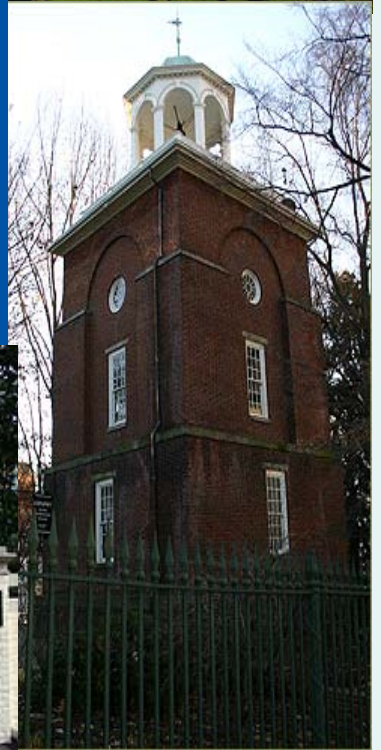


Virginia Retirement System
Optional Retirement Plan for Political Appointees
Plan 2
Employees Hired or Rehired After June 30, 2010
Choosing Your Retirement Plan



**Virginia Retirement System
Choosing Your Retirement Plan
Optional Retirement Plan for Political Appointees
Plan 2**

This publication is for political appointees and eligible elected officials hired or rehired after June 30, 2010 and who are eligible to choose between the Virginia Retirement System defined benefit retirement plan and the Optional Retirement Plan for Political Appointees, a defined contribution retirement plan. *Choosing Your Retirement Plan* is a comparison guide designed to help you evaluate your choices and determine which plan is better for you.

July 2011



Introduction

As an employee serving in a position designated in subdivision 3, 4, or 20 of Section §2.2-2905 of the *Code of Virginia* or an officer or employee appointed by the Attorney General or Lieutenant Governor to a position designated as a deputy, counsel, or director, you are allowed to select your retirement plan. You must choose a retirement plan **within 30 days** of the date the Virginia Retirement System sends you the information packet explaining your choices.

Your choices are the Virginia Retirement System (VRS) Plan 2, which is a defined benefit plan and the Optional Retirement Plan for Political Appointees (ORPPA) Plan 2, which is a defined contribution plan. The benefits described in this publication apply to employees hired or rehired after June 30, 2010. A rehired employee is one who is returning to employment in an eligible position and who has no VRS defined benefit plan service credit and no account balance in an Optional Retirement Plan administered or authorized by VRS resulting from a period of employment prior to July 1, 2010.

If you have VRS service or a Virginia Optional Retirement Plan account from a period of employment prior to July 1, 2010, please provide your employer a copy of your myVRS Account Summary or current statement balance from the record keeper of your Optional Retirement Plan account showing a pre-July 1, 2010.

If you are returning to employment or moving from one state position or one state agency to another, these rules may impact your choices:

If you are moving between positions, both of which are eligible for the ORPPA, without a break in service, you will continue in the plan originally chosen. You are not eligible for a distribution from your plan.

If you return to work in another position eligible for the ORPPA after a break in service you are again eligible to choose between plans. If you wish to be covered by the ORPPA, you must again elect that plan. If you elect the ORPPA and have a VRS member contribution account (MCA) in which you are vested, you are not eligible to take a distribution of your MCA, but may transfer it to your ORPPA account.

A break in service is defined as one full calendar month during which you receive no compensation or active member benefits from the Commonwealth (summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks, educational leave, and sabbaticals do not count toward the full calendar month required for a break in service).

If you move from your ORPPA eligible position and within 30 days are employed in a state position not eligible for the ORPPA, you may use your ORPPA balance to purchase VRS service credit at actuarial cost. You must notify VRS immediately upon being selected for the new position if you wish to purchase VRS service credit. You are not eligible for a distribution of your ORPPA account other than to purchase VRS service credit.



Remember: You have 30 days from the date your information packet and election forms are sent by VRS to make your choice and return the completed forms. If you do not return the completed forms to VRS within 30 days you will be automatically covered by the VRS defined benefit plan.

Choosing Your Retirement Plan

The choice of a retirement plan is a critical one because of its impact on your financial security. As an eligible political appointee, you have the choice between two retirement plans that are distinctly different. **You have 30 days to choose your retirement plan and return the required forms to VRS. If you do not elect the ORPPA, you will be automatically enrolled in VRS.**

Defined Benefit Plan

The Virginia Retirement System (VRS) Plan 2 is a **defined benefit plan**. This plan provides a lifetime monthly benefit during retirement based on your age, total service credit (including any service credit you purchased) and average final compensation. Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. In retirement your VRS benefit is adjusted, up to a prescribed limit, for cost of living increases.

