coverage within 31 days of terminating employment. Insurance amounts begin to reduce when you reach age 65 and all optional insurance ends when you reach age 80.

For more details on Optional Life Insurance benefits, visit the Optional Life Insurance publications area of the VRS Web site.

Health Benefits After Retirement

Retiree Health Insurance

As a Participant in the ORP, am I eligible for the State Retiree Health Insurance Program?

If you are a state employee, you have 31 days from your retirement date to enroll in the State Retiree Health Benefits Program provided you are receiving (not deferring) an immediate annuity or periodic distribution from your ORP account and you were eligible for coverage as an active employee immediately prior to your retirement (not including Extended Coverage). The Department of Human Resource Management (DHRM) is the plan administrator for the program, but ORP retirees continue to use their former agency Benefits Administrator as primary contact for health plan eligibility matters and premiums are direct billed by the carrier. Your Human Resources office can provide enrollment materials to you.

If you are enrolled in the COVA Care program, you are not required to select a primary care physician. However, you must seek care from providers that are in the Anthem network or, if seeking care outside of Virginia, participate in the Blue Card PPO network. If you need assistance in identifying a participating provider, please contact the Anthem Member Services, BlueCard PPO or BlueCard Worldwide resources listed on the back of your ID card. COVA Care members who elect the out-of-network option may seek services from non-participating providers, but their benefit will be reduced.

If you are enrolled in Kaiser Permanente, the Health Maintenance Organization (HMO) offered in Northern Virginia, you must select a primary care physician (PCP) in order to receive benefits from the plan. If you do not select a PCP, you may be ineligible for benefits.

If you are eligible for Medicare when you retire, you must secure both Hospital Part A and Medical Part B of Medicare and must select a health insurance plan that coordinates with your Medicare benefits. Contact your local Social Security Administration before your retirement to enroll in Medicare. Remember that Hospital

Part A and Medical Part B of Medicare are required for primary coverage, and the state's Advantage 65 plan, if enrolled, will pay secondary to Medicare. Advantage 65 does, however, have a prescription drug benefit and an optional dental and vision benefit. Since Medicare does not currently cover most prescription drugs or routine dental and vision, this benefit does not coordinate with Medicare. Advantage 65 does not pay for services that would have been paid by Medicare had the participant been properly enrolled.

Upon the death of a retiree group participant, dependents who are covered under the program at the time of death may continue coverage as survivors if they enroll within 60 days of the date of death.

You may cancel your coverage at any time after you retire by either completing the "cancel/decline" portion of the DHRM State Health Benefits Program Enrollment Form for Retirees, Survivors and VSDP/LTD Participants, or by sending a cancellation request in writing to your Benefits Administrator. Include your name and Social Security number in the written cancellation request. Coverage will be canceled prospectively; that is, the first of the month after notification is received. Once you cancel your coverage you will not have another opportunity to re-enroll in the State Retiree Health Benefits Program unless you become eligible for active employee coverage and, as a result, become eligible again as a retiree.

Your request to cancel your coverage will also cancel coverage for your covered dependents.

If you terminate employment and defer retirement (do not take an immediate annuity or periodic distribution from your ORP account), you are not eligible to enroll in the State Retiree Health Benefits Program when you do start a payout from the Plan.

For more information refer to the DHRM Retiree Fact Sheets available from your Benefits Administrator or from the Web site at www.dhrm.virginia.gov/hbenefits/retirees/factsheet.html.

Retiree Health Insurance Credit

As an ORP participant, am I eligible for the Retiree Health Insurance Credit?

You will qualify for the retiree health insurance credit if all of the following criteria are met:

- You terminate employment with the institution and do not become reemployed in a position that would provide participation in any of the retirement benefit plans authorized by Title 51.1, Chapter 1,2, 2.1 or 3 of the Code of Virginia.
- You are receiving a periodic distribution or annuity from your ORP account.

- You are enrolled and paying premiums for an individual or employer-sponsored health insurance plan or Part B of Medicare
- The institution certifies that you have a minimum of 15 years of coverage under the ORP or a combination of VRS service credit and ORP coverage that equals 15 years. Use VRS-75 “Employer Certification of ORP Health Insurance Credit.

The health credit, which is set by the General Assembly, is a dollar amount for each year of service up to a maximum of 30 years of service. It applies to the retiree portion of the premium only and cannot exceed the amount of your insurance premium.

Currently the credit is \$4.00 per month per year of service up to a maximum of \$120.00 per month.

