RETIREE NEWS
VIRGINIA RETIREMENT SYSTEM

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VRS Achieves 4.7 Percent Return for Fiscal Year 2015

The Virginia Retirement System achieved a 4.7 percent net return on its investment portfolio for fiscal year 2015, ending the year with $68.1 billion in assets, setting a new high for the fund.

"Fiscal year 2015 saw fluctuations in the markets attributable to the concern about the state of the global economy," said Chief Investment Officer Ronald D. Schmitz. "However, the VRS fund exceeded the benchmark set by the Board of Trustees. We continued to take a more conservative approach with an eye toward protecting the fund, which resulted in a return that exceeded our expectations even during a more volatile market."

The portfolio included approximately $7.7 billion in real assets, $5.1 billion in private equity, $28.4 billion in public equity, $818 million in strategic opportunities portfolio, $12.3 billion in fixed income and $12.2 billion in credit strategies as of June 30, 2015.

VRS ranks as the 22nd largest public or private pension fund in the U.S. and 49th largest in the world, serving approximately 660,000 members, retirees and beneficiaries. The active employees include about 146,000 teachers, 105,000 local government employees and 89,000 state employees. In addition, VRS provides benefits to more than 185,000 retirees and beneficiaries.

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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*. 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).

VRS Board Appoints Patricia Bishop as New Director

The VRS Board of Trustees appointed Patricia S. Bishop director of the retirement system effective June 19, 2015. Bishop succeeds Robert P. Schultze, who left the agency in February to take a position in the private sector.

"Through her leadership style, enthusiasm and fresh perspective, Trish demonstrates a commitment to customer service that will assist the agency in its efforts to meet the growing needs of its employers, members and retirees," said VRS Board Chairman Robert L. Greene.

Bishop brings more than 22 years of government experience to the position. Most recently, Bishop served as the agency's acting director. Prior to this, she was the deputy director, responsible for implementation of benefit policy and legislation, benefit processing, retirement counseling, call center services, employer and member training and insurance programs.

Previously, Bishop served as the VRS director of policy, planning and compliance where she provided legislative liaison support with the executive branch and the General Assembly, worked with the system's actuary and approved agency policy and procedures.

Before joining VRS, she was a principal legislative analyst with the Joint Legislative Audit and Review Commission (JLARC), where she participated in and led research teams that evaluated a wide array of state agencies and programs. At JLARC, Bishop also was responsible for legislative oversight of VRS. Before joining JLARC, she worked in the legislative and executive branches of state government.

Your 2016 Direct Deposit Schedule

Payment for the month of:	Deposited on:
December 2015	December 31, 2015
January 2016	February 1, 2016
February	March 1
March	April 1
April	April 29
May	June 1
June	July 1
July	August 1
August	September 1
September	September 30
October	November 1
November	December 1
December	December 30

Why Is My VRS Benefit Deposit Amount Different?

There are several reasons you could see a change in the amount of your VRS benefit deposit from month to month:

- Cost-of-Living Adjustment
- Change in health insurance premiums
- Change in Medicare benefits
- Change in tax withholdings
- You have reached the age when your hazardous duty supplement ends
- Your benefit is subject to an ADRO or liens for child support

Keep track of your monthly benefit amount through *my*VRS. Your *my*VRS account shows a history of your benefit deposit amount, deductions, where it is deposited and when.

