



Virginia
Retirement
System



Getting Ready to Retire Guide for Hybrid Plan Members

Helping you plan for tomorrow, today





Getting Ready to Retire Guide for Hybrid Plan Members

Helping you plan for tomorrow, today

This guide provides an overview of your VRS benefits and how to apply for retirement. For detailed information, refer to the current *Hybrid Retirement Plan Handbook for Members* and *Your Retirement: A Handbook for Hybrid Retirement Plan Retirees* available at varetire.org/hybrid.

CONTACT MISSIONSQUARE RETIREMENT

Toll-free: 877-327-5261, select option 1

TDD: 800-669-7471

Log in to send secure message: varetire.org/dcp-login

CONTACT VRS

Toll-free: 855-291-2285

TDD: 804-289-5919

Email: vrs@varetire.org

Important email notice: Do not send personal or confidential information, such as your Social Security number, by email.

VRS will send only non-confidential replies.

VRS Mission

VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

Note: The information contained in this handbook is governed by Title 51.1 of the *Code of Virginia* and other applicable law. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the *Code of Virginia*, which may be amended from time to time. Certain provisions as described are subject to pending technical legislative amendments.

† Some of the provisions related to the voluntary contributions and associated employer match may differ for school division employees who have elected to use an employer-sponsored hybrid 403(b). For additional information, contact your human resource office.



Member Resources

Defined Benefit Plan Information

VRS

Website: varetire.org/hybrid

- Toll-free: 855-291-2285
- TDD: 804-289-5919
- Email: vrs@varetire.org. Important email notice: Do not send personal or confidential information, such as your Social Security number, by email. VRS will send only non-confidential replies.
- VRS Retirement Counseling Center: 1111 East Main Street, Richmond, VA 23219
- Hours: Monday-Friday 8:30 a.m. – 4 p.m. ET
- VRS Administrative Offices: 1200 East Main Street, Richmond, VA 23219
- Mailing Address: P.O. Box 2500, Richmond, VA 23218-2500

Defined Contribution Plan Information

MissionSquare Retirement

Website: varetire.org/hybrid

- Toll-free: 877-327-5261, select option 1
- TDD: 800-669-7471
- Log in to send secure message: varetire.org/dcp-login
- MissionSquare Retirement Virginia Service Center: 951 E. Byrd Street, Suite 530, Richmond, VA 23219
- Hours: Monday-Friday 8:30 a.m. – 5 p.m. ET
- Mailing Address: 777 N. Capitol St. NE, Suite 600, Washington, DC 20002

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1

Your Hybrid Retirement Plan

Defined Benefit Component

Defined Contribution Component

The Virginia Retirement System (VRS) administers the VRS Hybrid Retirement Plan, which combines a defined benefit component and a defined contribution component.

Defined Benefit Component

Providing the foundation of your future retirement benefit when you qualify. VRS manages the investments and related risk for this component.



Defined Contribution Component

Providing you tax-deferred savings to build on your benefit under the defined benefit component. You manage the investments and related risk for this component.



**YOUR
RETIREMENT
BENEFIT**

At retirement your defined benefit component amount is based on a formula using your age, service credit and average final compensation. The amount of your defined contribution component benefit depends on your contributions and your employer's contributions to your account and their investment performance.

The defined benefit and defined contribution components, along with Social Security and other savings, make up the basis of your retirement income, which financial experts recommend should be at least 80% of your pre-retirement income.

Defined Benefit Component

Eligibility

Unreduced Retirement Eligibility

Under the defined benefit component of the plan, you become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of service credit, or when your age and service equal 90. *Example:* Age 60 with 30 years of service credit.

Reduced Retirement Eligibility

Under the defined benefit component of the plan, you may retire with a reduced benefit as early as age 60 with at least five years (60 months) service credit. To determine your reduced benefit, VRS applies an early retirement reduction factor to to your unreduced basic benefit.

For the defined contribution component, you are eligible to receive distributions when you retire; you are not required to begin a minimum distribution until age 72.

Average Final Compensation

Your average final compensation is the average of your 60 consecutive months of highest creditable compensation as a covered employee. It is used in the retirement formula in the defined benefit component of the plan.