How do I get the credit if I am not receiving a VRS pension?

You institution completes the VRS-75 “Employer Certification of ORP Health Insurance Credit” to certify eligibility for the credit. This form is located on the VRS Web site’s [Optional Retirement Forms page](#). The form is completed and submitted to VRS when you terminate employment and elect a periodic payment from the ORP. A check in the amount of the health credit for which you qualify is sent directly to you at your home address. Direct deposit is not available. This is a tax-free benefit.

How do I get more information on the Retiree Health Insurance Credit?

For more information, see the Retiree Health Insurance Credit Questions and Answers on the Member Section of the VRS Web site’s [Health Insurance Credit FAQ's page](#). Contact your institution’s Human Resources office to determine if you are eligible for the health insurance credit.

Returning to Work/ Changing Employers

The Internal Revenue Service (IRS) requires that you have a severance from service with the employer who provides your Plan in order to be eligible for a distribution from the Plan. All agencies and institutions of the State are considered to be a single employer, the Commonwealth of Virginia. Virginia public school divisions and political subdivisions are considered to be separate employers.

The Code of Virginia also requires that certain conditions be met for you receive a benefit from the retirement plans created by Title 51.1, Chapters 1,2, 2.1 or 3 of the Code. If you are receiving a benefit from the Virginia Retirement System (VRS) defined benefit plan, the Judicial Retirement System (JRS), State Police Officers’ Retirement System (SPORS), Virginia Law Officers’ Retirement System (VaLORS) or any other Optional Retirement Plan or Alternate Retirement Plan (ARP) established under Title 51.1.of the Code and are reemployed in a position eligible to elect the ORP, your benefit payout must stop whether you choose VRS or the ORP as your retirement plan.

If I retire under the ORP (defined as receiving periodic payments from my ORP account) can I accept a full time position with another public employer in Virginia?

If you retire from an ORP covered position and begin receiving a benefit from your ORP account and later return to work in a position in which you are provided a retirement plan authorized by Title 51.1, Chapters 1, 2, 2.1 or 3 of the Code of Virginia (VRS, JRS, VaLORS, SPORS, ARP or another ORP) you must suspend your distribution from the Plan, other than a payout from an annuity purchased with your ORP account.

What are the IRS rules that apply to accepting part-time employment with an agency or institution of the Commonwealth?

If you terminate employment under the ORP and later return to part-time or non-salaried employment with an agency or institution of the Commonwealth, you must meet the following criteria to be eligible to receive a payout from the ORP:

- Have a break in service of no less than 30 days [summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more based on employer's policy), educational leave, and sabbaticals do not count toward the 30 days required for a break-in-service],
- You and your employer had no pre-determined date that you return to employment, and
- The work you do does not have the same duties or hours that you worked prior to leaving your ORP-covered position.

What other restrictions apply to my employment with a public employer in Virginia?

You may not be an active participant in this Plan (meaning that contributions are being paid on your behalf) and at the same time be an active member in another plan created by the Title 51.1, Chapters 1, 2, 2.1 or 3 of the Code of Virginia. If you have dual public employment, making you eligible for more than one retirement plan, you must choose the plan under which you wish to be covered.

If I leave my current institution and immediately become employed by another public institution of higher education in Virginia may I select VRS rather than the ORP as my retirement plan?

If you move from one Virginia public institution to another and do not have a bona fide break-in-service, you will continue to participate in the ORP. This is true whether you become employed by an institution participating in this Plan or by one that has established its own plan under Title 51.1 of the Code of Virginia. A bona fide break-in-service is at least 30 days during which you were not an employee of the Commonwealth of Virginia. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more based on employer's policy), educational leave, and sabbaticals do not count toward the 30 days required for a break-in-service.

Likewise, ORP eligible employees who choose VRS as their retirement plan and who became employed in another ORP eligible position with no bona fide break-in-service would continue to be covered by VRS.

Social Security

As a Participant in the ORP, am I also covered by Social Security?

Yes, the Commonwealth of Virginia participates in Social Security. This means that in addition to your ORP benefits, you also qualify for Social Security benefits. Social Security benefits include disability, survivor and retirement benefits. The following chart shows the ages at which you qualify for full Social Security retirement benefits. For additional information, or to request an estimate of your Social Security benefits, contact the Social Security Administration at www.ssa.gov or 1-800-772-1213.

