

In this issue

- 2011 Tax Cut May Help You Boost Retirement Savings
- How to Change Your Beneficiary
- 8 Habits of Effective Retirement Investors
- Meeting Your Required Minimum Distribution Obligation If You Invest in the VRSIP or a Self-Directed Brokerage Account
- Plan Web Site Tips
- Changing Agencies or Returning to Employment?
- Self-Directed Brokerage Choices Expand
- Co-Workers Share Insights About the Plan

2011 Tax Cut May Help You Boost Retirement Savings

You have extra cash in every paycheck because of a Social Security tax break for 2011 only.



Beginning in January, withholding taxes from wages were reduced by 2 percent for all of 2011. You are paying 4.2 percent instead of the standard 6.2 percent into Social Security on income below \$106,800.

This offers a limited time opportunity to save this extra money for your retirement. Simply consider investing some or all of the additional money into your 457 Deferred Compensation Plan account.

Remember, when you increase your Plan contributions, you will see a change in your take-home pay that is less than the extra amount you are saving. That's because your contributions are tax deferred, which means the amounts are not subject to current

federal or state taxes. You only pay taxes on contributions and earnings in your Plan account when you take distributions from your Plan.

While the Social Security tax break is temporary, your decision to defer the extra money could make a long-lasting difference for your retirement security.

The method for increasing 457 Plan contributions will depend on your agency. The timing of when the contribution change takes effect is the same, regardless of the method used to request the change.

If you work for a decentralized state college or university or for a non-state agency that has adopted the 457 Plan, check with your agency's payroll office to determine the method used to change your regular contributions to the Plan.

All other participants can change 457 Plan contributions in one of two ways:

Online: Go to www.varetire.org and select **457 Plan** under the *Defined Contribution Plans* tab. Once logged in, under **My Account**, select **Change Contributions**.

By phone: Call the Plan Information Line at **1-VRS-DC-PLAN1** (1-877-327-5261) and press 1 to speak with a Customer Service Representative. ●

How to Change Your Beneficiary

You may change the beneficiary named for your Plan account anytime.

Your beneficiary would receive your Plan benefits in the event of your death. It may be appropriate to review your beneficiary information once a year, or sooner, if there are changes in your relationships or health.

There are three ways to change your beneficiary:

Online. Go to www.varetire.org and select your Plan under the *Defined Contribution Plans* tab. Log on to your Plan account, select **Personal Information** then **Beneficiary Information**.

By phone. You may call the Plan Information Line at **1-VRS-DC-PLAN1** (1-877-327-5261) to designate or update your beneficiary information.

By form. Go to www.varetire.org and select your Plan under the *Defined Contribution Plans* tab. Select **Forms** from the top navigation bar, then **Beneficiary Designation Form**. Or you may call the Plan Information Line at **1-VRS-DC-PLAN1** (1-877-327-5261) and request the *Beneficiary Designation Form* for each Plan in which you have an account to be sent to you.

No other methods, such as sending a letter or marked-up statement, are acceptable for submitting beneficiary information. ●

8 Habits of Effective Retirement Investors

Habits influence our daily lives and our futures. A habit starts with motivation and involves knowing what to do and how.



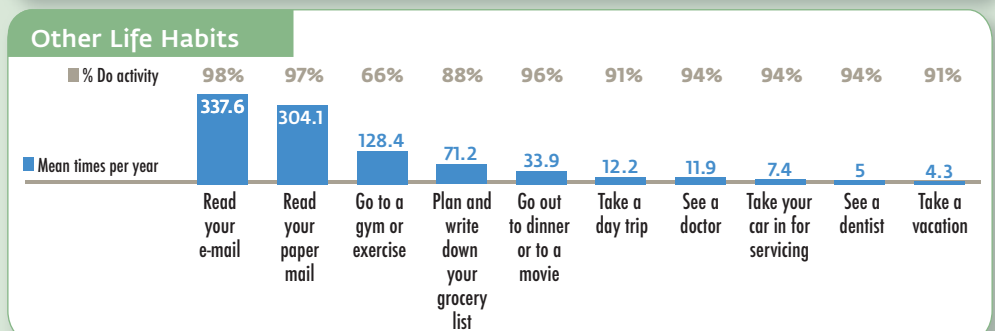
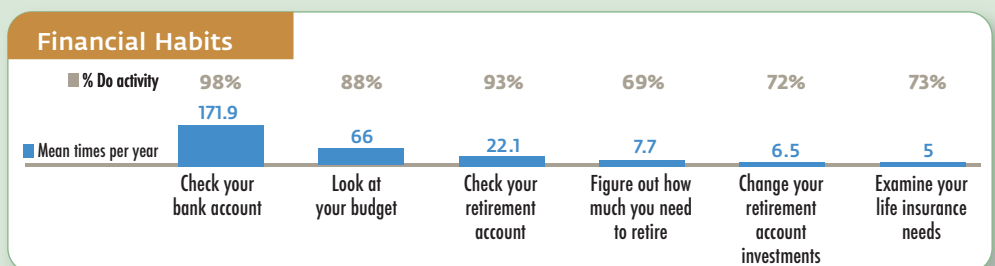
If you would like to develop or maintain good habits that could help you work toward a more secure retirement, you may want to consider imitating these habits of effective retirement investors.

