

VRS Achieves 11.8 Percent Return

The Virginia Retirement System (VRS) achieved an 11.8 percent net return on its investment portfolio for fiscal year (July 1 through June 30) 2013, ending the year with \$58.3 billion in assets.

“I am pleased that the fund outperformed its benchmark for the year. In concert with the Board, staff has run the portfolio with an eye toward protecting the fund in the event of another crisis scenario such as that experienced in 2008-09,” said VRS Chief Investment Officer Ronald D. Schmitz. “Despite that nod toward conservatism, the fund has participated effectively in the positive market environment since the financial downturn.”

Direct Deposit – What To Do If You Change Your Financial Institution

Make sure your benefit goes where it’s supposed to go. If you change your financial institution or account, complete and submit a new Authorization for Direct Deposit of Monthly Benefit (VRS-57) to VRS:

- Select the fillable form at www.varetire.org to complete it online, or call VRS at 1-888-VARETIR (1-888-827-3847) to request the form.
- Provide the name of your new financial institution, its location and the type of account.
- Attach a voided check with your new account information.
- Sign and mail the form to VRS at P.O. Box 2500, Richmond, VA 23218-2500.

You will receive a retirement benefit statement from VRS showing when the direct deposit begins in your new account. Don’t close the old account until you know that your benefit is being deposited in your new account. You can verify all of your deposit information through your *myVRS* retiree account at www.varetire.org.

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Your 2014 Direct Deposit Schedule

Payment for the month of: Deposited on:

December 2013	December 31, 2013
January 2014	January 31, 2014
February	February 28
March	April 1
April	May 1
May	May 30
June	July 1
July	August 1
August	August 29
September	October 1
October	October 31
November	December 1
December	December 31, 2014

It's Tax Season Again

What You Need to Know When Filing Your 2013 Tax Return

Your retirement benefit is subject to federal income taxes and, if you live in Virginia, state income taxes. Each year in late January, VRS sends you an Internal Revenue Service (IRS) Form 1099-R showing your benefit payments, taxes withheld and other information for the previous calendar year. You file this form along with your federal and state income taxes for your VRS benefits.

Did You Retire On Work-Related Disability?

If you are receiving a work-related disability retirement benefit based on the VRS formula amount, you receive a Form 1099-R each year. If your benefit is based on the work-related guaranteed amount, it is tax-exempt and you do not receive a 1099-R form.

Box 1 – Benefits VRS paid to you. Includes the total of your monthly benefit, cost-of-living increases and any hazardous duty supplements you were paid.

Box 2a – Total taxable amount of your benefit. Equals the amount in Box 1 minus the amount in Box 5.

Box 4 – Total amount of federal income tax withheld based on the total number of exemptions reported on your Request for Income Tax Withholding (VRS-15).

OMB No. 1545-0119
2013
Form 1099-R

1 Gross distribution
\$

2a Taxable amount
\$

2b Taxable amount not determined Total distribution

3 Capital gain (included in box 2a)
\$

4 Federal income tax withheld
\$

5 Employee contributions / Designated Roth contributions or insurance premiums
\$

6 Net unrealized appreciation in employer's securities
\$

7 Distribution code(s) IRA/SEP/SIMPLE

8 Other
\$

9a Your percentage of total distribution %
9b Total employee contributions %

10 Amount allocable to tax on prior distributions
\$

11 1st year of desig. Roth contrib.
\$

12 State tax withheld
\$

13 State/Payer's state no.
\$

14 State distribution
\$

15 Local tax withheld
\$

16 Name of locality
\$

17 Local distribution
\$

Copy C
For Recipient's Records

This information is being furnished to the Internal Revenue Service.

Box 5 – Amount of your benefit that is not subject to tax. Includes any contributions you made to VRS on which you already paid income taxes. Subtract the amount in Box 2a (taxable amount) from the amount in Box 1 (gross distribution) for the amount shown in this box.