Social Security Full Retirement Benefits

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

GLOSSARY

Absolute Assignment -- An irrevocable decision to transfer ownership of member or retiree life insurance coverage to an individual or organization. An absolute assignment does not transfer ownership of the dependent's insurance or change a beneficiary.

Accelerated Death Benefit -- The payment of the value of life insurance to a participant or covered dependent who is diagnosed as having a terminal medical condition that directly results in a life expectancy of 12 months or less. The terminal medical condition may be caused by sickness or accident.

Accidental Death -- A death that is caused directly by an unintended and unexpected injury. Death must occur within 90 days after the date of the injury while the employee's coverage is still in effect for the beneficiary to receive double the natural death benefit for accidental death.

Administrator or Plan Administrator -- The Board of Trustees of the Virginia Retirement System is the official Plan Administrator. The Board has appointed the Director of the Virginia Retirement System as the chief administrative officer. The day-to-day duties of the Administrator have been delegated to the VRS Defined Contribution Product Administrator. Certain duties have been further delegated to the providers.

Alternate Payee -- The person to whom Plan benefits have been assigned under an ADRO (as defined under Internal Revenue Code section 414(p)).

Alternative Retirement Plan (ARP) -- A defined contribution retirement plan authorized by Section 51.1 of the Code of Virginia other than the defined contribution plans administered by VRS.

Approved Domestic Relations Order (ADRO) -- An order issued by a court of competent jurisdiction that relates to child support, alimony payments or marital property rights of a spouse, former spouse, child or other dependent. An ADRO gives the person concerned rights to receive a portion of the benefits payable to a member or retiree and cannot alter the amount of those benefits. The language of the ADRO must conform to VRS requirements.

Assignee -- The person to whom the right of a member's group life insurance is legally transferred when an absolute assignment is made.

Basic Group Life Insurance -- The group life insurance plan that is provided to ORP participating employees.

Beneficiary -- The individual designated to receive the employee's account, as well as any person named to receive group life insurance proceeds upon the member's death.

Board of Trustees -- The nine-member Virginia Retirement System Board which is appointed by the governor and General Assembly, consisting of one faculty member or employee of a State-supported institution of higher education; one State employee; one public school teacher; one employee from a political subdivision; four investment experts; and one expert in employee benefit plans.

Break-in-Service -- A period of time of at least 30 days during which an individual was not an employee of the Commonwealth of Virginia. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more based on the institution's policy), educational leave and sabbaticals do not count toward the 30 days required for a break-in-service.

Committee -- The Advisory Committee for the Optional Retirement Plan for Higher Education as appointed by the Board of Trustees of the Virginia Retirement System. The Committee consists of representatives from the Board of Trustees and representatives from institutions of higher education throughout the Commonwealth.

Commonwealth of Virginia Deferred Compensation Plan -- This is an employer-sponsored, tax deferred retirement savings plan established under Section 457(b) of the Internal Revenue Code that is available to all State employees and employees of participating political subdivisions.

Conversion Privilege -- The right of a participant, retiree or dependent who is no longer eligible to continue to be insured under basic group life insurance, to buy an individual non-term policy without evidence of insurability. Conversion coverage is at non-group rates.

Creditable Compensation -- Annual salary not including overtime pay, payments of a temporary nature, or payments for extra duties, such as pay for teachers who provide coaching or act as advisor for special activities. This is also the amount on which the group life insurance benefit is based.

Dependents -- An employee's spouse, any unmarried children and others who can be claimed on the member's federal tax return.

Dismemberment -- The accidental permanent and irrecoverable loss of sight in one or both eyes or loss of one or more limbs. Permanent and irrecoverable loss of sight means that sight cannot be corrected by medical, surgical, or artificial means. The loss of a limb is defined as a complete severance at or above the wrist or ankle joint. Dismemberment coverage is available under the VRS Group Life Insurance Plan.

Early Retirement Date -- A participant who either 1) has attained the age of 55 years with at least five years of service, or 2) has attained the age of 50 years with at least ten years of service may retire prior to his normal retirement date, and his early retirement date shall be the first day of the calendar month coinciding with or next following the date on which he ceases to be employed.

Eligible Position -- The president of a participating institution, the Chancellor of the Virginia Community College System, and any full-time salaried person engaged in teaching, administration or research who has faculty rank at a participating institution.

Employer -- The entity with which a person maintains a common law employee-employer relationship. Public colleges and universities in Virginia are considered State agencies. The employer may also be defined as the Commonwealth of Virginia and its agencies.

