

COLA Rate for 2015 Set at 1.62 Percent

The VRS Board of Trustees announced a 1.62 percent cost-of-living adjustment (COLA), effective July 1 for retirees in Plan 1 and in Plan 2. If you are eligible for a COLA, the increase applies to the benefit payment deposited on July 31.

Exploring the COLA: What Is It and When Do You Receive it?

COLAs help your retirement benefit keep pace with inflation. The COLA is based on the Consumer Price Index-Urban (CPI-U) and is provided for in the *Code of Virginia*. Each year, the U.S. Bureau of Labor Statistics publishes the Consumer Price Index for all Urban Consumers. The CPI-U is a measure of the average change in prices paid by consumers for food, rent, mortgages, clothing, transportation, medical care and fuel. During years of no inflation or deflation, the COLA is 0 percent.

Calculating the COLA – Plan 1

The calculation uses the first 3 percent increase in the CPI-U and half of any additional increase (up to 4 percent), for a maximum COLA of 5 percent for retirees from Plan 1.

Calculating the COLA – Plan 2

The calculation uses 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 for retirees from Plan 2.

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When do you receive your COLA?

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

If you retired with a reduced retirement with fewer than 20 years of service credit, the COLA will go into effect July 1 after one full calendar year (January 1 to December 31) from the date you would become eligible

for an unreduced benefit. *Example:* If your unreduced retirement eligibility date is October 1, 2020 but you retired March 1, 2015 with fewer than 20 years of service, your first COLA will be July 1, 2022 and appear in your August 1, 2022 benefit payment.

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

Hazardous Duty Supplement Increases July 1

The hazardous duty supplement will increase to \$13,548 a year for eligible retirees, effective July 1, 2015. The benefit payment issued July 31, 2015 will reflect the new amount.

The supplement is a dollar amount added to your monthly benefit if you retired with at least 20 years of hazardous duty service credit with:

- The State Police Officers' Retirement System (SPORS)
- The Virginia Law Officers' Retirement System (VaLORS) under the 1.7 percent retirement multiplier, or
- Worked as a VRS-covered sheriff, deputy sheriff, regional jail superintendent, or sworn officer of a regional jail, or
- Worked in a hazardous duty position with a political subdivision offering enhanced coverage.

The supplement begins at retirement and continues until full Social Security retirement age for most eligible retirees, except those retiring under VaLORS. VaLORS members, who retire with the 1.7 percent multiplier and are eligible for the supplement, receive the supplement until age 65.



“The supplement begins at retirement and continues until full Social Security retirement age for most eligible retirees.”

You Can Name More Than One Beneficiary for Your VRS Benefits

You just had your second grandchild and you want to name her as a beneficiary. But there's also your daughter and your husband and you don't want to leave out anybody. Don't worry. You can name multiple beneficiaries.

To name or change your beneficiary, complete the Designation of Beneficiary (VRS-2). In part one of the form, name your beneficiary for life insurance benefits. In part two of the form, name a beneficiary to receive any remaining member account monies. You can name the same beneficiaries to receive both benefits or you can name different beneficiaries. You also can name up to three individuals to receive each of the benefits. To name more than three beneficiaries, use the Designation of Beneficiary-Continuation (VRS-2A) and send this form with the VRS-2 to VRS. Keep copies for your records. VRS will not send a 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. You can also name a contingent beneficiary to receive benefits if your primary beneficiaries are deceased.

Keep your beneficiary designation current.

VRS is required by law to pay benefits according to the latest beneficiary designation in your VRS record. If a change is needed, submit a new VRS-2 to VRS. If you cannot remember your designations send VRS a new VRS-2, or call Minnesota Life at 1-800-441-2258 to request a copy of the beneficiary form on file. You can also write to Minnesota Life, P.O. Box 1193, Richmond, VA 23218-1193, to request a copy of your named beneficiaries. The names of your beneficiaries cannot be provided over the phone.