Your benefit is funded through member and employer contributions to VRS, which are invested over your career. VRS holds these funds in a trust protected by the *Constitution of Virginia*. This trust may be used only to pay benefits for VRS members, retirees and beneficiaries. The state contributes an actuarially determined percentage of your creditable compensation to the plan. You pay an additional 5 percent of creditable compensation.

A characteristic of a defined benefit plan is that actuarial reductions are applied to your benefit if you do not qualify for an unreduced retirement. To qualify for unreduced retirement from VRS, you must have a combination of age and service that equals 90 or have at least five years of service at the age you qualify for an unreduced Social Security retirement benefit.



Birth Year	Age for Full Social Security
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943 - 1954	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67

To receive reduced lifetime monthly payments, you must be vested (have a minimum of five years of service on record with VRS) and be at least age 60. For VRS purposes, vesting means you are eligible for a lifetime benefit.

More detail on VRS benefits is contained in the VRS Handbook for Members available at www.varetire.org under the Members tab or from your agency's Human Resources office.

If you already have credible service with VRS, it is suggested that you look closely at the effect on your retirement income if you select the ORPPA. As a defined benefit plan, VRS is structured to reward long service. You may request an estimate of your VRS benefit from your employer, by contacting a VRS Member Counselor or by logging on to myVRS at www.varetire.org/myVRS. On myVRS you can:

- View your member information, including service credit, and compensation reported to VRS by your employer.
- Check the status of an application for retirement, purchase of prior service or refund.
- Estimate your retirement benefit using current information.
- View and update your personal contact information online.

Defined Contribution Plan

The Optional Retirement Plan for Political Appointees (ORPPA), on the other hand, is a **defined contribution plan** where vesting is immediate. For purposes of the ORP, vesting means the total balance in your account is available to you when you leave public employment in Virginia and qualify for a plan distribution. Your retirement benefit is based on employer and employee contributions and the investment gains and losses on those contributions. Your employer contributes to your ORPPA account 8.5 percent of your creditable compensation. You contribute an additional 5 percent of your creditable compensation to your account, for a total contribution of 13.5 percent of your compensation each pay date going into your Plan. Your contribution is paid on a pre-tax salary reduction basis under Section 414(h) of the Internal Revenue Code (IRC).

Your employer bears no responsibility for the outcome of your investment choices. You choose your investments from a range of funds offered under the Plan and assume all risks associated with those choices. Your investment choices should be based on long-term goals and risk tolerance. Risk varies by investment.

More detail on ORPPA benefits is contained in the ORP for Political Appointees Participant Handbook available at www.varetire.org under Defined Contribution Plans / Optional Retirement Plan for Political Appointees.

Listing of Funds, Fund Types and Benchmarks (pages 15 and 16) lists the investment choices currently available to Plan participants.

Comparing VRS to ORP Benefits Illustration (pages 17– 25) is an illustration of retirement benefits from the two plans based on stated assumptions.

Remember: You have 30 days to choose your retirement plan and return the required forms to VRS. If you do not elect the ORPPA, you will be