Average Final Compensation Example	
60 consecutive months (five years) of highest creditable compensation over your career	\$ 40,650
	41,463
	42,293
	42,455
	+ 43,139
Total	\$ 210,000
	÷ 5
Average Final Compensation	\$ 42,000

Retirement Multiplier

A retirement multiplier is a factor that determines how much of your average final compensation will be used to calculate the defined benefit component of your retirement benefit. Your retirement multiplier is 1.0%.

Defined Benefit Multiplier for Opt-In Members

For a member who opted into the Hybrid Retirement Plan between January 1 and April 30, 2014, the defined benefit multiplier changes to reflect the period under which the member earned the service.

- A Plan 1 member who opted into the Hybrid Retirement Plan will have a 1.7% multiplier applied to any service earned, purchased or granted before July 1, 2014, and a 1% multiplier applied to any service earned, purchased or granted after July 1, 2014.
- A Plan 2 member who opted into the Hybrid Retirement Plan will have a 1.7% multiplier applied to any service earned, purchased or granted before January 1, 2013; a 1.65% multiplier for the service that occurred between January 1, 2013 and June 30, 2014; and a 1% multiplier for service after July 1, 2014.

Payout Options

When you apply for retirement under the defined benefit component, you choose how to receive your benefit from among these payout options:

Basic Benefit

This option provides a monthly benefit based on a formula using a percentage of your average final compensation, called a retirement multiplier, multiplied by your total service credit at retirement.* Example: A member retiring at age 60 with 30 years of service credit and a retirement multiplier of 1%:

FORMULA	EXAMPLE
Average final compensation	\$ 42,000.00
x 1.0%	x .01
x Years of service credit	x 30
<hr/>	
Annual benefit amount	\$ 12,600.00
÷ 12 months	÷ 12
<hr/>	
Monthly benefit amount before taxes and other deductions	\$ 1,050.00

*VRS can provide you with an estimate; call 855-291-2285.

The payout option you elect is irrevocable.

That means you cannot change it after you retire, with the exception of the Survivor Option under certain conditions.

Felony Conviction

If you are convicted of a felony related to your VRS-covered employment, your employer may direct that your employer contributions and all related benefits be forfeited. If you have questions, please contact your human resource office.

You can choose this option with an unreduced or reduced benefit. If you retire with a reduced benefit, VRS will first determine the amount of your unreduced benefit and then apply an early retirement reduction factor to calculate your reduced benefit. The Basic Benefit does not provide a continuation of a benefit to a survivor. However, any balance remaining in your member contribution account upon your death will be paid in a lump sum to your named beneficiary.

Survivor Option

You can choose to receive a lower monthly benefit during your retirement so your survivor can receive a monthly benefit after your death. You can choose this option with an unreduced or a reduced benefit. You choose a whole percentage of your benefit, between 10% and 100%, to go to your survivor. A survivor reduction factor will be applied to your unreduced benefit amount based on the percentage you choose to provide to a survivor, your age and the age of your survivor at your retirement date.

Basic Benefit or Survivor Option With the Partial Lump-Sum Option Payment (PLOP)

If you work at least one year beyond the date you first become eligible for an unreduced retirement benefit, you may elect to receive a one-time Partial Lump-Sum Option Payment (PLOP). This option reduces your monthly benefit. You may elect the PLOP with the Basic Benefit or Survivor Option. You may choose

a lump sum equal to one, two or three times the amount of your annual Basic Benefit, depending on how long you work beyond the date you first become eligible for an unreduced retirement benefit.

If the PLOP is paid directly to you, VRS deducts 20% for federal income taxes and, if you live in Virginia, 4% for state income taxes. The IRS also may impose an additional 10% tax penalty if you receive the PLOP before age 59, though there are exceptions to this rule. You can roll over the PLOP to a qualified plan that accepts rollovers, including the Hybrid 457 Deferred Compensation Plan, the Commonwealth of Virginia 457 Deferred Compensation Plan and the Virginia Cash Match Plan, if you participate. An established account with a balance is required for PLOP payments to the Commonwealth of Virginia 457 Plan and the Virginia Cash Match Plan. For more information, read the IRS 402(f) Special Tax Notice available at varetire.org/irs402f; or contact a tax advisor or the IRS toll-free at 800-829-1040 or irs.gov.