If you have contributions in the Commonwealth of Virginia's 457 Plan, use the Designation of Beneficiary Form – Commonwealth of Virginia 457 Deferred Compensation Plan and Cash Match Plan, to name beneficiaries. This form also allows you to name multiple beneficiaries for your 457 account.

If you don't name a beneficiary, by law VRS pays benefits according to the order of precedence:

- To your spouse
- If no surviving spouse, to your children and descendants of deceased children
- If none of the above, to your parents
- If none of the above, to the duly appointed executor or administrator of your estate
- If no estate, to your next of kin under the laws of the state where you resided at the time of death

Health Insurance Credit Helps Offset Premium Costs in Retirement

The health insurance credit reimburses eligible retirees for the cost of health insurance premiums. The credit is a dollar amount added to your monthly retirement benefit. The dollar amount you receive is based on years of service. The credit ends upon your death and cannot exceed the amount of your individual health insurance premium.

To be eligible for the health insurance credit, you must have 15 years of service with an employer offering the credit and your health plan must qualify for coverage.

Qualifying health plans include:

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

You are eligible for the Health Insurance Credit if you retired with at least 15 years of service credit as a:

- **State employee**
- **Teacher or administrative school employee**
- **General registrar or employee of a general registrar**
- **Constitutional officer or employee of a constitutional office**
- **Local social service employee; or**
- **If you were an employee of a political subdivision that elected to offer the health insurance credit to its retirees**

“To be eligible for the health insurance credit, you must have 15 years of service with an employer offering the credit.”

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

To determine if you are receiving the credit, review the benefits statement in your *myVRS* account. If you are eligible but not receiving the health insurance credit, complete the Request for Health Insurance Credit (VRS-45) and return to VRS at P.O. Box 2500, Richmond, VA 23218-2500.

Your Direct Deposit Schedule: June – December 2015

Payment for the month of: Deposited on:

June July 1

July July 31

August September 1

September October 1

October October 30

November December 1

December December 31

VRS deposits your monthly benefit payment to the financial institution account you designated when you retired. Your payment is deposited on the first day of the month for the preceding month's benefit. If the first day of the month falls on a weekend or holiday, VRS will deposit your payment on the last business day of the preceding month. *Example:* This year, because August 1 is on a Saturday, VRS deposits your July benefit payment on Friday, July 31.

Need forms, publications or more information about your benefits?

You can find all the forms, publications and benefit information you need on the VRS website at www.varetire.org. If you do not have access to the Internet, the resources and information in this newsletter are available by calling VRS at 1-888-VARETIR (1-888-827-3847).

New Law Limits Life Insurance Reduction for Some Retirees

Beginning July 1, 2015, life insurance for retirees with 30 years of creditable service cannot be reduced to less than \$8,000, and will be increased annually, starting in 2016, using the cost-of-living adjustment calculation for Plan 2 employees.

Basic life insurance 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.

Life Insurance Coverage in Retirement

When	Your Life Insurance Benefit	EXAMPLE
You retire	Your life insurance benefit is equal to your creditable compensation at retirement, rounded to the next highest thousand and then doubled	You retired on March 1, 2015. Your creditable 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, 2017 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 25 percent	Your next 25 percent reduction will be on January 1, 2018 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, 2019 and your coverage will remain at \$25,000 for the rest of your retirement

Planning for the Future? Consider Naming Someone to Interact With VRS for You

You have taken all the steps you can think of to protect your future, your finances and your family. You've reviewed your insurance coverage, named your beneficiaries, signed up for long-term care. There's one more thing – protect your peace of mind by determining who you want to interact with VRS on your behalf and how.

Use the Authorization to Discuss VRS Account Information (VRS-900) to name one or more individuals to speak to VRS on your behalf about your benefits and account information. The VRS-900 does not allow individuals to take actions on your behalf, and the authorization expires two years from the date of the notary signature on the form.