Comparing the Plans

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Type of Plan	Defined Benefit: During retirement you receive a lifetime monthly benefit based on your age, total service credit (including service credit you purchased) and the average of your 60 consecutive months of highest creditable compensation as a covered employee, adjusted for early retirement.	Defined Contribution: Your benefit at retirement is based on contributions, net investment earnings and age (the length of time your benefit will be paid). Participants may choose between investments offered.
Contributions	Each pay period you pay 5 percent of your creditable compensation on a tax deferred salary reduction basis into your VRS member contribution account (MCA). Your member contribution account earns interest at 4% annually, credited on June 30 of each year on contributions that have been in the account for 12 months. The employer also makes a contribution to an employer pool account that is based on a rate established every two years by the VRS actuaries and approved by the General Assembly. Both member and employer contributions and earnings on those contributions fund future lifetime retirement benefits and guaranteed cost-of-living adjustments after retirement. These monies are invested by the VRS Investment Department with Board of Trustees oversight.	Each pay period you pay 5 percent of your creditable compensation on a tax deferred salary reduction basis into your ORPPA account. Gains, losses and fees on your account depend upon the investments you select. Each pay period your employer pays an additional 8.5 percent of your creditable compensation into your ORP account. The employer contribution is invested in the investments you have chosen from among those available in the Plan.
Contribution Limits	<i>Internal Revenue Code</i> Section 401(a) (17) specifies that creditable compensation on which retirement contributions are paid may not exceed the compensation limit for the plan year in which the compensation was earned. For VRS members the Plan year runs from July 1 through June 30.	<i>Internal Revenue Code</i> Section 401(a) (17) specifies that the compensation on which your employer may make contributions not exceed the compensation limit for the plan year in which the compensation is paid. The ORPPA plan year runs from July 1 through June 30.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Vesting	Vesting is immediate for member paid contributions and for member contributions your employer paid on your behalf prior to July 1, 2010. Five years of creditable service or involuntary separation is required to receive member contributions your employer made on your behalf on or after July 1, 2010. Five years of creditable service are required for a lifetime benefit, when age requirement is met.	Vesting is immediate for your ORPPA account balance, including both employer and employee contributions. This means you may take a distribution of all or a portion of your ORPPA account balance when you leave employment and qualify for a distribution.
Termination before Retirement	Once you are no longer employed by an employer that provides retirement benefits through a plan administered or authorized by VRS, you may choose to leave your account with VRS or take a refund of your member contribution account (MCA) including accrued interest. If you do not take a refund you retain the service credit and right to any benefit to which you are vested. If you take a refund, you lose the service credit represented by the amount refunded and your right to lifetime benefits. The refund is subject to federal and state income tax and may be subject to a 10 percent excise tax if taken before age 59 ½ (unless you separate from service after age 55). Taxation may be deferred by rolling over the refund to another eligible plan or IRA.	You may take a distribution from your ORPPA account when you are no longer employed by an employer that provides you a retirement benefit through a plan administered or authorized by VRS. Your account balance may be left in the Plan (you continue to manage your investments), rolled over or taken as a full or partial distribution. Distributions are subject to federal and state income taxes, and may be subject to a 10 percent excise tax if taken prior to age 59 ½ (unless you separate from service after age 55 or take essentially equal payments over your lifetime). Taxation may be deferred if a rollover is available.
Taxation of Retirement Benefit	Your retirement benefit is paid as a monthly payment for your lifetime or your lifetime and that of the survivor you name. No tax is due until you begin receiving your retirement benefits. The monthly benefit is taxed as ordinary income for both federal and state income tax, depending upon the law of your state of residence. No early retirement excise tax is due on a lifetime benefit.	No tax is due until you begin taking distribution from the Plan. The amount distributed directly to you is subject to federal income tax and state income tax, depending on the tax laws of your state of residence. The distribution may also incur an early retirement excise tax if taken prior to age 59 1/2, An exception applies if you separate from service after age 55, receive an annuity or take essentially equal payments over your lifetime. Taxation may be postponed, if a rollover is available.
Required Minimum Distribution	You are required to take a distribution from the plan the later of April 1 following the year you reach age 70 ½ or when you are no longer employed by an employer that provides retirement benefits through a plan administered or authorized by VRS.	You are required to take a distribution from the plan the later of April 1 following the year you reach age 70 ½ or when you are no longer employed by an employer that provides retirement benefits through a plan administered or authorized by VRS.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Portability	Participation continues if you are employed by one of the approximately 800 Virginia public employers that provide retirement benefits through a VRS administered or authorized retirement plan, including Virginia public colleges and universities, most Virginia local governments, all Virginia public school divisions and Virginia state government agencies. Service credit representing many types of public service and leave may be purchased to enhance the benefit.	Participation continues if you are employed in another ORPPA eligible position. Participants who are immediately reemployed by the Commonwealth in a position with only VRS coverage may use their ORPPA account to purchase VRS service credit at actuarial cost. The purchase must be done within 30 days of terminating employment in the ORPPA position. Service purchase is limited to the amount of time covered by the ORPPA. If you leave public employment in Virginia, your account balance may be rolled over to a subsequent employer's qualified plan or to an IRA.
Consolidating Retirement Plans	You may be eligible to purchase service for other periods of public or military service including time covered by VRS for which you took a refund. You may not roll money from other plans into VRS except to purchase approved service credit. However, payouts from other retirement plans can be rolled into the 401(a) Virginia Cash Match Plan, if you participate in the Commonwealth's 457 Plan and thereby qualify for a Cash Match Plan account.	Distributions from other retirement plans may be rolled into the ORPPA separate rollover account. Payouts from other retirement savings plans can also be rolled into the 401(a) Virginia Cash Match Plan if you participate in the Commonwealth 457 Plan and thereby qualify for a Cash Match Plan account. You may take a distribution from your rollover account at any time, regardless of your employment status.
Employee Retirement Savings Plan - Commonwealth of Virginia 457 Deferred Compensation Plan	Participation in the 457 Deferred Compensation Plan is available regardless of the retirement plan you select. New hires are subject to Automatic Enrollment in the 457 Plan unless they self-enroll, have a 457 Plan account balance from a previous period of employment, actively contribute to a 403(b) plan or opt-out of 457 Plan participation. The 457 Plan lets you save for retirement on a tax deferred basis through payroll deduction, up to the annual limit that applies to you. Go to www.varetire.org and select the 457 Plan under the Defined Contribution Plans tab for more information.	Participation in the 457 Deferred Compensation Plan is available regardless of the retirement plan you select. New hires are subject to Automatic Enrollment in the 457 Plan unless they self-enroll, have a 457 Plan account balance from a previous period of employment, actively contribute to a 403(b) plan or opt-out of 457 Plan participation. The 457 Plan lets you save of retirement on a tax deferred basis through payroll deduction, up to the annual limit that applies to you. Go to www.varetire.org and select the 457 Plan under the Defined Contribution Plans tab for more information.
Investment Risks	Your benefit is guaranteed as long as the Commonwealth continues to make contributions to the Plan.	The investment risk is borne by the employee. Your benefit at retirement is based on contributions, adjusted for gains, losses and fees on investments. Types of risk vary according to the investments your chose.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Investment Costs	Trust fund management costs are paid by earnings on the contributions to VRS.	Fund management costs are borne by the employee.
Inflation Risk (Pre-retirement)	Benefit is related to years of highest pay, which generally occur just prior to retirement; therefore, initial benefit tends to be in line with standard of living just prior to retirement.	Participant may choose from a variety of investments to address inflation risk.
Inflation Risk (Post-Retirement)	The VRS benefit includes cost-of-living adjustments starting on July 1 of the second calendar year after retirement begins. Adjustments are tied to the CPI-urban and may not exceed 6% per year under current law.	Cost-of-living adjustments are not available unless you purchase an annuity with this feature. Retirees may also take periodic distributions from their Plan account, allowing the remainder to continue to be invested.
Disability	You are covered by the Virginia Sickness & Disability Program (VSDP), which provides replacement income ranging between 100% and 60% of salary in the event of short-term or long-term disability. If you were covered by VRS prior to January 1, 1999 and retained the traditional sick leave/disability retirement benefit, you will continue to be covered by the traditional plan (provided you have not incurred a break in service). If you were hired on or after July 1, 2009, you will be covered under VSDP and the benefit applies only to work related disability during the first year you are employed.	Disability benefits are generally not available, except through Social Security. The State does not sponsor a disability plan for employees who choose the ORPPA. However, there are a variety of companies offering plans for which the premiums can be payroll deducted. Contact Fringe Benefit Management Company (FBMC) Provider Network Web Site. If you choose the ORPPA you may wish to purchase private disability insurance. When employment ends as a result of a disability a distribution from the ORPPA may begin.
Death in Service – Non Work-Related	<p>If you die in service for a cause not compensable under workers compensation, any beneficiary may receive a lump sum distribution of your member contribution account (MCA).</p> <p>If you are vested and the beneficiary is your spouse, minor child, mother or father, they may choose either a lump-sum payout of the MCA or a monthly benefit to the exclusion of any other beneficiary that is named.</p>	<p>The ORPPA account balance is payable to your beneficiary. If you did not name a beneficiary the benefit will be paid according to the order of precedence.</p> <p>The beneficiary may choose from the available methods of payment.</p> <p>No special death in service benefit is available.</p>