Employer Contribution -- This is the amount the employer shall contribute, on behalf of the participant, to the Plan each payroll period. This amount is 10.4 percent of each participant's compensation for such period or such other amount as may be provided in the enabling statute, as amended.

Enabling Statute -- Section 51.1-126 of the Code of Virginia (1950) as amended.

Fidelity -- Fidelity Investments Tax-Exempt Services Company, one of the investment providers selected for the Plan to invest assets and to provide certain administrative and recordkeeping functions on behalf of the Plan.

Group Life Insurance Evidence of Insurability (EOI) -- The form on which members demonstrate satisfactory health status allowing an employee to secure optional group life insurance coverage after an initial waiver of coverage. Minnesota Life, the group life insurance provider, must approve this form for coverage to become effective. It is also used to allow a member to purchase optional group life insurance beyond guaranteed issue.

Guaranteed Issue -- The 31-day period after a member or dependent first becomes eligible for optional group life insurance during which time coverage is guaranteed for certain insurance amounts without demonstrating evidence of insurability.

Health Insurance Credit -- A dollar amount, based on years of service, to help retirees with the cost of their individual health insurance premiums. Retirees must have 15 or more years of service. Service may be a combination of ORP and VRS covered employment as long as no refund of the VRS service has been taken (other than a transfer of the member contribution account to the ORP.)

Imputed Income -- The value of life insurance coverage in excess of \$50,000 that may be subject to FICA tax and federal and state income taxes.

Investment Options -- The funds selected by the Committee to be made available by the providers for investment of Plan funds. A number of investment options are available through each provider. The Committee with the advice and assistance of the VRS Investment Department selected investment options after careful consideration. Investment options are monitored and reviewed on an ongoing basis and may be replaced or added to from time to time.

Irrevocable Assignment -- A voluntary assignment of a member's ownership rights to group life insurance.

Lump Sum Payment -- A payout option in which all or part of the account is paid directly to the participant.

Minnesota Life Insurance Company -- The carrier for VRS Basic Group Life Insurance and Optional Group Life Insurance programs.

Natural Death -- Under basic group life insurance, a death that results from natural causes and not from an accident is considered a natural death. Natural death benefits are paid to the designated beneficiary.

Normal Retirement Age -- Age 65

Optional Group Life Insurance -- A supplemental group life insurance plan that allows employees of participating employers to purchase additional insurance at group rates for themselves, their spouse, and their dependents.

Optional Retirement Plan (ORP) -- A defined contribution pension plan offered to certain teaching, administrative and research faculty at participating institutions of higher education, to political appointees and to superintendents of public schools.

Order of Precedence -- If the participant dies without having designated a beneficiary or if the beneficiary so designated has predeceased him, the participant's beneficiary shall be deemed to be:

- The participant's surviving spouse, or
- If none, his children and descendants of his deceased children, per stirpes or,
- If none, his parents, equally if both living, or
- If none, the duly appointed executor or administrator of his estate, or
- If none, the next of kin entitled to inherit under the laws of the state of his domicile at the time of his death.

Participating Institutions - The following Colleges and Universities in the Commonwealth of Virginia are participating institutions:

College of William and Mary
Christopher Newport University
James Madison University
Longwood University
University of Mary Washington
Norfolk State University
Old Dominion University
Radford University
Richard Bland College
Virginia Military Institute
Virginia State University

Virginia Community College System
Blue Ridge Community College
Central Virginia Community College
Dabney S. Lancaster Community College
Danville Community College
Eastern Shore Community College
Germanna Community College
J. Sargeant Reynolds Community College
John Tyler Community College
Lord Fairfax Community College
Mountain Empire Community College
New River Community College
Northern Virginia Community College
Patrick Henry Community College
Paul D. Camp Community College
Piedmont Community College
Rappahannock Community College
Southside Virginia Community College
Southwest Virginia Community College
Tidewater Community College
Thomas Nelson Community College
Virginia Highlands Community College
Virginia Western Community College
Wytheville Community College

Per Stirpes -- When the share of an estate that would have gone to a deceased beneficiary is divided among that person's children in equal shares.

Plan-to Plan Transfer -- While in an ORP position, a participant may make a direct transfer of before and after tax contributions in their VRS member contribution account to their ORP, as permitted pursuant to Virginia Code section 51.1-161C.