- 1 Picture it.** Spend some time imagining the retirement you want; then let those ideas fuel your desire to make it happen.
- 2 Learn what to do and how.** Your Plan gives you access to educational materials, interactive tools and services to help you understand how to plan and invest for retirement.
- 3 Make a plan.** Without one, you may not know which investments are right for you or whether you are on course to reach your retirement goals. Your personal plan will be based on when you expect to retire, how much retirement income you will need, where the income will come from, how you feel about risk and the kind of returns you need from your investments. You may want to take advantage of the Plan resources available to help you.
- 4 Keep saving.** Consider contributing as much as you can afford to your Plan account. Try increasing your contribution \$25 more per paycheck and see if you miss the money. Then raise your contributions at least once a year or as often as you can. The effect on your Plan account value could be significant without reducing your take-home pay by much. VRS members can use the **myVRS Retirement Planner** to set goals and see progress.
- 5 Diversify.** You may want to choose a mix of options that invest in the major asset classes: stocks, bonds and cash equivalents and within each asset class. Review the *Planning and Investment Guide* for a better understanding of diversification. The Guide is available on www.varetire.org. Under the Defined Contribution Plans tab, select your Plan, then **Publications** from the left navigation area.
- 6 Review your asset allocation.** Be sure your investment strategy and mix of investments are appropriate for your age, risk tolerance and the amount of time left until you expect to retire. Check both at least once a year. If market conditions push your investment mix out of alignment with the target percentages you set originally, you may want to rebalance.
- 7 Review your statements.** By looking closely at your quarterly account statements, you will become more familiar with how your investments are doing and whether they are on track with your personal plan.
- 8 Keep improving.** Good habits take time to develop. After you've mastered the basics, continue to sharpen your skills. Learn more by attending a Defined Contribution Regional Educational Meeting. The schedule is enclosed with your statement. Take advantage of everything the Plan offers to help you stay in the habit of saving and investing for your future. ●

How Do Your Peers' Habits Compare With Yours?

The tables on the right can show you how your habits stack up against those of other government workers.

These results were compiled from answers by 1,026 full-time state and local government employees ages 20-70 who participated in the survey by Synnovate for the ING Institute for Retirement Research May 27 - June 1, 2010. ●



Meeting Your Required Minimum Distribution Obligation If You Invest in the VRSIP or a Self-Directed Brokerage Account

You are required by law to begin annual withdrawals from your retirement accounts by April 1 of the year following the year in which you reach age 70½ or retire, whichever is later.

The Required Minimum Distribution (RMD) for each year is generally determined by dividing your account balance at December 31 of the prior year by a distribution period based on uniform life expectancy tables.

You can request a periodic distribution from your 457 Deferred Compensation Plan, Cash Match Plan or other 401(a) defined contribution plan you may have with the Commonwealth to meet the required minimum distribution.

If you are invested in the Virginia Retirement System Investment Portfolio (VRSIP) or a Self-Directed Brokerage Account, you are required to:

- maintain a \$2,500 minimum balance and
- transfer the amount needed to satisfy your RMD into the core funds.

RMDs from the VRSIP

As you know, the VRSIP allows outgoing transfers only on a quarterly basis. You must transfer a sufficient amount to cover your RMD out of the VRSIP into the core funds no later than the quarter prior to the date your RMD will be paid.

2011 funds
transfer
deadline

No later than **September 30**
for RMDs to be paid in
December

You can transfer money from the VRSIP to the core investment options by logging into your account at www.varetire.org. To do so, select **Account Log-In** under the *Defined Contribution Plans* tab. Under the *My Account* tab, choose **Fund Transfer** under **Manage Investments** and enter the percent you wish to transfer from the VRSIP into the core investment options. Remember, you can make these transfers quarterly only.

RMDs from the SDBA

You are responsible for making sure there is enough money in your account's core investment options to cover the RMD in addition to the \$2,500 minimum balance. This may involve liquidating some TD AMERITRADE assets and having the proceeds moved to the SDBA money market fund first, and then moved to the core investment options.