Also, there may come a time when it's easier on you if someone else files your taxes, updates your beneficiary, changes your direct deposit information and keeps up with the news from VRS. The VRS Durable Power of Attorney (VRS-901) allows you to name a person as your agent to take actions on your behalf. Your agent can:

- Name or update your beneficiary.
- Request information about your benefits.
- Take other actions, such as setting up direct deposit, submitting a change of address or filing your tax withholdings.
- Create or change rights of survivorship. This means that if you elected the Survivor Option and your survivor dies or you divorce, your agent could name a new survivor or authorize a change to the Basic Benefit Option.
- Delegate authority granted under the power of attorney. This means that your agent could appoint another person as power of attorney.

“Consider naming a durable power of attorney now, instead of waiting until you need one.”

Consider naming a durable power of attorney now, instead of waiting until you need one. Then, should you become incapacitated, VRS can refer to the information on file and work with your designated agent.

The authority you grant to an agent in the VRS-901 is limited to VRS matters and does not cover matters outside of VRS. You may also name an agent to act on your behalf by mailing to VRS a durable power of attorney drafted by your legal counsel that specifically gives your agent authority to complete VRS transactions on your behalf, such as beneficiary designations or retirement option elections. Mail this durable power of attorney to VRS at P.O. Box 2500, Richmond, VA 23218-2500.

The agent you name in the VRS-901 may speak with VRS. You do not need to file a VRS-900 for this purpose. If you would like someone in addition to your agent to speak with VRS, complete the Authorization to Discuss VRS Account information (VRS-900) and send it to VRS.

New Retirees: Don't Miss Out on an Important Benefit

Apply to Continue Your VSDP Long-Term Care Coverage Now

If you were covered under the Virginia Sickness and Disability Program (VSDP) when you retired, you can continue your VSDP long-term care coverage into retirement. You must elect to do so within 60 days of your retirement date. You will pay the premiums to the Long-Term Care Group, Inc., the third-party administrator for the program.

To continue your coverage, submit the Authorization of Coverage Retention for the Long Term Care Plan (VSDP or VLDP) (VRS-170) and the Protection Against Unintentional Lapse of Long Term Care (VSDP or VLDP) (VRS-171) to the Long-Term Care Group, Inc. The address is P.O. Box 64011, St. Paul, MN 55164-0011.



Like Us on Facebook and Keep up With Your Benefits

In between looking at your friend's vacation pictures and the video of your granddaughter's first soccer game on Facebook, you may want to check up on your VRS benefits. What was this year's COLA? Any news on legislation? What's happening with this year's investment returns?

Like VRS on Facebook and you get all the news, plus links to articles and information on finances, retirement living and other benefits. Come and visit: www.facebook.com/VirginiaRetirementSystem.



Before You Move

Wait – Don't leave us behind!

If you're moving, please let us know. VRS sends your annual 1099-R income tax form, your retiree newsletter and other information to your mailing address. If you move, complete and send a Name and Address Declaration for Retirees (VRS-58) to VRS, or write a letter to VRS requesting an address change.



Learn About Your Deferred Compensation Plan Options at a Meeting Near You

Want to learn more about your Commonwealth of Virginia 457 Deferred Compensation Plan and Virginia Cash Match Plan? Attend an upcoming seminar, scheduled at locations across the state. The session, 457 and Cash Match Distribution Options, is designed for 457 and Virginia Cash Match Plan participants who are retired or nearing retirement. The meetings are open to those who participate in the Commonwealth's 457 and Virginia Cash Match Plan.

- The meetings are free; registration is requested.
- Topics cover distribution options and taxes.
- Want to get even more information? You can also register for an individual consultation online or sign up for any remaining appointments when you come to the group seminar.



For meeting dates and locations and to register online, go to www.varetirement.org/dcp/education, or call 1-VRS-DCPLAN1 (1-877-327-5261) and choose Option 2.

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