Qualifying for the PLOP

Prior service credit or granted service credit counts toward eligibility for unreduced retirement. However, to qualify for a PLOP, you must be working as an active member beyond the date you become eligible for an unreduced retirement benefit. Prior service credit or granted service credit cannot substitute for this active service.

Advance Pension Option

You elect to increase your monthly benefit temporarily. The temporary increase begins when you retire and continues until an age you choose – between age 62 and your normal retirement age under Social Security. When the temporary increase ends, your benefit will be reduced by the estimated Social Security benefit used to determine your temporary increase. However, it will never be reduced by more than 50% of your Basic Benefit amount.

You can elect this option with an unreduced or reduced retirement benefit, but you cannot elect this option with other benefit payout options. The Advance Pension Option also does not provide a continuation of a benefit to a survivor; however, any balance remaining in your member contribution account will be paid in a lump sum to your named beneficiary upon your death. Contact VRS for an estimate of this benefit.

Purchase of Prior Service

You may be eligible to purchase prior service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in your plan. Purchasing prior service counts toward vesting, eligibility for retirement and the health insurance credit.



To purchase prior service, you must be an active VRS member. You are not eligible to purchase prior service if you are employed in a non-covered position, on a leave of absence without pay, a deferred member or a retiree.

Note: If you leave VRS-covered employment and take a refund of your member contributions and interest, membership in VRS is canceled and you are no longer eligible for VRS benefits. If you return to VRS-covered employment, you will be rehired under the applicable plan. You may purchase the prior refunded service upon reemployment.

Prior Service Cost Estimates

Register for or log in to your myVRS account (myVRS.varetire.org) for access to a variety of resources to help you in making a purchase decision. You can explore purchase options and evaluate the impact of purchasing service on your future retirement benefit as well as the time it will take to recover your purchase cost in retirement.

Defined Contribution Component

The defined contribution component of the VRS Hybrid Retirement Plan is based on contributions and net investment returns on these contributions. Contributions consist of mandatory and voluntary contributions made by you and your employer. During your career, you manage the investments and related risk for this component of the plan[†].

Contributions

Mandatory Contributions and Employer Matching Contributions

The defined contribution component of the Hybrid Retirement Plan provides the Hybrid 401(a) Cash Match Plan. You contribute a mandatory 1% of your creditable compensation each month to your 401(a) plan account. Your employer also contributes a mandatory 1% as well as matching contributions on any voluntary contributions you make, which are deposited to this account[†]. You invest these contributions through your hybrid 401(a) plan[†].

Employee Voluntary Contributions

You can contribute additional voluntary contributions, which are tax-deferred until you withdraw the money from your plan. The maximum amount of voluntary contributions you can contribute is 4% of your creditable compensation. Your employer matches contributions on any voluntary contributions you make, up to 2.5%. By making voluntary contributions, you reduce your current taxes because your contributions are tax-deferred until withdrawn. Also, you may contribute additional money to a supplemental defined contribution plan, if offered by your employer.

ICMA-RC is now

MissionSquare
RETIREMENT

The record keeper for VRS' defined contribution plans is changing its name and brand. The company provides administrative services, account management and participant education to support the retirement planning needs of state employees, teachers and local government workers.

How do you know how much you may contribute?

Defined Benefit (DB) Plan Contributions		
	Employee	Employer
Mandatory Contribution	4.00%	Total employer contribution rate, less employer DC contributions
Defined Contribution (DC) Plan Contributions		
	Employee Hybrid 401(a)	Employer Hybrid 401(a)
Mandatory Contributions	1.00%	1.00%
	Employee Voluntary Hybrid 457†	Employer Matching Hybrid 401(a)†
Voluntary Contributions	0.00%	0.00%
	0.50%	0.50%
	1.00%	1.00%
	1.50%	1.25%
	2.00%	1.50%
	2.50%	1.75%
	3.00%	2.00%
	3.50%	2.25%
	4.00%	2.50%

Defined Contribution Component Vesting

You become vested immediately in all the contributions you make to the defined contribution component. Upon retirement or leaving covered employment, you are eligible to withdraw a percentage of employer contributions:

- After two years of service, you are 50% vested and may withdraw 50% of employer contributions.
- After three years of service, you are 75% vested and may withdraw 75% of employer contributions.
- After four or more years of service, you are 100% vested and may withdraw 100% of employer contributions.