Box 12 – Total amount of Virginia income withheld based on the total number of exemptions reported on your Request for Income Tax Withholding (VRS-15).

Live outside of Virginia? Contact your state's taxation agency for more information about completing your state income tax returns. VRS does not deduct taxes for other states.

What is Imputed Income?

The cost of group life insurance more than \$50,000 is called imputed income. The IRS considers this amount as income and it is subject to income taxes and FICA (Social Security and Medicare) taxes.

If you have VRS Group Life Insurance coverage, VRS automatically withholds FICA taxes and sends you a W-2 form each year showing the amount of FICA taxes withheld and the additional taxable income. You use the W-2 to file federal and, if applicable, state income taxes. As your life insurance coverage reduces, the amount of imputed income also reduces. If your coverage reduces to less than \$50,000, these taxes will no longer be withheld.

If You Retired As a Public Safety Officer

The federal Healthcare Enhancement for Local Public Safety (HELPS) Retirees Act allows eligible retired public safety officers to exclude a certain amount per year from retirement income used for qualified health insurance premiums or long-term care insurance premiums.

Premiums covering yourself, your spouse and dependent children may be eligible for this exclusion. You must claim the premium exclusion on your tax return. The 1099-R reflects total taxable income without any adjustment for this benefit. For more information, contact a tax advisor or the IRS toll free at 1-800-829-1040 or www.irs.gov.

The image shows a W-2 form with several callout boxes pointing to specific areas:

- Box 1, 3 & 5** – Your imputed income (tax liability for the cost of group life insurance for the amount over \$50,000). This points to boxes 1 (Wages, tips, other compensation), 3 (Social security wages), and 5 (Medicare wages and tips).
- Box 4 & 6** – Social Security and Medicare taxes withheld year to date. This points to boxes 4 (Social security tax withheld) and 6 (Medicare tax withheld).
- Box 12** – A "C" in this box means that funds represent imputed income such as your life insurance imputed income. This points to box 12a (Nonqualified plans).
- Box 16** – Imputed income (tax liability for the cost of group life insurance for the amount over \$50,000). This points to box 16 (State wages, tips, etc.).

Changing Your Withholding

As you prepare your taxes, you may realize that you need to change your withholding amount for next tax year. There are two ways you can change withholding:

Using your *myVRS* retiree online account

- From your Account Home page, go to Income Tax Information.
- Select the Change Withholding Online link.
- Try different withholding combinations under Explore Your Options.
- The resulting estimated tax deductions are displayed instantly.
- When you find an amount that works, submit the change by confirming your selections.
- A confirmation will be displayed indicating when the change will be effective.

