

## VRS Achieves 15.7 Percent Return for Fiscal Year 2014

The Virginia Retirement System (VRS) achieved a 15.7 percent net return on its investment portfolio for fiscal year 2014, ending the year with \$66 billion in assets, marking a historic high for the fund. Market gains amounted to \$9 billion for the fund this year.

“Fiscal year 2014 was a very good year for the total fund in that the markets performed well and the VRS fund exceeded the benchmark set by the board, which is a mix of market indexes in proportion to the target policy weights by asset class,” said VRS Chief Investment Officer Ronald D. Schmitz.

The portfolio included \$28.8 billion in public equity, \$11.9 billion in credit strategies, \$12.2 billion in fixed income, \$7.0 billion in real assets and \$5.1 billion in private equity, as of June 30, 2014.

“The Board’s investment policy is set to maximize return over the long term, taking into account a reasonable annual risk tolerance. Over time, the goal is for the policy-targeted return to meet the actuarially assumed rate of return, or 7 percent on an annualized basis. On behalf of the Board of Trustees, I want to congratulate the investment staff on their ability to far exceed the policy return for the 2014 fiscal year,” said VRS Board Chairman Diana F. Cantor.

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### 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](http://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).

## 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 when that amount is used for qualified health insurance premiums or long-term care insurance premiums.

Premiums covering yourself, your spouse and dependent children may be eligible. 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 visit [www.irs.gov](http://www.irs.gov).



## Keeping Track of Your Taxes Through myVRS

Don't let tax season catch you by surprise. Keep tabs on your tax withholding during the year through your *myVRS* online account.

- To see the amount of federal and state income tax being withheld from your benefit, the marital status you claim and your exemptions, go to Income Tax Information under your Benefit Payment Summary.
- If you misplace your 1099-R form that VRS mails to you in January, go to Income Tax Information, where you will find each year's 1099-R form. VRS puts the 1099-R form into your *myVRS* account by the end of January so you can print a copy to file with your federal and state income tax returns.

Want to change your withholding amount? You can change your withholding through your *myVRS* account:

- Select the Change Withholding link from Income Tax Information.
- Select the withholding options you want to try under Explore Other Options, fill in the fields under this section, then select Calculate to instantly view the estimated tax deductions.

- If you decide to change your withholding amount, you can submit the change online. You'll be able to view a confirmation indicating when the change will be effective.

Changing your withholding amount using the Request for Income Tax Withholding (VRS-15):

- Go to [www.varetire.org](http://www.varetire.org). Select the link to Forms from the left column of the page.
- From the Forms list, select VRS-15 – Request for Income Tax Withholding.
- Select the fillable version to complete the form online or the nonfillable version that you can print and complete manually.
- Sign and date the form and send it to VRS, P.O. Box 2500, Richmond, VA 23218-2500.
- It takes at least 30 days for the withholding change to become effective.

If you do not have access to a computer, call VRS toll-free at 1-888-VARETIR (1-888-827-3847) to request the VRS-15.

# What Does It All Mean?

## An Explanation of Your 2014 Tax Form

Your retirement benefit is subject to federal income taxes and, if you live in Virginia, state income taxes. VRS sends you an Internal Revenue Service (IRS) Form 1099-R each year in late January, showing your benefit payments, taxes withheld and other information

for the previous calendar year. Use the 1099-R form to complete your 2014 income tax returns and file this form along with your federal and state income taxes for your VRS benefits.

Here is a guide to the 2014 IRS 1099-R:

**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).**

The image shows a 2014 IRS Form 1099-R. The form is titled "Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc." and is labeled "Form 1099-R" and "2014". It includes fields for Payer's and Recipient's identification numbers, names, and addresses. The main body of the form contains boxes for: 1 Gross distribution, 2a Taxable amount, 2b Taxable amount not determined, 3 Capital gain, 4 Federal income tax withheld, 5 Employee contributions, 6 Net unrealized appreciation, 7 Distribution code(s), 8 Other, 9a Your percentage of total distribution, 9b Total employee contributions, 10 Amount allocable to IRR, 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, and 17 Local distribution. The form also includes a note: "This information is being furnished to the Internal Revenue Service." and "Copy C For Recipient's Records".