When You Retire

You are not required to take a distribution of your defined contribution component when you retire, until you reach age 72. There are advantages to keeping a balance in your account:

- The tax-deferred funds that remain in your account continue to be tax-deferred.
- You continue to earn compounded interest on your money.
- You continue to manage your investments, choosing the best investment options for you[†].

When you retire you have the following options[†]:

- Leave the balance in your account.
- Take a full or partial lump-sum distribution of your account balance.
- Receive periodic payments.
- Receive a partial lump-sum distribution combined with periodic payments.
- Purchase an annuity with all or a portion of your account balance.
- Roll over all or a portion of your account balance to another employer's plan or to another qualified plan that accepts rollovers, such as a traditional Individual Retirement Account (IRA). The Hybrid 401(a) Cash Match Plan can be rolled into the Hybrid 457 Deferred Compensation Plan.



Distributions

You may choose to take a distribution from the defined contribution component of the hybrid plan at retirement or when leaving employment. A distribution is a payment from your defined contribution component accounts, which you may request upon retiring or leaving employment.

Distributions may begin following a bona fide break in service from your retirement date or your last day of employment. A bona fide break in service is a break of at least one full calendar month from your last day of employment that occurs during a period you normally would work. Leave with or without pay, summer breaks, intersession periods, educational leave and sabbaticals do not count toward satisfying this break in service. A required minimum distribution will begin at age 72 if you have not arranged to receive payments from your plan or when you leave your position, whichever is later.

Taxes on Distributions

Generally, if you have a distribution paid directly to you, federal taxes of 20% are withheld, and, if you live in Virginia, state taxes of 4% apply. You may request to have additional taxes withheld at the time of distribution. If you take a

distribution from the Hybrid 401(a) Cash Match Plan paid directly to you before age 59, the Internal Revenue Service (IRS) may impose an additional 10% tax penalty for early withdrawal. There is no early withdrawal penalty if you take a distribution from the Hybrid 457 Deferred Compensation Plan. For more information, contact a tax advisor or the IRS at 800-829-1040, or [irs.gov](https://www.irs.gov).

To request a distribution from the defined contribution component of your plan, log in to Account Access at varetire.org/dcp-login and select the account from which you wish to withdraw funds. Separate requests are required for the Hybrid 457 Deferred Compensation Plan and the Hybrid 401(a) Cash Match Plan, as well as any other defined contribution plans in which you participate.

For more information or to request a distribution by phone, contact MissionSquare Retirement at 877-327-5261, select option 1 and ask for a Participant Services Representative.

Enhancing Your Retirement Benefit

Commonwealth of Virginia 457 Deferred Compensation Plan

If you are a state employee, you are eligible to participate in the Commonwealth of Virginia 457 Deferred Compensation Plan for additional retirement savings. If you are contributing the maximum 4% voluntary contribution to your Hybrid 457 Deferred Compensation Plan, and you are contributing at least \$10 per pay period to the Commonwealth of Virginia 457 Plan, you are eligible for an employer match through the Virginia Cash Match Plan equal to 50% of your contributions, not to exceed \$20 per pay period.

If you are a higher education employee, you may be eligible to participate in a supplemental 403(b) plan as well as the Commonwealth of Virginia 457 Plan. If you participate in both plans and contribute the maximum 4% voluntary contribution to your Hybrid 457 Deferred Compensation Plan, you will be eligible to receive one employer match equal to 50% of your contributions, not to exceed \$20 per pay period.

If you are a school division or a political subdivision employee, you may be eligible to participate in the Commonwealth of Virginia 457 Plan, a 403(b) plan or another supplemental retirement plan if offered by your employer, which also may provide an employer matching contribution. Contact your human resource office for more information.

With the Commonwealth of Virginia 457 Plan, you defer income taxes on your pretax account until you withdraw the money. Roth contributions are made on an after-tax basis to your 457 Plan. You pay taxes on the contributions now

and then when you later withdraw your Roth contributions and any associated earnings, they are tax free as long as certain criteria are met.