Tax Season Ahead: A Guide to Your 2015 Tax Form

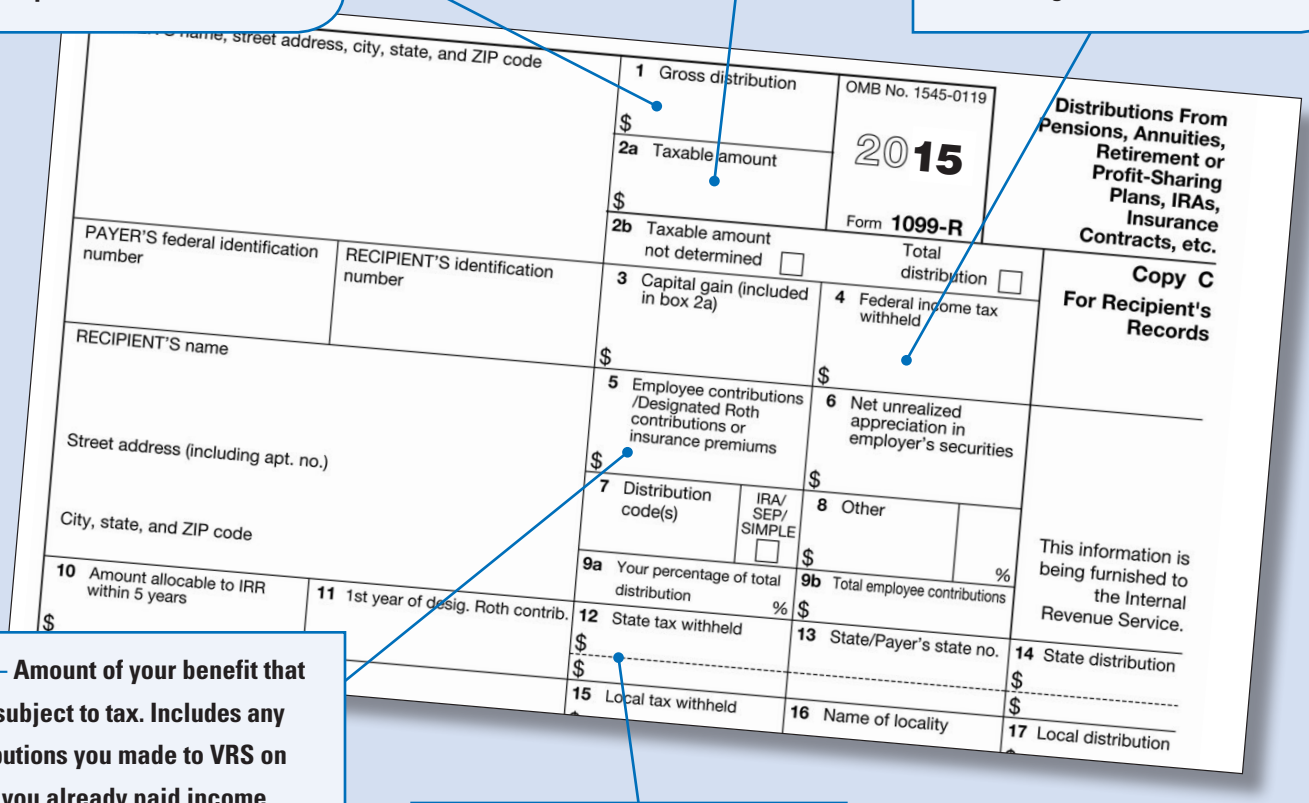
If you received a monthly retirement benefit from VRS in 2015, VRS will send you a 1099-R form in late January, showing your benefit payments, taxes withheld and other information for the previous calendar year.

Use the 1099-R form to complete your 2015 federal and state income tax returns. The explanations below may help you in completing your tax forms.

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).



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.

Imputed Income Impacts Tax Filing

If the value of your group life insurance coverage exceeds $50,000, the premiums on the excess amount are considered imputed income and 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.

Need Another 1099-R Form?

If you misplace your 1099-R form, you can find it in your *my*VRS account. Go to Income Tax Information where there is a 1099-R form for each year you have filed taxes as a retiree. Print a copy to file with your federal and state income tax returns.

A Tax Reminder for Public Safety Officer Retirees

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 tax exclusion.

You must claim the insurance premium exclusion on your tax return. The 1099-R form that you receive reflects total taxable income without any adjustment for this benefit. For more information, contact a tax advisor or the IRS at 1-800-829-1040 or visit *www.irs.gov*.