**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 tax 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.

## Do You Have Imputed Income?

First, what is imputed income?

Imputed income is the cost of group life insurance coverage in excess of \$50,000. The cost is determined using an IRS age-based rate table. The IRS considers this amount as income and subject to income taxes and FICA (Social Security and Medicare) taxes. If you have imputed income, and are covered by the VRS Group Life Insurance Program, VRS automatically withholds these taxes and sends you a W-2 form.

Your W-2 shows the amount of imputed income and the amount withheld. Use the W-2 to file federal and, if applicable, state income taxes. As your life insurance coverage reduces, the amount subject to imputed income also reduces. If your coverage reduces to \$50,000 or less, there is no imputed income, and you will no longer receive a W-2.

## Start the New Year Right – Update Your Beneficiary Information

It's a two-for-one New Year's resolution – protect your loved ones and give yourself peace of mind. Check to see if your beneficiary designation is up to date, especially if you've had a change in your family. By law, VRS must pay benefits according to the latest beneficiary designation in your record, so it's important for you to keep it updated.

Neither VRS nor Minnesota Life, the administrator of the VRS Group Life Insurance Program, can provide your beneficiary information over the phone. For written confirmation of your beneficiary, call Minnesota Life at 1-800-441-2258 or write: Minnesota Life, P.O. Box 1193, Richmond, VA 23218-1193.

To change your beneficiary, submit the Designation of Beneficiary (VRS-2) to VRS. The form is available at [www.varetire.org](http://www.varetire.org); select Forms from the left column of any web page. Or, call VRS at 1-888-VARETIR (1-888-827-3847) to request a form. Send the completed form to: Virginia Retirement System, P.O. Box 2500, Richmond, VA 23218-2500.



### Join VRS on Facebook

While you're keeping up with friends and family on Facebook, keep up with your VRS benefits at [www.facebook.com/VirginiaRetirementSystem](http://www.facebook.com/VirginiaRetirementSystem).



“Check to see if your beneficiary designation is up to date, especially if you've had a change in your family.”

If you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, you need an additional form, the Designation of Beneficiary Form – Commonwealth of Virginia 457 Deferred Compensation Plan and Cash Match Plan, to designate a beneficiary for the 457 Plan. Complete and send the Designation of Beneficiary form to the plan administrator, ICMA-RC, Attn: Workflow Management Team, P.O. Box 96220, Washington, DC 20090-6220.

# Your Guide to Direct Deposit

## Check on It

Log into your *myVRS* account to see if your deposit is in your account, ready for you to use.

Your *myVRS* account shows:

- Where and when your benefit is deposited each month
- The gross and net amounts of your benefit
- Tax withholdings
- Deductions for health insurance premiums and the health insurance credit, if applicable
- Your benefit payment history

## Bank On It

### 2015 Direct Deposit Schedule

Payment for the month of:	Deposited on:
December 2014	December 31, 2014
January 2015	January 30, 2015
February	February 27
March	April 1
April	May 1
May	June 1
June	July 1
July	July 31
August	September 1
September	October 1
October	October 30
November	December 1
December	December 31



## Change It

If you need to change your financial institution or account, complete and send a new Authorization for Direct Deposit of Monthly Benefit (VRS-57) to VRS:

- Select the fillable form at [www.varetire.org](http://www.varetire.org) to complete 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, P.O. Box 2500, Richmond, VA 23218-2500.

VRS will mail you a statement showing the date direct deposit begins in your new account. Because it can take up to 30 days to process direct deposit changes, don't close the old account until you know your benefit is being deposited in your new account. Verify all of your deposit information through your *myVRS* account at [www.varetire.org](http://www.varetire.org).

### ***myVRS* Changes Protect Security and Make Access Easier**

Answering a few questions the next time you log into *myVRS* will make it easier to regain access to your account if you forget your password.

Recent updates to *myVRS* incorporate challenge questions. These questions validate your identity, protecting your security, increasing your ability to regain access to your account and reducing the chances you will be locked out of *myVRS*. If you do end up locked out, however, call VRS to regain access.

# Five Frequently Asked Questions About the Health Insurance Credit

## 1. What is the health insurance credit?

The health insurance credit is a tax-free reimbursement of a portion of the health insurance premiums you pay for single coverage, excluding any portion of the premiums covering a spouse or dependents. The dollar amount is set by the General Assembly for each year of service for eligible employees.