Distributions

If you participate in the Commonwealth of Virginia 457 Plan and leave your position, your contributions to your plan as well as any employer matching contributions you may be receiving will stop. However, you can continue to manage your account or request a distribution in the form of a lump-sum or partial lump-sum payment, a variety of periodic payment options or a combination of these methods.

To withdraw your Roth assets on a tax-free basis, you must be separated from covered employment with a bona fide break in service and at least five years have passed since January 1 of the year you made your first Roth contribution; you must be at least 59½ years old or permanently disabled, or the assets are being paid to your beneficiaries following your death.

Payments from your Commonwealth of Virginia 457 pretax account and the Virginia Cash Match Plan are subject to federal and state income taxes. The IRS may also impose an additional 10% penalty on Virginia Cash Match Plan distributions received before age 59½; there are exceptions to this rule. There is no penalty for early withdrawals from the Commonwealth of Virginia 457 plan. When you reach age 72, you can withdraw your money from your plan at any time, regardless of your employment status.

For more information on requesting a distribution, visit varetire.org/457 or call MissionSquare Retirement Participant Services at 877-327-5261.



2 Planning Resources

myVRS • Defined Benefit Counseling and Education Resources •
Defined Contribution Component Account Access, Counseling and
Education Resource Overview



myVRS is a secure, online system that provides up-to-date benefit information based on your member record and features tools to help you plan your retirement.

In myVRS you can view your:

- Defined benefit member contribution account balance and total creditable service
- Defined contribution component account balance[†]
- Commonwealth of Virginia 457 Deferred Compensation Plan balance if you participate
- Compensation and employment history
- Basic group life insurance coverage, if applicable

To create a myVRS account, log on to myVRS and follow the step-by-step registration instructions.

Benefit Estimator and Retirement Planner

Through the Benefit Estimator, you can create VRS retirement benefit estimates based on different retirement dates or payout options, to see which will best meet your needs and those of your family when you retire. You can then select a benefit scenario to enter in the goal-based Retirement Planner, along with other sources of income and expenses, including income taxes, health insurance and living expenses. The result will help you project your income and expenses in retirement.

Note: Your retirement benefit amount is based on factors such as service credit, age, average final compensation and your selected benefit payout option. Create a new benefit estimate if your circumstances change.

myVRS Financial Wellness

Discover free articles, videos, educational games and mini-courses to help you with budgeting, saving, managing credit, making smart purchases and more. Visit myVRS.varetire.org.



Security Best Practice: Claim Your myVRS Account

VRS takes many measures every day to keep your information secure. You can help by registering for myVRS, completing the identity verification steps and then establishing a password-protected account. Verifying your myVRS account helps prevent someone else from attempting to lay claim to the account fraudulently.

Defined Benefit Counseling and Education Resources

Member Education

Courses are offered through webinars, e-learning and on-site sessions. Topics include reviewing your VRS benefits, planning for retirement, using myVRS and applying for retirement. For more information, schedules and online registration, visit varetire.org/hybrid.

Retirement Counseling

Meet with a counselor at the VRS Retirement Counseling Center at 1111 East Main Street, Richmond, VA 23219. Sessions are offered on a first-come, first served basis between 8:30 a.m. and 4 p.m., Monday through Friday. Limited scheduled appointments are available. The first hour of parking in the deck is free.

Defined Contribution Component Account Access, Counseling and Education Resource Overview

You also have resources under the defined contribution component to help you plan your retirement[†]:

- The *Hybrid Retirement Plan Features & Highlights Guide*, *Your Retirement: A Handbook for Hybrid Retirement Plan Retirees* and the *Investment Guide* at varetire.org/hybrid under Publications.
- Registered plan representatives are available for one-on-one counseling. Call toll-free VRS-DC-PLAN1 (877-327-5261, select option 2) or visit the local plan representative at 951 E. Byrd Street, Suite 530, Richmond, VA 23219. Counseling hours are 8:30 a.m.-5 p.m., Monday through Friday. (Appointments are required between noon and 1 p.m.)
- Registered representatives also conduct group seminars on investment options and other information for hybrid members.
- Log in to Account Access to view your defined contribution component account information, manage investments and change your voluntary contribution percentage. If you don't have an account, follow the guidelines on the Account Access page for creating a user ID and password.