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Death in Service – Work-Related	If you die in service from a cause compensable under workers compensation, your surviving spouse, minor child, mother or father will receive as a monthly benefit of half your average final compensation (AFC) or 1/3 AFC if the survivor qualifies for Social Security death benefits (offset by Workers’ Compensation) Also, your MCA is refunded to the named beneficiary.	The ORPPA account balance is payable to your beneficiary. If you did not name a beneficiary the benefit will be paid according to the order of precedence. The beneficiary may choose from the available methods of payment. No special work-related death benefits are available.
Group Life Insurance (GLI) IMPORTANT NOTE: For both VRS and the ORPPA Group Life Insurance is lost if you leave employment and take a refund of your VRS member contribution account or full distribution from your Optional Retirement Plan.	For natural death, the death benefit is equal to your salary rounded to the next \$1,000, times two. This amount is doubled for accidental death. Life insurance is retained in retirement provided you are at least age 60 with at least 5 years of service or your age plus service equals 90. The coverage amount reduces 25% annually until it reaches 25% of the original value. The reduction begins on January 1 of the first full calendar year following the date you leave covered employment. Accidental death benefits cease at retirement or at the time the person ceases employment having met age and service requirement to retire. Additional Optional Life Insurance is available to employees and dependents and may continue into retirement if basic Group Life Insurance is retained and you continue to pay the premium on your optional life insurance coverage.	For natural death the death benefit is equal to your salary rounded to the next \$1,000, times two. This amount is doubled for accidental death. Life insurance is retained in retirement provided you are at least age 60 with at least 5 years of service or your age plus service equals 90. The coverage amount reduces 25% annually until it reaches 25% of the original value. The reduction begins on January 1 of the first full calendar year following the date you leave covered employment. Accidental death benefits cease at retirement or at the time the person ceases employment having met age and service requirement to retire. Additional Optional Life Insurance is available to employees and dependents and may continue into retirement if basic Group Life Insurance is retained and you continue to pay the premium on your optional life insurance coverage.
Group Life Insurance (GLI) – Educational Leave	While on educational leave you are reported for GLI at full salary, if you are receiving half pay or more. You are not reported for GLI while on educational leave and less than ½ pay.	While on educational leave you are reported for GLI at full salary, if you are receiving half pay or more. You are not reported for GLI while on educational leave and less than ½ pay.
Life Insurance Conversion	Members leaving employment and not eligible to continue GLI may convert to an individual policy through VRS within 31 days of termination, without evidence of insurability.	ORP participants leaving employment and not eligible to continue GLI may convert to an individual policy through VRS within 31 days of termination, without evidence of insurability.
Educational Leave of Absence with ½ Pay or More	Employee and employer contributions will continue to be paid on full salary.	Employee and employer contributions will continue to be paid on full salary.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Educational Leave of Absence with Less Than ½ Pay	You may purchase up to four years of service credit for any approved official educational leave of absence from a VRS-covered position.	No employer or employee contributions are paid.
Health Insurance	<p>State employee health insurance is available while you are employed. State retiree health insurance is available if you begin receiving VRS monthly benefit payments immediately upon leaving salaried State employment.</p> <p>If retirement is deferred, health insurance in retirement is forfeited.</p>	<p>State employee health insurance is available while you are employed. At retirement you are eligible to participate in the state retiree health insurance if you begin receiving a periodic payment from the ORPPA immediately upon leaving employment and qualifying for a distribution. A life-time benefit can be guaranteed by purchasing an immediate annuity within the Plan. Eligibility to participate in the State retiree plan is forfeited if the immediate distribution is not begun.</p>
Health Credit - Service Retirement	You are eligible with 15 years of VRS and /or ORP service. To qualify you must receive an immediate retirement benefit and incur cost for your own health insurance. The monthly benefit is \$4.00 per year of service not to exceed the out of pocket cost for the individual retiree's premium. The credit ceases at your death.	You are eligible with 15 years of VRS and/or ORP service. To qualify you must receive periodic distributions from the ORPPA immediately upon qualifying for the distribution and incur cost for your own health insurance. The monthly benefit is \$4.00 per year of service not to exceed the out of pocket cost for your premium. The credit ceases at your death.
Health Insurance Credit – Educational Leave	Educational leave with less than ½ pay does not count toward creditable service for the health insurance credit. Educational leave with ½ pay or more counts as creditable service for the health insurance credit.	Educational leave with less than ½ pay does not count toward creditable service for the health insurance credit. Educational leave with ½ pay or more counts as creditable service for the health insurance credit.
Health Insurance Credit – Disability	<p>If you begin receiving benefits as the result of a disability you will also receive the higher of \$120 or \$4 per year of service at the time VSDP Long-term Disability payments begin.</p> <p>Credit payment may not exceed the out of pocket cost for your health insurance premium and cease at you death.</p>	<p>You must have 15 years of service to qualify for the Health Insurance Credit when you leave your ORPPA covered position due to a disability. The credit is \$4 per year of service.</p> <p>Credit payment may not exceed the out of pocket cost of your health insurance premium and cease at your death.</p>
Eligibility for Benefit Payout	<p>You are eligible for an unreduced benefit when your combination of age and service equals 90 or at Social Security unreduced retirement age with at least 5 years of service.</p> <p>Retirement at age 60 with 5 years of service produces an actuarially reduced benefit.</p>	<p>You may begin receiving benefits at termination of employment, regardless of age.</p> <p>The amount of the benefit is determined by contributions to your ORPPA account (including money you rolled into the Plan), adjusted for gains, loses and fees on investments and the length of time the benefit is to be paid.</p>