## 2. Am I eligible?

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 office
- Local social service employee
- Employee of a political subdivision that elected to offer the health insurance credit to its retirees
- Optional Retirement Plan (ORP) participant, if you met the minimum age requirement for retirement, take periodic distributions from your ORP account and have not taken a full distribution of the funds in your ORP account

## 3. How much of a reimbursement will I receive?

Use the chart below to determine your health insurance credit amount:

Eligible Employees	Amount per Year of Service	Maximum Credit per Month
State employees	\$4.00	No cap
Teachers and administrative school employees	\$4.00	No cap
General registrars and their employees, constitutional officers and their employees and local social service employees	\$1.50	\$45.00
General registrars and their employees, constitutional officers and their employees and local social service employees if the political subdivision elects the \$1.00 enhancement	\$2.50	\$75.00
Other political subdivision employees as elected by the employer	\$1.50	\$45.00

## 4. How do I know if I'm receiving the Health Insurance Credit?

If VRS is deducting retiree health insurance premiums from your monthly benefit, the health insurance credit is being applied automatically to your benefit payment. If you are receiving the health insurance credit, the amount should be reflected in Your Payment Details under the Benefit Payment Summary in your *myVRS* account.

If you are eligible for the credit but see from your *myVRS* account that you are not receiving it, send a Request for Health Insurance Credit (VRS-45) to VRS. The form is available on the VRS website at [www.varetire.org](http://www.varetire.org). Select Forms from the left column. 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.

*Continued on page 7*



## Keep Track of Your Social Security Information Online

Now you can keep track of your Social Security benefits online. By setting up a *my* Social Security account, you can:

- Keep track of your earnings and verify them every year
- Access an estimate of your future benefits if you are still working
- Request a letter with proof of your benefits if you currently receive them

If you are receiving Social Security benefits or have Medicare, use your account to:

- Access your benefit verification letter
- Check your benefit and payment information and your earnings record
- Change your address and phone number
- Start or change direct deposit of your benefit payment

If you're not receiving benefits yet, use your *my* Social Security account to:

- Access your Social Security Statement, for:
  - Estimates of your future retirement, disability and survivors benefits,
  - Your earnings once a year to verify the amounts posted are correct,
  - The estimated Social Security and Medicare taxes you've paid
- Receive a benefit verification letter stating that:
  - You never received Social Security benefits, Supplemental Security Income (SSI) or Medicare; *or*
  - You received benefits in the past, but do not currently receive them; *or*
  - You applied for benefits but haven't received an answer yet.

To set up your account, you must:

- Have a valid email address
- Have a Social Security number
- Have a U.S. mailing address
- Be at least 18 years of age

To confirm your identity, the sign-up process asks a few questions that only you are able to answer. This process protects you and keeps your personal Social Security information private.

*Five Frequently Asked Questions About the Health Insurance Credit, continued from page 6*

### 5. What plans are eligible for reimbursement from the Health Insurance Credit?

Qualifying health plans:

- 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

Plans **not** eligible for the health insurance credit include long-term disability, home health care, long-term care, dread disease (such as cancer), hospital or other indemnity policies, limited benefit plans, network discount programs or policies that restrict payment of benefits to the treatment of specific illnesses.

### VRS Implements Same-Sex Marriage Federal Court Decision

**Effective October 6, VRS has implemented the federal court decision to recognize same-sex spouses so all spouses are treated the same for benefit purposes. Marriage documentation for spouses, generally, is not required, unless accessing certain VRS benefits and programs. While the Commonwealth of Virginia recognizes same-sex marriages from this point forward, changes to VRS benefits are not retroactive.**

## Learn About Your DCP Options At a Meeting Near You

Want to learn more about your Commonwealth of Virginia 457 Deferred Compensation Plan and Virginia Cash Match? Attend one of the upcoming seminars, which are scheduled throughout Virginia. The session, 457 and Cash Match Distribution Options, is specially 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.
- You can 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](http://www.varetirement.org/dcp/education), or call 1-VRS-DCPLAN1 (1-877-327-5261) and choose Option 2.

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