

In this issue

- Changes to Plan Contribution and Cash Match Implemented
- Maximize the Cash Match
- Taking Your First Retirement Planning Steps
- Access Your 2011 VRS Member Benefit Profile in August
- Plan Web Site Tip
- Crime Could Lead to Loss of Plan Benefits
- Go Green, Go Paperless
- 2011 Required Minimum Distribution Deadlines Approach
- Self-Directed Brokerage Choices Expand August 15

COMMONWEALTH OF VIRGINIA DEFINED CONTRIBUTION PLANS

Changes to Plan Contribution and Cash Match Implemented

State employees in the VRS Plan 1 defined benefit program began paying the 5% member contribution and receiving a 5% salary increase effective July 15, 2011.

The contribution is deducted on a pre-tax salary reduction basis for most employees with these exceptions: Plan 1 elected officials, judges, Optional Retirement Plan (ORP) Plan 1 participants and local government positions reimbursed by the Compensation Board.

The 5% member paid contribution to their retirement plan does not affect the annual contribution limits for participants in the Commonwealth of Virginia 457 Deferred Compensation Plan. They may contribute up to the annual limit of \$16,500 in 2011. Participants age 50 or older this year may contribute an additional \$5,500 for a total of \$22,000 in 2011. Those within three years of normal retirement age whose application to use the 457 Plan Standard Catch-Up is approved may contribute up to twice

the annual limit, not to exceed \$33,000 or their catch-up credit, whichever is less in 2011.

Beginning with the July 1, 2011 pay date, the employer cash match paid to salaried state employees who contribute to the Commonwealth's 457 Deferred Compensation Plan or to a 403(b) plan sponsored by their employer was increased to 50% of the employees' contribution, capped at \$20 per pay date. State employees who participate in both the 457 and 403(b) plans receive one cash match. Employees enrolled automatically in the 457 Plan receive a \$10 match on their \$20 automatic contribution, but may increase their contribution amount in order to receive the higher match. ●

Maximize the Cash Match

Now that the available cash match has increased to \$20 per pay date, don't miss your opportunity to take advantage of this "free money."

If you are a salaried state employee who contributes to the Commonwealth's 457 Deferred Compensation Plan or to a 403(b) plan sponsored by your employer, consider increasing your contributions to ensure you receive the full \$20 cash match.

If you are an employee who was automatically enrolled, your \$20 automatic contribution entitles you to a \$10 match. However, if you contribute an additional \$20 per pay date or a total of \$40 per pay date, you can receive the highest cash match of \$20.

To change your contributions

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. ●

The cash match makes a difference in your account's potential growth.

PER PAY PERIOD		IN 30 YEARS	
Participant contributions	Employer cash match	Employer cash match total	Account value total
\$20	\$10	\$7,200	\$58,542
\$30	\$15	\$10,800	\$87,813
\$40	\$20	\$14,400	\$117,084

These hypothetical illustrations assume 24 pay periods over 30 years and a 6% rate of return. Systematic investing does not ensure a profit or guarantee against a loss in declining markets. You should consider your financial ability to consistently invest in up as well as down markets.

Taking Your First Retirement Planning Steps

In taking the actions needed for a financially secure future, time is your ally when you are in your 20s and 30s.

The younger you are, the more you potentially have to gain by taking advantage of the time in front of you to save for retirement. In fact, the earlier you begin saving, the less you may have to contribute to your retirement accounts to reach your retirement goal.



Compounding: a snowball effect

Compounding describes what happens when investment earnings in your retirement account subsequently generate additional earnings in addition to those generated by the principal invested. The process of compounding has often been compared to the way a snowball grows as it rolls downhill. The longer the hill, the larger the snowball becomes.

And thanks to the potential role of compounding, increasing your retirement contributions by even a small amount each year could provide significant long-term benefits as this hypothetical illustration shows.



At age 25, Daisy and Dave each earn \$30,000 a year and contribute 6% of income a year.

Dave never increases his contributions. Daisy increases hers by 1% of income each year until she is eventually contributing 12%.

With a 6% annual return over 40 years, Dave would have \$286,499 for retirement. Daisy would have \$515,734 or \$229,235 more than Dave because she took advantage of time and gradually increased her contributions.

This illustration is hypothetical for illustrative purposes only and does not represent the performance of an actual investment. It assumes a 6% return rate and reinvestment of earnings. It is not adjusted for inflation and does not include any taxes or deductions. The returns you may receive may be more or less, depending on actual returns.

Having 30 to 40 years to save and invest also may give you the opportunity to invest in options with greater growth potential and to worry less about short-term market volatility. While past performance cannot guarantee future results, longer-term holding periods have often been associated with a lower likelihood of portfolio losses.

Access Your 2011 VRS Member Benefit Profile in August

In August, VRS will post the 2011 Member Benefit Profile (MBP) online to all myVRS member accounts.

The MBP provides an annual benefits statement for each VRS member. The income analysis feature helps you gauge your progress in preparing for a financially-secure retirement by allowing you to measure the gap between estimated retirement income and a target percent of pre-retirement income. You will be able to view your MBP through the secure online myVRS system at www.varetire.org and select **myVRS Access**.