Primary Beneficiary - The individual a member designates on the Designation of Beneficiary (VRS-2) as the first to receive life insurance benefits, if the member chooses to designate beneficiaries rather than follow the order of precedence. There can be more than one primary beneficiary. Unless otherwise designated, all primary beneficiaries receive an equal share of the insurance benefits.

Provider or Investment Provider -- The companies selected for the Plan to invest assets and to provide certain administrative and recordkeeping functions on behalf of the Plan.

Qualifying Event (Life Insurance) --An event such as marriage, birth or adoption of a child, or retirement of a spouse when both are covered under optional life insurance (except for disability retirement), which qualifies a member to add optional group life insurance for a dependent without submitting an Evidence of Insurability form. The member has 31 days from the qualifying event to add coverage.

Repatriation Benefit -- A basic group life insurance benefit that pays for transport and additional costs of returning a member's remains if the member dies in an accident at least 75 miles away from the principal place of residence.

Required Beginning Date – The date by which a Required Minimum Distribution must begin which is no later than April 1 following the calendar year in which the Participant attains age 70 ½ , or the date the Participant retires or separates from service, if later. If the Participant has not begun payments by this date, payments will automatically commence at that time.

Required Minimum Distribution -- A payout option that will satisfy Internal Revenue Code Section 401(a)(9). Under these rules, you must choose a payout option that will pay out your benefit over your life or life expectancy, or over the joint lives or life expectancies of you and your beneficiary.

Rollover -- A non-taxable transfer of funds between a qualified plan and an IRA or other qualified plan.

State -- The Commonwealth of Virginia

Terminate -- To cease employment with the State.

TIAA-CREF -- Teachers Insurance and Annuity Association of America and College Retirement Equities Fund, one of the investment providers selected for the Plan to invest assets and to provide certain administrative and recordkeeping functions on behalf of the Plan.

Vested – Eligible to begin receiving benefits from the plan upon termination of employment.

Virginia Cash Match Plan – This is an employer-paid incentive for eligible employees who participate in their employer-sponsored tax-deferred savings plan.

Virginia Retirement System (VRS) -- The independent State agency of the Commonwealth of Virginia, separate from the executive, legislative or judicial branches of State government with the authority pursuant to the Enabling Statute to establish and administer, in accordance with State law and federal tax law, certain retirement plans and programs, including the ORP. VRS also refers to the defined benefit plan that is available to most public employees in Virginia.

Virginia Worker's Compensation Act – The Act that provides comprehensive benefits including wage loss benefits and reimbursement for medical expenses for injured employees deemed to have a compensable injury under the Act. The Virginia Worker's Compensation Commission administers the provisions of the Act.

Work-Related Death – The death of a member while in service from a cause compensable under the Virginia Worker's Compensation Act.

Other Information You Should Know

Administration

A Board of Trustees of the Virginia Retirement System administers the Optional Retirement Plan and the group life insurance programs along with a number of benefits provided to State employees and employees of other participating public employers.

The Virginia Retirement System is an independent agency, separate from the executive, legislative or judicial branches of State government. VRS' funds are separate from other State funds and can be used only to pay administrative costs and benefits to retirees and beneficiaries of the retirement system.

The board is composed of nine members appointed by the governor and General Assembly. The board includes:

- One faculty member or employee of a State-supported institution of higher education;
- One State employee;
- One public school teacher;
- One employee from a political subdivision;
- Four investment experts; and
- One expert in employee benefit plans

The following members currently serve on the Board of Trustees:

Alfonso I. Samper, Chairman
Paul W. Timmreck
Robert C. Carlson
J. Douglas Conway, Jr.
Vernard W. Henley
Raymond Wallace, Jr.
John M. Albertine, Ph.D.
Judith Ewell, PhD.
Edwin T. Burton, III, PhD.

The board appoints the director of the Virginia Retirement System, who is the chief administrative officer. The director serves as secretary to the board. The name and address of the director is:

W. Forrest Matthews Jr., Director
Virginia Retirement System
P.O. Box 2500
Richmond, VA 23218-2500

Mission

Our mission is to provide superior service in the administration of pension benefits and related services on behalf of participating Virginia public employers and their employees, and to serve as stewards of the funds in our care.

Provisions of Law

The Board of Trustees of the Virginia Retirement System is governed by the provisions of Title 51.1 of the Code of Virginia Chapters 1-7, 10, 11, 13 and 14. Changes to the law can be made only by an act of the General Assembly. The ORP is governed by 51.1-126, Life Insurance by 51.1-500 - 51.1-514, Health Credit by 51.1-1400 – 51.1-1405. The ORP is a defined contribution plan qualified under section 401(a) of the Internal Revenue Code.