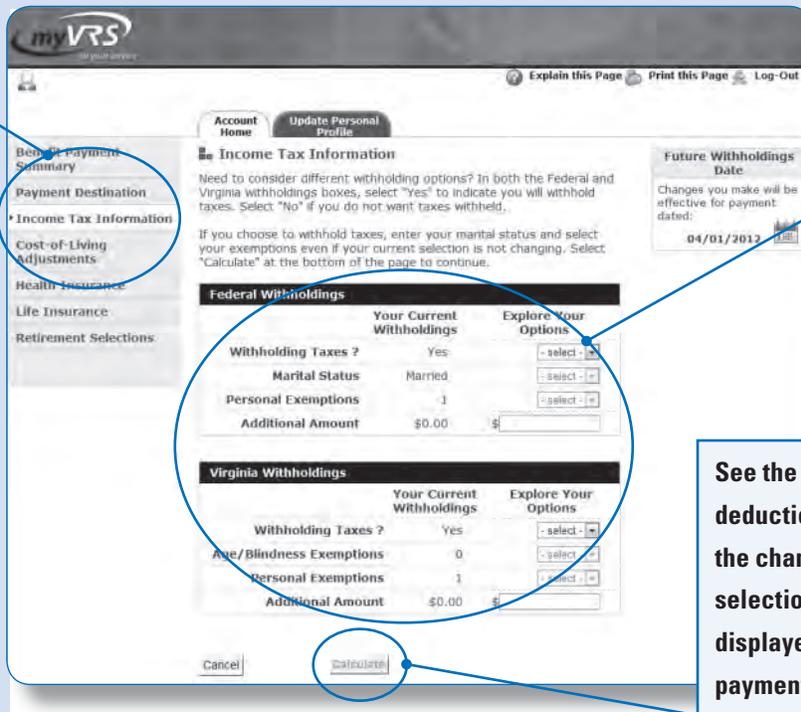


Using the Request for Income Tax Withholding (VRS-15)

- Go to *www.varetire.org*.
- Select the link to Forms from the left column of any page.
- From the Forms list, select the Request for Income Tax Withholding (VRS-15).
- You can use the fillable version to complete the form online or the non-fillable version to print the form and complete it manually.
- Sign and date the form and send it to VRS, P.O. Box 2500, Richmond, VA 23218-2500.
- Or, call VRS at 1-888-VARETIR (1-888-827-3847) to request a copy of the form.

Changing Your Tax Withholdings Through the *myVRS* Tax Tool

From your Account Home page, go to Income Tax Information. Then select the Change Withholdings Online link.



Try different withholding combinations under Explore Your Options.

See the resulting estimated tax deductions instantly. Submit the change by confirming your selections. A confirmation will be displayed indicating the benefit payment for which the change will be effective.



Here Are A Few Facts About Your Benefits

In Case You've Ever Wondered:

- VRS deposits your benefit on the first day of the month. If the first is on a weekend or holiday, VRS deposits the benefit on the last working day of the previous month.
- The benefit is payment for the previous month.
- VRS sends you a retirement benefit statement **only** when there is a change to your benefit or account, such as when you receive a Cost-Of-Living Adjustment (COLA), change your tax withholding or change bank accounts.
- Use *myVRS* at www.varetire.org to confirm your benefit payment amount and the account to which it is deposited each month.
- If you had VRS Group Life Insurance coverage before you retired, a portion continues into retirement.
- If you wish to designate or change your beneficiary for your VRS life insurance or member account if you did not choose the Survivor Option, complete the Designation of Beneficiary (VRS-2) and send it to VRS. Keep a copy for your records.
- If you move, you can change your address through your *myVRS* retiree online account or you can send VRS a Name and Address Declaration For Retirees (VRS-58). The VRS-58 is available at www.varetire.org, or call VRS at 1-888-VARETIR (1-888-827-3847).

Do You Have Optional Life Insurance?

If you chose to continue a portion of your Optional Group Life Insurance Program into retirement, that portion reduces by 25 percent of its value, beginning at age 65 if you are in Plan 1 or at your Social Security Retirement Age if you are in Plan 2. Your optional life coverage reduces by 25 percent each year after that until it reaches 25 percent of its value at your retirement.

Optional life coverage ends at age 80. For more information about your coverage, contact Minnesota Life at 1-800-441-2258.

Here are the current premium amounts, which increase with age.

If you retired under disability, your optional life coverage ends at age 65 if you are in Plan 1 or Social Security Retirement Age if you are in Plan 2 unless you had 60 continuous months of coverage. If you did, you may continue a portion of your coverage. All optional life coverage ends at age 65 for disability retirees who retired before July 1, 2001.

Optional Life Member and Spouse Premium Rates Effective July 1, 2013

Age of Member/ Spouse	Monthly Cost Per \$1,000 of Coverage
Under 30	\$0.05
30 to 34	0.06
35 to 39	0.07
40 to 44	0.09
45 to 49	0.14
50 to 54	0.20
55 to 59	0.34
60 to 64	0.66
65 to 69	1.27
70 to 74	2.06
75 & Over	2.06

The Health Insurance Credit Helps You with Health Insurance Premium Costs

The health insurance credit saves you money. If you are eligible, this tax-free benefit reimburses you for a portion of the health insurance premiums you pay for single coverage. It is applied to your retirement benefit payment as a dollar amount for each year of your service at retirement. The credit ends at your death and cannot exceed the amount of your individual health insurance premiums for single coverage.