Call TD AMERITRADE at **(866) 766-4015** to liquidate securities. Requests received by phone on business days prior to close of the New York Stock Exchange (4 p.m. Eastern Time or earlier on some holidays or other special circumstances) are initiated at the close of business the same day the request is received. The actual effective date of your transaction may vary depending on the investment option selected.


Once the securities liquidation is complete and funds are moved to the SDBA money market fund, you may transfer the assets back to the Plan's core investment options by visiting the Plan Web site at www.varetire.org or by calling the Plan Information Line toll-free at **1-VRS-DC-PLAN1** (1-877-327-5261). ●


If you have questions or want more information about RMD payments, call the Plan Information Line at **1-VRS-DC-PLAN1** (1-877-327-5261).

Plan Web Site Tips

FIRST IN A SERIES

Your Plan Web site at www.varetire.org offers a convenient way to access information and manage your account. Here are some tips to help you master the basics and avoid delays.

 **Entering data in required fields.** When you are asked to enter your Social Security number at login, type it in without hyphens or dashes. When you are asked to enter your date of birth, such as when you select *Forgot Your Password?*, use a forward slash (/) between the month, day and year of your date of birth.

 **Before a new password arrives by mail.** Once you request a new password to be mailed to you, do not attempt to log into your account online or by phone, otherwise the account will become locked. If you have questions about the Plan or your account, call toll-free **1-VRS-DC-PLAN1** (1-877-327-5261). Press 1, then 0 to speak with a Customer Service Associate. You don't need a password for transactions by telephone such as changing the contribution amount or restarting contributions. The Customer Service Associate will ask questions to authenticate your identity. ●



Changing Agencies or Returning to Employment?

When you change agencies or have a break in service, you are required to complete the **Payroll Authorization Form — Agency Transfer and Terminated Employee Return to Work** in order for your contributions to continue.

This form, which replaces the **Payroll Authorization Form — Agency Transfer**, should be used if you:

- Move between two agencies with no break in service or
- Terminate from agency A, have a break in service and return to agency A or
- Terminate from agency A, have a break in service and return to agency B.

Note: you cannot use this form to change the amount you contribute to the 457 Plan. To access the form, go to www.varetire.org, select the **Defined Contribution Plans** tab, then **Forms**. Or call the Plan Information Line at **1-VRS-DC-PLAN1** (1-877-327-5261) and request a form. ●

Self-Directed Brokerage Choices Expand

Starting in August 2011, exchange-traded funds (ETFs) and individual securities will be available as investment options in addition to the current mutual fund offerings for participants with a Self-Directed Brokerage Account (SDBA). Further details will be sent to SDBA holders and published in a future issue of this newsletter. More information about the SDBA is available by calling the Plan Information Line toll-free at **1-VRS-DC-PLAN1** (1-877-327-5261) or on the Plan Web site at www.varetire.org. Under the **Defined Contribution Plans** tab, select your Plan and then **Plan Investments** from the top navigation bar. ●



Plan Information Line:
1-VRS-DC-PLAN1 (1-877-327-5261)
Monday – Friday • 8 a.m. to 8 p.m. Eastern Time

Plan Web site:
www.varetire.org. Select your Plan under the **Defined Contribution Plans** tab.

ING Service Center:
919 E. Main Street • Richmond, VA 23219
1-VRS-DC-PLAN1, option 2
Monday – Friday • 8:30 a.m. to 5 p.m. Eastern Time

ING Registered Representatives:
1-VRS-DC-PLAN1, option 2
Kelly Hiers, David Detamore
Mackenzie Moss, Janice Parker

This newsletter is not intended to provide legal, tax, or investment advice. For such advice, participants should contact their legal, tax, or investment advisers. © 2011 ING. All Rights Reserved.



Co-Workers Share Insights About the Plan

"I have been in the Commonwealth's deferred compensation plan for over 10 years. I joined because I realized that I would need additional income in order to fully enjoy my retirement years.

Here's what I tell my co-workers: If you're a new employee, you should join as soon as you start your job with the Commonwealth. If you're a state employee who hasn't enrolled yet, do it as soon as possible! Having money deducted regularly from your paycheck is such an easy way to save, and you get used to budgeting around that deduction.

Retirement comes before you know it. If you have saved from the beginning of your tenure with the Commonwealth, your savings will add up quickly."

~ *Leith, Department of Social Services*

"Since I joined the Plan in February 2008, I go to work every day knowing that a portion of what I earn will be put away for years to come. I wanted to invest in a savings plan that I could count on when I retire. There are so many opportunities for growth with the Plan. I get a great feeling inside just knowing that I'm part of it."

~ *Krystal, Haynesville Correctional Center*



Quarterly calendar

The New York Stock Exchange is closed:

- **Monday, May 30, 2011**
- **Monday, July 4, 2011**

Transactions made on these days will be processed the following business day.