3

Applying for Retirement

Defined Benefit Forms You Need for Retirement •
Requesting a Distribution From Your Defined
Contribution Component • Checklist for Retirement

Retirement is effective on the first of the month, and your benefit begins the first of the following month. You must separate employment with all VRS-covered employers to be eligible for retirement. To begin receiving your benefit payments in a timely manner, notify your employer and submit your application and all required forms and documents to VRS at least 60 days, but not more than four months (120 days), before you want to retire.

Example: If you wish to retire on December 1, submit your application by October 1. You will receive your first benefit payment on January 1 for the previous month of December.

Note: In some cases, working after retirement will affect your retirement benefit payments. Before submitting your retirement application, review VRS' rules for Working After Retirement.

Defined Benefit Forms You Need for Retirement

The forms you need are available at varetire.org/hybrid, or by calling VRS at 855-291-2285. Read the directions on all forms and provide all signatures and required documents. An incomplete or incorrect application will delay the processing of your retirement. Your application must include the following forms and related documentation:

- Application for Service Retirement (VRS-5). If you are married or separated, have your spouse complete the spousal acknowledgment section. Your spouse must sign on or after the date you sign the application.
- Designation of Beneficiary (VRS-2) if you need to update your beneficiary for your member account and life insurance benefits.
- If you are a state employee, you must include the State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD Participants (T-20879). For more information, see the Department of Human Resource Management website at dhrm.virginia.gov.

- If you are an employee of a school division or a political subdivision, contact your human resource office about retiree health insurance your employer may offer.

Other forms and documents you may need:

- Request for Health Insurance Credit (VRS-45), if you are eligible for the credit and VRS will not be deducting your health insurance premiums from your monthly benefit payment. If VRS will be deducting your premiums, you do not need to submit this form; VRS will apply the credit automatically to your benefit payment.
- If you participate in the Virginia Sickness and Disability Program (VSDP) or the Virginia Local Disability Program (VLDP), you'll need to complete the Authorization of Coverage Retention for the Long-Term Care Plan (VSDP or VLDP) (VRS-170) and Protection Against Unintentional Lapse of Long-Term Care (VSDP or VLDP) (VRS-171) if you wish to continue your long-term care coverage into retirement. You will pay the premiums.



Requesting a Distribution From Your Defined Contribution Component

To request a distribution from the defined contribution component of your plan, log in to Account Access at varetire.org/dcp-login and select the account from which you wish to withdraw funds. Your employer must have reported your separation to VRS in order for you to initiate an online distribution request. Separate requests are required for the Hybrid 457 Deferred Compensation Plan and the Hybrid 401(a) Cash Match Plan, as well as any other defined contribution plans in which you participate.

For more information or to request a distribution, call MissionSquare Retirement, 877-327-5261, select option 1 and ask for a Participant Services Representative[†].

Checklist for Retirement

PREPARING FOR RETIREMENT

- ☐ Sign up for member education courses, including sessions related to defined contribution plans[†].
- ☐ Let your human resource office know your retirement plans at least six months before the date you wish to retire.


60-120 DAYS BEFORE YOUR RETIREMENT DATE

- ☐ If you have eligible prior service and want this service applied to your defined benefit component calculation, log in to your myVRS account or contact your human resource office regarding the purchase process.
- ☐ If you are a state employee covered under the Virginia Sickness and Disability Program (VSDP), decide whether you want to continue your VSDP long-term care coverage into retirement.
- ☐ If you are covered under the Virginia Local Disability Program (VLDP), decide whether you want to continue your VLDP long-term care coverage into retirement.
- ☐ If you participate in the Optional Group Life Insurance Program, decide whether you want to continue or convert your coverage upon retirement.
- ☐ If you are a state employee, submit the State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD Participants (T-20879) with your retirement application, whether you are electing or waiving coverage.
- ☐ If you work for a school division or a local government, contact your human resource office about retiree health insurance your employer may offer.

Keep your beneficiary designation for the Defined Contribution

Component current. Log in to Account Access to check your beneficiary or to make changes to your beneficiary designations online. Or complete a Designation of Beneficiary Form - Hybrid Defined Contribution Plans.