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Pay Out Options	<p>Basic Benefit: For your lifetime only.</p> <p>Survivor Options: Reduced lifetime benefit so your survivor continues to receive benefit at your death.</p> <p>Partial Lump Sum Option: By working 1-3 years beyond eligibility for unreduced retirement, you may receive a portion of your lifetime benefit as a lump-sum payment at retirement. Your monthly benefit is reduced going forward to provide for the lump sum payment. This option may also be combined with a survivor option.</p> <p>Advanced Pension Option: Pays a larger benefit in early years of retirement with reduced benefit later.</p>	<p>The following payout options are available:</p> <ul style="list-style-type: none"> • annuity, including survivor options; • systematic withdrawal/periodic distributions; • partial lump sum withdrawal; • total lump sum withdrawal; • rollover to another plan or IRA; • combination of the above
Change of Payout Option	<p>Basic Benefit, Partial Lump Sum and Advance Pension Options may not be changed after retirement. Survivor options may be changed only once during your lifetime if your survivor dies first; you are divorced before 20 years of marriage (provided there is no approved court order requiring former spouse to receive survivor benefit); or your survivor waives benefit.</p>	<p>Generally, you are allowed to change your payout option.</p> <p>If you use a portion of your ORPPA account balance to purchase a life-time annuity, that payout choice may not be changed.</p>
Required Minimum Distribution	<p>You must begin a distribution from VRS at the later of age 70 ½ or when you no longer employed in a position providing retirement benefits through a plan administered or authorized by VRS.</p>	<p>You must begin a distribution from the ORPPA at the later of age 70 ½ or when you no longer employed in a position providing retirement benefits through a plan administered or authorized by VRS.</p>
Forfeiture of Benefits	<p>Your employer may direct that all your VRS administered benefits be forfeited if you are convicted of a felony related to your covered employment.</p>	<p>Your employer may direct that all your VRS administered benefits be forfeited if you are convicted of a felony related to your covered employment.</p>