Tax season is just ahead

Tax Withholding Changes Made Easy

Make it easy on yourself. You can change your tax withholding through your *my*VRS 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.**

It takes at least 30 days for the withholding change to become effective.

How Does VRS Measure Up?

Once a year, Cost Effectiveness Management (CEM), a benchmarking company, conducts a study comparing retirement systems in the U.S. and around the world on service and cost to their customers. How does VRS rank?

Service

Compared to a group of 74 leading retirement systems in the U.S., Canada and around the world, and to a peer group of 12 similar state retirement systems in the U.S., VRS rates highly in the delivery of quality service and does so at less cost than our peer retirement systems.

In the latest study, VRS received a service score of 80 out of 100. This compares to 77 for all participants and 78 for the peer group. The service score takes into account pension payments, phone call results and web and newsletter effectiveness, among other services.

> VRS rates highly in the delivery of quality service and does so at less cost than our peer retirement systems.

Cost

VRS total administrative cost was $62 per active member and retiree. This was $57 below the all-participant average of $119 and $33 below the peer average of $95. CEM attributed VRS' low administrative cost to lower transaction volumes per member, higher productivity and lower costs in legal and actuarial services than other retirement systems.

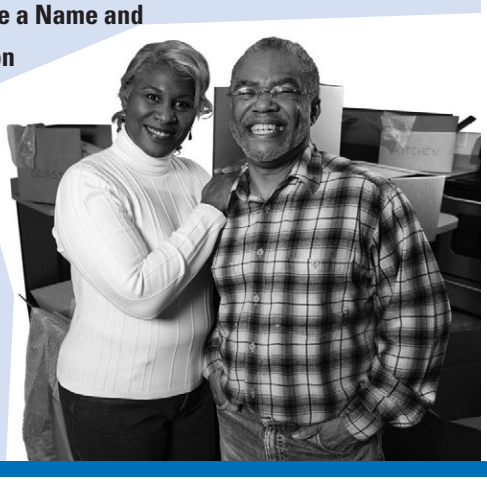
VRS participates in the benchmarking comparison each year to find ways to further improve service and operate more cost-effectively. We report the results so you can see how VRS compares to other pension systems in the U.S. and globally.

Moving? Let VRS Know

Even if you have direct deposit it's important to let VRS know if you are moving.

VRS needs your new home address to send you this newsletter, tax forms and other important information.

You can change your address through your *my*VRS account or you can complete a Name and Address Declaration for Retirees (VRS-58), available on the forms section of the website or by calling 1-888-VARETIR (1-888-827-3847).



Like Us on Facebook and Keep up With Your Benefits

Stay current on the latest VRS news, pick up tips on making the most of your benefits and keep in touch with other VRS members. Like VRS on Facebook: *www.facebook.com/VirginiaRetirementSystem*.

Find us on Facebook

Report Health Insurance Coverage Changes to VRS

If you receive the health insurance credit, notify VRS when changes occur to your health insurance premiums or your coverage.

Each year, VRS sends you a health insurance credit notice, reminding you to verify and update your health insurance information if necessary. Updating your information ensures you receive the proper credit amount and are not at risk for overpayments.

To report a change to VRS, complete a Request for Health Insurance Credit (VRS-45) and return it to VRS. The VRS-45 is available on the VRS website or by calling 1-888-VARETIR (1-888-827-3847). If your health insurance premiums are deducted from your retirement benefit, you do not need to complete a VRS-45 notifying VRS of a premium increase. If your health insurance premiums are deducted, the deduction is shown under Payment Details on your Benefit Payment Summary page, which is under your Account Homepage.

The health insurance credit is a dollar amount set by the General Assembly for each year of service and is added to your monthly retirement benefit. It provides a reimbursement to assist with the cost of your health insurance premiums.