A beginner's guide to retirement planning

Learn about it. There's a Webinar on the Plan Web site designed specifically for you! *First Steps to Financial Security* can help you make the most of having 30 to 40 years to accumulate retirement assets. Go to www.varetire.org and select your Plan under the *Defined Contribution Plans* tab. From the left navigation area, select **Participant Education**, then **Webinar Series**.

Save enough. When planning for a financially-secure retirement, guessing is not good enough. Use **myVRS** to prepare for retirement. How much would your estimated VRS benefit be based on different payout options? What would your retirement income look like if you included other income sources? How would that compare to your expenses? The **myVRS Benefit Estimator** and **myVRS Retirement Planner** allow you to estimate benefit scenarios and finances upon retirement and develop a retirement income plan that will meet your needs and those of your family:

- You can use the **Benefit Estimator** to create estimates of your VRS retirement benefit based on different benefit payout options or retirement dates.
- You can use the **Retirement Planner** to estimate your income and expenses upon retirement:
 - Include your estimated unreduced VRS retirement benefit or an estimate you create in the **Benefit Estimator**. You also can enter a different retirement date.
 - Include income from a spouse, part-time job or Social Security if you are eligible or other sources of retirement income.
 - Build in expenses you expect to have in retirement, including taxes and health insurance. You can use the assumptions the planner provides for many of these factors or enter your own figures.

- Include your Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans account balance to track your savings progress. See the impact of increasing your contribution amount.
- If you have another tax-deferred savings plan, you can include this income in your plan.

To log in or create a secure online account, select **myVRS Access** from www.varetire.org.

Note: The plans you create through the myVRS Retirement Planner are for your planning purposes only. They are based on your current member record, the information you enter and the policies in effect at the time you create them. The results may not reflect your actual income and expenses in retirement.

Increase contributions. Using the **Rate Escalator** on the Plan Web site will increase your contributions automatically on the schedule you choose. NOTE: Generally, you can only withdraw money from your 457 Plan when you leave employment. Be sure to have readily available money to cover emergencies.

Strategize wisely. You need an investment mix that's in line with your age, years until retirement and tolerance for risk. Don't have a strategy yet? The Plan provides a *Planning and Investment Guide*, as well as one-on-one account reviews, seminars and online Webinars to help you set your strategy. Included in this edition of *Focus* you will find the schedule of Regional Education Meetings for the remainder of 2011, including a description of the topics offered.

Diversify. To give your account's investments the potential to grow while managing risk, you want to spread your money across a mix of stock, bond and cash equivalent funds. Not sure how to apply asset allocation and diversification to your investments? The *Managing Your Defined Contribution Plan Accounts* Webinar can help. Or you can review your account with your Plan's registered representative. ●

Plan Web Site Tip

SECOND IN A SERIES

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

- ? Creating security questions.** The security questions and answers you create verify your identity and establish future password reset capabilities so you can change your password online. You may want to select questions you can easily answer from memory. Otherwise, you may want to write down the questions and answers and store the information in a secure place for easy reference. ●



Crime Could Lead to Loss of Plan Benefits

Legislation passed by the 2011 Virginia General Assembly allows employers to direct the forfeiture of all VRS-administered benefits if the employee is convicted of a felony related to his or her employment. The legislation applies to crimes committed on or after July 1, 2011. ●

Go Green, Go Paperless

Sign up to receive electronic versions of your statements and other account documents automatically in your Plan Web site online account mailbox. Go to www.varetire.org and select your Plan under the *Defined Contribution Plans* tab. Log into your account, select **My Profile**, then **Mail Delivery Preferences**. ●



2011 Required Minimum Distribution Deadlines Approach

Plan participants are required to start taking a minimum distribution from their Plan account the year they reach age 70½ or leave employment with the employer that offers the Plan, whichever occurs later.

If you must take a minimum distribution in 2011 and are invested in either the Virginia Retirement System Investment Portfolio (VRSIP) or the Self-Directed Brokerage Account (SDBA), it is your responsibility to ensure sufficient money is in your core investments to cover your required minimum distribution (RMD) obligation. The RMD amount is in addition to the \$2,500 you are required to have in your core investments in order to use the VRSIP or SDBA. If you need to transfer money to meet your RMD, you must do so in order to have money available for the 2011 distribution which will occur no later than December 15, 2011.

If you invest in the VRSIP, the last date on which you can transfer money to the core investments is **September 30**. Due to the nature of the investments within the VRSIP, transfers in and out are allowed on a quarterly basis only. You must initiate any transfers in time to allow for processing prior to close of trading at **4 p.m. Eastern Time**. Transfers can be made online at www.varetire.org. Select **Account Log-In** under the *Defined Contribution Plans* tab. You also may transfer money between investments by calling toll free **1-VRS-DC-PLAN1** (1-887-327-5261). ●

Self-Directed Brokerage Choices Expand August 15

Participants with a Self-Directed Brokerage Account (SDBA) may invest in exchange-traded funds (ETFs) and individual stocks and bonds, in addition to the current mutual fund offerings, beginning August 15, 2011.

SDBA holders will receive new account numbers, PINs and a release form that must be completed and returned to ING in order to trade in their accounts. To complete the transition from old to new account numbers and PINs, SDBA holders will be unable to place trades from August 11 through 14; however, they can transact other business by calling **1-866-766-4015** for assistance.

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



Quarterly calendar

The New York Stock Exchange is closed:

- **Monday, September 5, 2011**

Transactions made on this day will be processed the following business day.