Selecting a Plan



Your selection of a retirement plan is irrevocable. Because this choice cannot be changed at a later time, it should be made with great care. You have 30 days from the date of your notice from VRS to make your choice, notify your Human Resources office and complete the necessary forms. If you do not elect the ORPPA within 30 days you will automatically be covered by VRS.

If you choose VRS

If, after reviewing the features of VRS and the ORPPA, you conclude that the VRS defined benefit plan better meets your needs, you should advise your Human Resources office of your decision. There is no enrollment form to complete. However, your employer may require that you complete a form indicating your choice.

To designate the beneficiary, other than the order of precedence, for your VRS Member Contribution Account and Group Life Insurance obtain the Designation of Beneficiary (VRS-2) from your Human Resources office or from the VRS Web site at www.varetire.org. Under Members tab select Forms. Refer to Member Handbook for more details on the Order of Precedence.

You may learn more about VRS by visiting the VRS Web site at www.varetire.org. Direct contact information is as follows:

Virginia Retirement System
P.O. Box 2500
Richmond, VA 23218-2500
1-888-VARETIR (1-888-827-3847)

Regardless of the retirement plan you choose, designate a beneficiary for your Group Life Insurance by obtaining the Designation of Beneficiary (VRS-2) from your Human Resources office or from the VRS Web site at www.varetire.org under Members / Forms.

If you choose the ORPPA

If you decide a defined contribution plan such as the ORPPA will serve you better, there are **four actions you must take within 30 days of receiving your notice:**

1. Complete the Election to Participate in Optional Retirement Plan for School Superintendents Form (VRS-71)
2. Complete the Optional Retirement Plan for Political Appointees Enrollment Form and make your initial investment selections on the enrollment form.
3. Designate the beneficiaries you wish to receive your ORPPA account in the event of your death using the Beneficiary Designation Form.
4. Return all three of the completed forms to VRS in the envelop provided.



These forms were included with the notice you received from VRS. Additional Plan detail and investment option information is available on the Plan Web site at www.varetire.org. Under the Defined Contribution Plans tab select the Optional Retirement Plan for Political Appointees.

ORPPA Third Party Administrator

If you choose the ORPPA, ING-Institutional Plan Services, the third party administrator for the Plan, has registered representatives who can discuss the investment options with you. The registered representatives do not give investment advice.

ING-Institutional Plan Services
919 E. Main Street, Suite 1604
Richmond, VA 23219

Local Office Phone: 1VRS-DCPLAN1, option 2.
Toll Free: 1VRS-DCPLAN1 / 1(888) 327-5261
TDD: 1-877-671-3146

www.varetire.org Select the Defined Contribution Plans tab then the Optional Retirement Plan for Political Appointees.

Plan Investments and Benefit Illustrations

The following pages list the investment options available to you as a participant in the ORPSS and show benefit illustrations comparing the estimated value of annual benefits provided under VRS versus the ORPSS for various age and service combinations using different assumptions. Please read the Glossary of Terms and Methodology carefully when reviewing these illustrations.

Final Comments

Please note the provision of an optional plan does not constitute a recommendation for such plan, nor acceptance by the Commonwealth of any responsibility for its financial condition or future benefit payments. The Commonwealth reserves the right to amend or terminate the plan at any time and without the consent of any other party.

The Commonwealth also reserves the right to change investment providers or investment funds available to plan participants. A change of investment providers or available funds may affect all accounts held under the Plan or may affect only future contributions depending on the decision made and the circumstances at the time.