4 Benefits After You Retire

Cost-of-Living Adjustments • Direct Deposit • Taxes • Health Insurance (state employees) • Health Insurance Credit • Basic Group Life Insurance Program • Optional Group Life Insurance Program • Long-Term Care

Your retirement benefit payment is not the only VRS benefit you enjoy in retirement.

Right After You Retire:

- Your myVRS account moves with you from active member to retiree. If you registered for myVRS while working, you may continue to use your myVRS member account username and password in retirement. Otherwise, you may set up an account after you retire.
- If you are a state employee and wish to be covered under the State Retiree Health Benefits Program, apply using the State Health Benefits Program Enrollment Form For Retirees, Survivors And LTD Participants (T-20879) within 31 days of your retirement date.
- If you participate in VSDP or VLDP and wish to continue your coverage under the VSDP or VLDP Long-Term Care Plan, apply within 60 days from your retirement date.

Cost-of-Living Adjustments

Cost-of-living adjustments (COLAs) help your retirement benefit under the defined benefit component to keep pace with inflation. The COLA is based on the Consumer Price Index for all Urban Consumers (CPI-U), published by the U.S. Bureau of Labor Statistics, and is updated each July 1. The COLA is applied to your monthly retirement benefit under the defined benefit component after your COLA goes into effect.

The COLA is calculated using the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. During years of no inflation or deflation, the COLA is 0%.

If you retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, or if you are involuntarily separated from employment and retire under the Workforce Transition Act or the Transitional Benefits Program,

the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from the date your monthly benefit begins.

If you retire with a reduced benefit with fewer than 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year (January 1 to December 31) from the date you would have become eligible for an unreduced benefit.

Exceptions to COLA Effective Dates:

- You retire directly from short-term or long-term disability under the Virginia Local Disability Program (VLDP) or employer opt-out plan.
- You are involuntarily separated from employment for causes other than job performance or misconduct and are eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- You die in service and your survivor or beneficiary is eligible for a monthly death-in-service benefit.



Direct Deposit

After you retire, your monthly benefit from the defined benefit component will be deposited to the financial institution account you designated on the Application for Service Retirement (VRS-5). Benefit payments are deposited on the first of the month for the preceding month's benefit. If the first falls on a weekend or holiday, the payment will be deposited on the last business day of the preceding month.

The defined contribution component offers a variety of distribution options[†]. Through MissionSquare Retirement you can request a payment through direct deposit or a check. At the time of your request, you can choose any date for direct deposit.

Taxes

Your retirement benefit under the defined benefit pretax component and your distributions from the defined contribution component will be subject to federal income taxes and, if you live in Virginia or another state that taxes income, state income taxes.

After you retire, VRS will send you a 1099-R form for the previous calendar year's benefit payments and tax withholdings. Also, MissionSquare Retirement will send you a 1099-R form for any defined contribution account distributions[†]. You will use these forms when you file your federal and state income tax returns.

You can change the amount of taxes withheld from your defined benefit component online through the Tax Tool in your myVRS account. By using the Tax Tool, you can calculate different withholding amounts and submit your change online through myVRS.

Health Insurance

If you retire as a state employee, you are eligible to enroll yourself as well as a spouse or dependent children in the State Retiree Health Benefits Program. You must submit the State Health Benefits Program Enrollment Form For Retirees, Survivors and LTD Participants (T-20879), within 31 days of your retirement date.

If you defer receiving a retirement benefit, you will not be eligible to enroll in the program at a later date. Also, if you waive coverage, you will not be able to enroll at a later date. For more information, visit the Department of Human Resource Management website at dhrm.Virginia.gov.

If you work for a school division or a local government, your employer may offer a retiree health insurance program. Contact your human resource office about any retiree health insurance your employer may offer.

Health Insurance Credit

If you retire with at least 15 years of service credit, you may be eligible for the health insurance credit. This is a tax-free benefit that assists with health insurance premiums you pay for single coverage under qualifying health plans, excluding any portion of the premiums covering a spouse or dependents. The health insurance credit is a dollar amount set by the General Assembly for each year of service, not to exceed the individual premium amount. It serves as a reimbursement for your qualified health care expenses.