Funding

Contributions made to the ORP are held in trust, separate from other State or institution funds.

Plan Year

Records are kept on a fiscal year basis. The plan year is July 1 through June 30.

Relationship with Institutions

The Virginia Retirement System administers the benefits described in this handbook on behalf of participating institutions; however, the institutions are not agents of the Virginia Retirement System; nor do the institutions act at the direction of the Virginia Retirement System.

What You need to do When...

When	What	How
You are hired	Understand your benefits	Read the comparison guide entitled "Choosing Your Retirement Plan". Read the Handbook for Members to learn about the defined benefit plan. Read your Handbook for ORP Participants to learn about the ORP defined contribution plan or visit the VRS Web site's ORP for Higher Education page .
	Select a retirement plan If you choose the ORP, select an investment provider and your investments.	Complete form VRS-65 to enroll in the ORP within 60 days of employment in an eligible position. Otherwise you will be enrolled in the VRS defined benefit plan. If you choose the ORP, indicate your choice of investment provider and complete an enrollment kit for that provider.
	Enroll in tax-deferred savings plan	Logon to vadcp.com for information on enrolling in the 457 Deferred Compensation Plan. Ask your Human Resources office about 403(b) plans.
	Select optional life insurance	Contact your benefits administrator or Minnesota Life.
You marry or divorce	Change your beneficiary for the Optional Retirement Plan	Complete a Designation of Beneficiary form for each provider with which you have an account.
	Change your beneficiary for group and optional life insurance benefits	Complete the Designation of Beneficiary (VRS-2) and have it notarized.
	Change your name and/or marital status on VRS records	Your benefits administrator will assist you in completing the proper forms.
	Change your spousal coverage under optional life insurance.	Submit a Request for Change Under Optional Group Life Plan.
You have or adopt a child	Add your child to optional life insurance	Submit a Request for Change Under Optional Group Life Plan.
	Review your beneficiary designations; select a guardian	Contact your Human Resources office for assistance.
You go on leave without pay	Continue group life insurance coverage	Ask your benefits administrator about the procedures for advance payment of premiums.
You terminate employment	Take a distribution or leave the money in your account	Complete the Termination Certification form and if you are ready to take a distribution from your ORP, complete the distribution forms for the providers with whom you have an account and submit

		them to your benefits administrator for approval.
	Convert your group life insurance and optional life insurance to individual policies	Contact your benefits administrator for information about your conversion to an individual policy and your rights and responsibilities.
You need to start planning for retirement	Check on retirement counseling sessions in your area	Visit the Web site of your provider(s) for information and attend provider site visits in your area.
You become injured on the job, or you become disabled	Contact your benefits office immediately to find out about eligibility for benefits	Ask your benefits administrator to assist you in completing the proper forms to access disability benefits, if eligible for the benefit offered by the institution.
You die while employed in a VRS position	Your employer reports your death to VRS	A family member should contact your employer for assistance in filing a death claim and to get information about life insurance benefits that may be payable.
You want to retire	Take a distribution or leave the money in your account	Complete the Termination Certification form and then complete the distribution forms for the providers with whom you have an account and submit them to your benefits administrator for approval.
After you retire...		
You change your address	Notify VRS immediately in writing or by phone or from the VRS Web site.	Ask for a Name/Address Declaration for Retirees (VRS-58);
	Notify the providers with which you have an account	You may logon to their Web site or notify them in writing of this change.
You marry, divorce or your beneficiary dies	Change your beneficiary for the Optional Retirement Plan	Complete a Designation of Beneficiary form for each provider with which you have an account.
	Change your beneficiary for group and optional life insurance benefits	Complete the Designation of Beneficiary (VRS-2) and have it notarized.
	Change your name and/or marital status on VRS records.	Your benefits administrator will assist you in completing the proper forms.
	Change your spousal coverage under optional life insurance.	Submit a Request for Change Under Optional Group Life Plan.
You die	A family member reports your death to Minnesota Life for life insurance purposes	Your beneficiary should contact Minnesota Life about eligibility for survivor benefits.
	A family member reports your death to your Benefits Administrator for ORP plan purposes	Your beneficiary should contact the Benefits Administrator and then request the proper forms to complete for each provider with which you have an account.