Listing of Funds, Fund Type and Benchmarks 6-30-2010

Tier	Fund	Fund Type	Benchmark
Tier I – Asset Allocation Funds	Income & Growth Fund	Asset Allocation	Benchmark (75% Barclays Capital Aggregate Bond, 22% Russell 3000, 3% MSCI EAFE indices)
	Balanced Growth Fund	Asset Allocation	Benchmark (50% Barclays Capital Aggregate Bond, 43% Russell 3000, 7% MSCI EAFE indices)
	Long-Term Growth Fund Interim Account – Virginia Retirement System Investment Portfolio (IAVRSIP)	Asset Allocation	Benchmark (25% Barclays Capital Aggregate Bond, 64% Russell 3000, 11% MSCI EAFE indices)
Tier II – Passively Managed Funds	Bond Index Fund¹³	Bond	Barclays Capital Aggregate Bond Index
	S&P 500 Index Fund	Large Cap Stock (Blend)	S&P 500 Index
	Russell 1000 Value Index Fund	Large Cap Stock (Value)	Russell 1000 Value Index
	Russell 1000 Growth Index Fund	Large Cap Stock (Growth)	Russell 1000 Growth Index
	Russell 3000 Index Fund	Broad Stock Market	Russell 3000 Index
	Real Estate Investment Trust Index Fund²⁶	REIT (Real Estate Investment Trust)	Dow Jones U.S. Select REIT Index
	Small/Mid Cap Equity Index Fund	Small/Mid Cap Stock (Blend)	Russell Small Cap Completeness Index
	International Equity Index Fund	International Stock	MSCI EAFE Index
Tier III – Actively Managed Funds	Money Market Fund	Cash Equivalent	Barclays Capital 3-Month Treasury Bill Index
	Active Inflation-Protected Bond Fund	Inflation-Indexed Bond	Barclays Capital US Treasury Inflation Notes Index
	Active Bond Fund	Bond	Barclays Capital Aggregate Bond Index
	Active High-Yield Bond Fund	High Yield Bond	Custom Composite Index
	Active Global Equity Fund	Global Stock	MSCI World Index
	Stable Value	Stable Value	The Stable Value Fund current yield as of 06/30/2010 was 2.99%
	Virginia Retirement System Investment Portfolio (VRSIP)²¹	Asset Allocation	Intermediate-Term Benchmark²³ Long-Term Benchmark²³ VRSIP and benchmark performance returns are reported with a one month lag.

Tier	Fund	Asset Class	Benchmark
Tier IV – Self-Directed Brokerage Option	<p>The Self-Directed Brokerage (SDB) Option from TD Ameritrade allows you to select from thousands of mutual funds in addition to your Plans’ core investment options. The SDB Option is for knowledgeable investors who acknowledge and understand the risks associated with the mutual funds available through the Option. There is an additional Plan fee of \$12.50 per quarter, as well as transaction fees charged by TD Ameritrade, and investment management fees for the mutual funds you select.</p>		

Learn more about these investments at www.varetire.org. Under the Defined Contribution Plans tab select the Optional Retirement Plan for Political Appointees. Under the Plan Investments on the top navigation bar you may review Fund Information, Fund Prices and Investment Performance. You may also contact ING at 1-VRS-DCPLAN1 (1-877-327-5261) Option 2 to schedule an appointment with one of the registered representatives that service the Plan. Registered representatives do not provide investment advice, but can assist you to understand the investments available to you.

VRS v. ORP

Benefit Illustrations –

Glossary of Terms

Annual Benefit

- Amount payable for life to the participant at retirement
Under ORP it is assumed that:
 - A life annuity is purchased with the account balance.
 - An annual COLA is included in the annuity contract
 - The yield on the annuity contract is equal to the assumed ORP rate of return.

Average Final Compensation

- The average of the 60 consecutive months of highest creditable compensation in the member's VRS salary history, which is used to calculate benefits under VRS benefit formula

COLA

- An increase in the monthly benefit given in the second calendar year after retirement
- Increases, if any, are made yearly thereafter
- The amount of the COLA is equal to the first two percent of the increase in the Consumer Price Index (CPI-Urban), plus half of next eight percentage increase, not to exceed six percent in any year
- Calculations assume a 2.25 percent cost of living increase

Creditable Compensation

- The full compensation payable annually to an employee working full-time in a VRS-covered position
- Annual salary does not include overtime pay, extraordinary pay, bonus pay, non-permanent shift differentials or termination pay for annual or sick leave

ORP Return

- Assumed rate of return on employee directed investments in ORP
- Rate of return not guaranteed

ORP Contribution

- Annual percent of pay contributed on behalf of each participant in the ORP: 8.5 percent from employer and five percent from employee.

