

COMMONWEALTH OF VIRGINIA **DEFINED CONTRIBUTION PLANS**

Improve Your Retirement Planning Skills

National Save for Retirement Week ended October 24, 2009, but you have year-round opportunities to plan and save for retirement. Your Plan provides a wide choice of tools to help you figure out what you will need and how to invest appropriately.

Deferred Compensation Plan Webinars

offer the convenience of using your computer and telephone to learn about the Plans, retirement planning and investing. Go to www.varetire.org. Under the *Defined Contribution Plans* tab, select your Plan, choose *Participant Education* and register.

Plan Overviews and Specialized Sessions

on Account Management and Retirement Options are available at your work site. Experienced professionals will help you understand the Plans, your investment options and basic investment concepts. Contact your agency's Human Resources Office.

Retirement Education Seminars

are taught by industry professionals who explain the steps for planning a well-balanced, dynamic and financially secure retirement. You may also register for group counseling on your VRS retirement benefit. Go to www.varetire.org and select *Education and Group Counseling* under the *Member* tab.

VRS Pre-Retirement Planning Guide

describes your VRS defined benefit and additional benefits such as retiree Group Life Insurance and the Health Insurance Credit.

With *myVRS*, you can create retirement benefits estimates to see if you will have enough at retirement. You may develop a customized plan using *myVRS Retirement Planner*. Go to www.varetire.org and select *myVRS Member Log-In* under the *Member* tab. ●

Catch-Up Options Help to Increase Retirement Savings

The catch-up options within the 457 Deferred Compensation Plan provide the opportunity for employees nearing retirement to make additional contributions to the Plan beyond the 2009 annual contribution limit of \$16,500.

If you will be age 50 or older by December 31, 2009, you are eligible for the **Age 50+ Catch-Up**. Under this option, you may contribute an additional amount up to \$5,500 for a total maximum of \$22,000 in 2009.

If you did not contribute the maximum amount to the Plan in previous years, you may be eligible to use the **Standard Catch-Up** and contribute up to twice the regular deferral limit or your Catch-Up credit, whichever is less. You may use the Standard Catch-Up during the three consecutive years prior to reaching the normal retirement age you have selected. The earliest normal retirement age you may select is the age at which you are eligible for an unreduced benefit from your retirement plan. Under this option, you may be allowed to contribute up to \$33,000 in 2009.

An application is required to use the Standard Catch-Up option. Go to www.varetire.org, select your 457 Plan under the *Defined Contribution Plans* tab, then *Forms*. For help, call the Plan Information Line toll-free at **1-VRS-DC-PLAN1 (1-877-327-5261)** and select 2 to speak with a Virginia registered representative.

You cannot use both the Age 50+ and Standard Catch-Up options in the same year. ●

457 and Cash Match Plans: Rules in the Event of Layoff

Laid-off state employees are eligible to request a distribution from their 457 Plan and Cash Match Plan unless they take a job with another employer that offers the Plans.

Participants can receive distributions one full calendar month after all creditable compensation is reported to VRS by the former employer.

The Internal Revenue Service (IRS) does not consider severance payments to be compensation, so Work-Force Transition Act (WTA) benefits payments cannot be contributed to the 457 Plan.

Important note: The rules that apply to your VRS Member Contribution Account (MCA) are different. Taking a distribution of your MCA would cause your severance benefits to end. For information, go to www.varetire.org and select the *Member* tab. ●

Get to Know your Plan's Web Site

Your Plan Web site is a valuable tool for learning about your Defined Contribution Plans and for managing your accounts. Each issue of Focus in 2009 will spotlight a feature of the Plan participant Web site. For a step-by-step guide to accessing the Plan, investment and account information and a variety of educational and planning tools, go to www.varetire.org. Select your Plan from the *Defined Contribution Plans* tab. Under *What's New*, view the *Web site PowerPoint tour*.



New Security Measures Will Start in November

Your Plan account is password-protected to keep it secure. The security of your password is being enhanced by several changes that will begin in late November.

- When prompted by the system, you will create a new password. It will replace the one you have been using to access your account information and make transactions.
- A lock-out feature will protect accounts not accessed within 12 months. To avoid being locked out, log on to the Plan Web site at least once a year. If you do not, and your online account access is blocked, you will need to call the Plan Information Line at **1-VRS-DC-PLAN1 (1-877-327-5261)** to answer the security questions asked by a Customer Service Associate and receive a new password.
- Passwords must be changed every 42 days.
- Passwords cannot be reused for 24 months. Your password history will be set up to automatically prevent you from using any of your previous 24 passwords.

Your Defined Contribution Plans password is different from your password for [myVRS](#).

No password is necessary to access general information on the Plan Web site.

Secure Password Guidelines

When it is time to change your password, use at least eight and no more than 20 characters. Include at least one uppercase letter, one lowercase letter and a number. Special characters are not accepted, such as: !, @, #, \$, %, ^, &, *, (,) , ?

A secure password mixes letters and a number. It should not contain any names, addresses or common words found in the dictionary.



First Visit to the Plan Web Site?

Go to www.varetire.org. Select the *Defined Contribution Plans* tab. From the drop down menu, select *Account Login*. Or select one of the Plans and log in from the *Home Page*.

To access your account online, you will:

- Enter your Social Security number.
- Create a user name.
- Create a secure password.
- Answer security questions to establish future password reset capabilities so you can change your password online.