Receiving the Health Insurance Credit

If you are eligible for the health insurance credit and VRS is deducting health insurance premiums from your monthly benefit, the credit is applied automatically to your benefit payment. You can check to see if you are receiving the credit by reviewing benefit payment details in your *myVRS* retiree online account. Your benefit payment summary is displayed when you log in. Select Show Payment Details under your gross monthly defined

“If you are eligible, this tax-free benefit reimburses you for a portion of the health insurance premiums you pay for single coverage.”

benefit amount.

If VRS is not deducting your health insurance premiums and you are eligible for the credit but not receiving it, send a Request for Health Insurance Credit (VRS-45) to VRS. The form is available at www.varetire.org. Select Forms from the left column of any page. Or call VRS at 1-888-VARETIR (1-888-827-3847) to request the form. Allow approximately 45 to 60 days for your request for the health insurance credit to be processed.



Are you eligible for the health insurance credit?

You are eligible 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 officer
- Local social service employee, or
- Employee of a political subdivision that elected to offer the health insurance credit to its retirees

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 toll free at 1-888-VARETIR (1-888-827-3847).

A Few Points to Keep in Mind Before You Return to Work

A new job for a New Year? Returning to work after you retire may affect your VRS benefit payment. To protect your benefit, keep these guidelines in mind:

- You can work for any employer not participating in VRS and continue to receive your retirement benefits.
- If you return to covered employment, your retirement benefits will stop and you will become an active member, just as you were before you retired.
- If you return to non-covered employment with the employer from which you retired, you must have a break in service of at least one full calendar month from your retirement date during a period you normally would work.
- If you are retired on disability and accept a position with any employer that requires the same or similar duties as those you performed in your previous position, your disability retirement benefits will end.



COVERED EMPLOYMENT is employment in a full-time permanent, salaried position with an employer that participates in the Virginia Retirement System (VRS) or under an optional retirement plan (ORP) administered by VRS. Some part-time permanent, salaried state positions and non-adjunct faculty positions requiring at least 20 hours, but less than 40 hours a week, also are covered under VRS.

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

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

- In some cases, retirees can work in an interim position for up to six months without interruption in retirement benefits. If you return to an interim position with the employer from which you retired, you also must have a break in service of at least one full calendar month. Your employer should contact VRS before you return to an interim position.

This is general information about working after retirement. Read more at www.varetire.org before accepting any position after you retire.

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VRS Transitions To New Record Keeper for 457 Plan

Transactions Will Be Unavailable From December 31 To on or Around January 10, 2014

In January 2014, VRS will change record keepers from ING to ICMA-RC for the Commonwealth of Virginia 457 Deferred Compensation Plan. During the blackout period from December 31, 2013 to on or around January 10, 2014, you may review your accounts by going to the Defined Contribution Plans tab on the website at www.varetire.org or by calling ING at 1-VRS-DC-PLAN1 (1-877-327-5261). However, you will not be able to conduct transactions such as fund transfers or withdrawals. Funds will remain invested throughout the period and the website will reflect daily changes in market values.

As a retiree, you don't need to take any action during this recordkeeping transition. The changeover will be handled electronically. There's no need to re-enroll or make any changes to your account and your investment options will remain the same.

ICMA-RC was founded in 1972 and is a provider of public-sector retirement plans, serving approximately 9,000 public-sector plans and more than 1 million participant accounts, with \$46 billion in assets. ICMA-RC currently serves more than 140 local political-subdivision employers within the Commonwealth of Virginia. Visit www.icmarc.org for more information.

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