Eligible Employees:

- State employees
- Teachers and school administrators
- Non-teacher school division employees
- General registrars and their employees, constitutional officers and their employees and local social service employees
- Employees of political subdivisions that have elected to provide 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

The 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



The health insurance credit is applied to your monthly benefit payment under the defined benefit component of your plan. If you do not receive a monthly benefit, VRS will reimburse you for the amount you pay for your coverage. The credit ends upon your death.

Basic Group Life Insurance Program

If your employer participates in the VRS Group Life Insurance Program, you have basic group life insurance coverage when you retire. Benefits include a death benefit equal to your creditable compensation at retirement, rounded to the next highest thousand and doubled. If you retire with 20 or more years of service credit, the death benefit will be based on your highest creditable compensation as a covered employee, even if your creditable compensation at retirement is lower. An accelerated death benefit option also is available. If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can

withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.

Your life insurance coverage begins to reduce on January 1 following one calendar year after your employment ends. The reduction rate is 25% each January 1 until it reaches 25% of the total life insurance benefit value at retirement. If you have at least 30 years of service credit, your coverage cannot reduce below an \$8,000 minimum established in 2015. This minimum will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. You may end employment and defer retirement until a later date; however, the group life insurance will begin reducing based on the last month of employment.

Keep Your Beneficiary Up to Date

You can name or change your beneficiary at any time through the Designation of Beneficiary (VRS-2) for the defined benefit component of your plan. For the defined contribution component, log in to Account Access.

THE VALUE OF YOUR LIFE INSURANCE	
Reduction Timeline	Example
When you retire or defer retirement, your life insurance benefit is equal to your creditable compensation, rounded to the next highest thousand and then doubled.	You retire on July 1, 2022. Your creditable compensation at retirement is \$49,780; for your life insurance coverage, that amount is rounded to \$50,000 then doubled to equal \$100,000.
On January 1 following one calendar year after your employment ends (January through December), your life insurance coverage reduces 25%.	On January 1, 2024, your life insurance coverage reduces to \$75,000.
On January 1 following two calendar years after your employment ends (January through December), your life insurance coverage reduces another 25%.	On January 1, 2025, your life insurance coverage reduces to \$50,000.
On January 1 following three calendar years after your employment ends (January through December), your life insurance coverage reduces a final 25% and remains at that value for the rest of your retirement.	Your final reduction will be on January 1, 2026, and your coverage will remain at \$25,000* for the rest of your retirement.

**The final amount of insurance will vary according to your creditable compensation when leaving employment.*

Imputed Income Taxes

You also will receive a W-2 from VRS if you participate in the VRS Group Life Insurance Program and have imputed income. Imputed income is the cost of VRS group life insurance over \$50,000 on the premiums paid by VRS and is subject to income taxes and FICA (Social Security and Medicare) taxes.

Optional Group Life Insurance Program

If you are enrolled in the Optional Group Life Insurance Program and meet the qualifications for retirement, you may continue a portion of your coverage upon leaving employment. You, as well as your spouse and dependent children, if enrolled, must have been continuously covered during the 60 months preceding your retirement date. You pay the premiums through payroll deduction. Coverage ends at age 80.

Long-Term Care

VSDP or VLDP Long-Term Care Plan

Active employees enrolled in the Virginia Sickness and Disability Program (VSDP) or the Virginia Local Disability Program (VLDP) are covered under the VSDP or VLDP Long-Term Care Plan. At retirement, your long-term care coverage ends. However, you can elect to continue your coverage, retroactive to your last day of employment. You will pay the premiums. 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) within 60 days of your last day of employment to: the Long Term Care Group, Inc., P.O. Box 64011, St. Paul, MN 55164-0011. This option is not available after 60 days.

Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program

If you are enrolled in the Commonwealth of Virginia (COV) Voluntary Group Long Term Care Insurance Program when you retire, you can continue your coverage through Genworth Life Insurance Co., the insurer.

If you are not enrolled, you can apply as a retiree, provided you are age 75 or under. Your former employer is not required to have elected the program. Medical underwriting (proof of good health) will be required.

For more information, contact Genworth toll-free at 866-859-6060 or visit genworth.com/cov.

See also varetire.org for more information about long-term care programs.



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