After you create your account, if you forget or misplace your password before you establish reset capabilities, select *Forgot your password?* under the User Login box on the *Home Page*. Or call the Plan Information Line at **1-VRS-DC-PLAN1 (1-877-327-5261)**. A reminder of your password will be mailed to your address of record within three business days of making the request online or by phone. ●

Basics of Investing: Understanding Asset Allocation and Diversification

You've heard the phrase "Don't put all your eggs in one basket." That is the basic idea behind two important investing concepts: asset allocation and diversification.

Asset allocation involves assigning specific percentages of your investments to different asset classes according to your financial goals, risk tolerance and investment time horizon.

An asset class is a group of securities that typically behave similarly in the marketplace when compared to other groups of securities. The most well known asset classes are stocks, bonds and cash equivalents (i.e., money market instruments).

Diversification is a risk management technique that mixes a wide variety of investments within a portfolio. It involves distributing your money among different securities, sectors, industries and strategies within a number of asset classes.

Strategies to manage risk

We desire outstanding returns on our investments, but there are risks associated with investing, including the loss of money over short or long time periods. So it's important to understand the risks that come along with an investment.

Spreading your investments over different asset classes and types of investments within asset classes (i.e., large cap, small/mid cap and foreign stocks) can help optimize the risk/return trade off consistent with your financial goals. When you invest in different asset classes and types of investments, some may be increasing in value while others are decreasing in value. This effect is known as negative correlation and can help to smooth trends and reduce risk and volatility (a measure of the dispersion of possible outcomes for the return on an investment) for a portfolio.

For example, under various market conditions, positive bond returns can offset negative stock returns or vice versa. While bond investments can moderate the volatility of stock investments, stock investments may provide greater potential returns than bond investments over the long term.

Diversified asset allocations do not always guarantee a profit or protect against loss. There may be periods of time during which asset returns become very highly correlated across asset classes; this was the case during the recent credit crisis. Abnormally high correlations mean that returns move so closely together over time that the benefits of diversification essentially disappear. Thus, while diversification is a desirable property, its presence is not guaranteed. However, both asset allocation and diversification are valuable risk management strategies for investors.

What are Asset Allocation Funds?

Simply put, an asset allocation fund is a single fund that invests in a variety of securities in different asset classes.

The VRS Defined Contribution Plans investment lineup includes four different asset allocation funds. These funds may be appropriate for participants who want to simplify the asset allocation process by investing in a single fund consisting of a diversified portfolio. Each fund exhibits different risk/return characteristics. Three of the funds are passively managed and one is actively managed.

The three passively managed funds are the Income & Growth Fund, the Balanced Growth Fund and the Long-Term Growth Fund. Passively managed funds try to track the return of an index. An index tracks a particular group of investments that are representative of a market as a way of measuring that market's performance. You cannot invest directly in an index.

The actively managed fund is the Virginia Retirement System Investment Portfolio (VRSIP). Actively managed funds try to produce higher returns than the benchmark index by investment professionals conducting in-depth research within a particular area of focus and/or utilizing various investment management tools. The objective of the VRSIP is to maximize return while managing risk within an acceptable range as it relates to the defined benefit plan. Therefore, participants should carefully assess the suitability of the VRSIP in light of their own specific objectives.

For fund details, go to www.varetire.org and select your Plan under the [Defined Contribution Plans](#) tab. Select [Plan Investment](#), then [Fund Information](#). ●

Out from Under

Are you swamped with credit card debt? There is no investment strategy anywhere that pays off as well, and with less risk, as eliminating high-interest debt.



Reducing high-interest credit card balances as quickly as possible is one of the wisest things you can do under any market conditions. What you save on monthly credit card payments frees up money for other uses, such as adding to your retirement plan accounts.

Prioritize your payments

Write down the balance you owe, the interest rate you pay and your credit limit on each credit card. Then create a repayment schedule. Concentrate on paying off the most expensive card first — the one that charges the highest rate. Focus, too, on getting your outstanding balance on each card well below the credit limit to lessen your vulnerability to over-the-limit fees. Note: Never miss a payment. If you do, your interest rate may be raised on that card and others after credit card companies review your credit history.

Look for a lower rate

Consider transferring your balances to a lower-rate card. You can do side-by-side comparisons of other cards on www.cardratings.com, www.bankrate.com and www.creditcards.com. Be careful to check the transfer fees. If you find a low advertised rate, note how long the low rate lasts and make sure you qualify. Sometimes, it will depend on your credit rating.

Turn over a new leaf

Limit your use of credit cards while paying off your debt. Try to make all your purchases with cash. Experts say no one needs more than two or three credit cards. But keep your oldest card which can help your credit score by showing how long you've had credit. When you're debt-free, save for the long term by increasing the amount you contribute to your retirement plan accounts. ●

RMDs for 2010 Under Review

Federal income tax laws say that once you reach age 70½ or in the year you retire, whichever is later, you must begin withdrawing annually at least a minimum amount from your retirement plan accounts. This amount is known as a Required Minimum Distribution (RMD).

Due to economic conditions, RMDs from retirement accounts were not mandated in 2009. Based on information currently available, RMDs will resume in 2010 and thereafter.

The 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 your age. The annual withdrawals are normally required to begin by April 1 of the year following the year in which you reach 70½ or you retire. This applies to your 457 Deferred Compensation Plan and your Cash Match Plan as well as other defined contribution plans you may have with the Commonwealth.

For information about RMD payments, call the Plan Information Line at **1-VRS-DC-Plan1 (1-877-327-5261)**. ●



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:

- Thursday, November 26, 2009
- Friday, December 25, 2009
- Friday, January 1, 2010
- Monday, January 18, 2010

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