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:

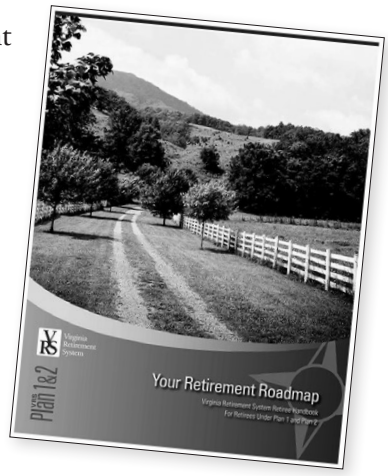
- Coverage for specific diseases or procedures to treat a specific illness, such as cancer insurance
- Hospital or other indemnity policies
- Limited benefit plans, which offer coverage for only particular health care conditions or diseases, and do not replace traditional health insurance
- Plans covering 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
- Non Insurance Healthcare Sharing Plans or Programs

Where to Find Your Benefit Information

Sometimes you have questions. What is my tax withholding? What is the gross amount of my monthly benefit? VRS has a number of resources you can use to find the answers.

Go to your *my*VRS account at any time to check:

- Where and when your benefit is deposited
- The gross and net amounts of your benefit
- Deductions for health insurance premiums, if applicable
- Your tax withholdings



- Your benefit payment history
- Your retirement date
- Type of retirement, whether service or disability retirement
- Benefit payout option you chose at retirement
- When you will be eligible for a COLA
- Health insurance credit amount, if applicable
- Group life insurance retiree coverage, if applicable

For information on returning to work, or information on benefits such as long-term care insurance and life insurance, visit the VRS website at *www.varetire.org*, or check out your retiree handbook, Roadmap to Retirement.

How to Set Up Your *my*VRS Account

Have you set up your *my*VRS account as a retiree yet? Even if you had a *my*VRS account when you were working, you need to set up your account as a retiree. Your *my*VRS access is just as important to you now as it was when you were working.

By logging into your *my*VRS account, you can view your benefit amount, when it was deposited and where. You can keep track of your life insurance coverage and health insurance credit, if eligible, and you can adjust your tax withholdings and make changes to your contact information.

> "Even if you had a *my*VRS account when you were working, you need to set up your account as a retiree."

myVRS at your service

To set up your *my*VRS account:

- Go to *www.varetire.org*,select *my*VRS Access and then Retirees-Register.
- Select Register Now.
- To set up your account, use the one-time authentication code you received from VRS in the mail when you retired.
- If the code has expired, call VRS at 1-888-VARETIR (1-888-827-3847) for a new code.
- Create a new username and password.
- To log in, enter your username and password.
- You're in!

Virginia Retirement System
P.O. Box 2500
Richmond, Virginia 23218-2500

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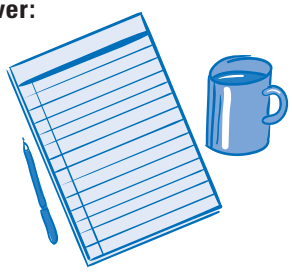
Learn About Your Deferred Compensation Plan Options at a Meeting Near You

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 specially designed for 457 and Virginia Cash Match Plan participants who are retired or nearing retirement.

The meetings are free; registration is requested. Topics cover:

- **Understanding your available distribution options**
- **Planning for taxes and required minimum distributions**
- **Considerations for establishing a distribution plan**



Want 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.html*, or call 1-VRS-DCPLAN1 (1-877-327-5261) and choose Option 2.

Director
Patricia S. Bishop

Public Relations Director
Jeanne L. Chenault

Communications Manager
Virginia Sowers

Editor
Kathleen A. Dimond

Virginia Retirement System
P.O. Box 2500
Richmond, Virginia 23218-2500
Toll-Free: 1-888-VARETIR
(1-888-827-3847)
TDD: 1-804-289-5919
Email: *retiree-info@varetire.org*
Website: *www.varetire.org*

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