Salary Increases

- Assumed annual rate of increase from date of hire until retirement

Methodology

- The following benefit illustrations are intended to provide an estimate of the relative value of the benefits provided under VRS versus ORP for various age and service combinations. They were developed based on plan provisions that became effective July 1, 2010 and the stated assumptions as to annual salary increases, current salary level, annual return on ORP account balances, and future cost of living adjustments (COLA).
- The estimated annual benefits from VRS are based on a single life annuity form of payment with annual increases based on the COLA assumption.
- The estimated annual benefits from the ORP are based on the single life annuity that could be provided by the account balance with annual increases based on the COLA assumption, the stated annual rate of return, and blended life expectancy.
- Keep in mind that these estimates are for illustrative purposes only. Actual benefits will be based on actual plan provisions, salary history, investment returns, and form of payment elected at retirement and could be higher or lower than the benefits illustrated.

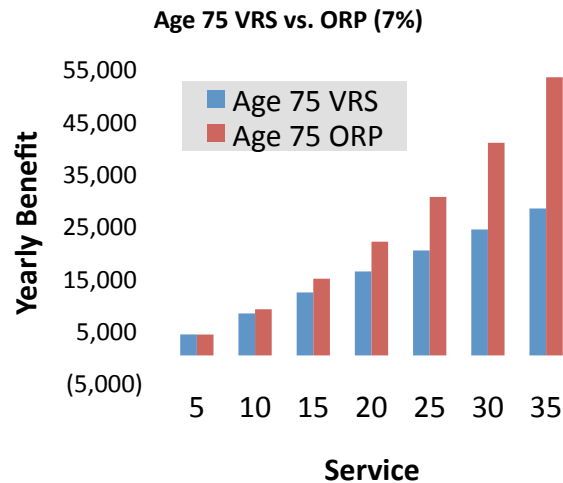
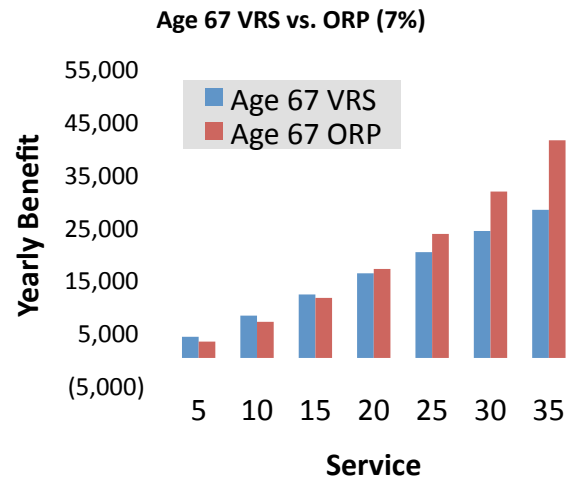
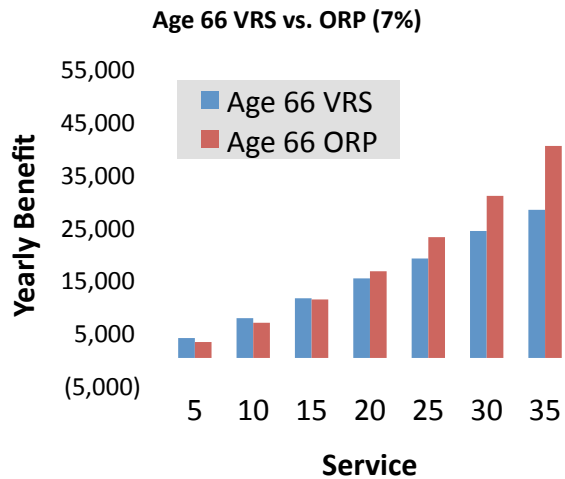
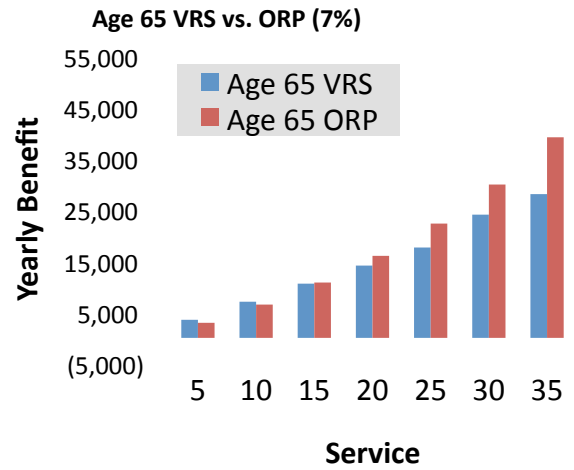
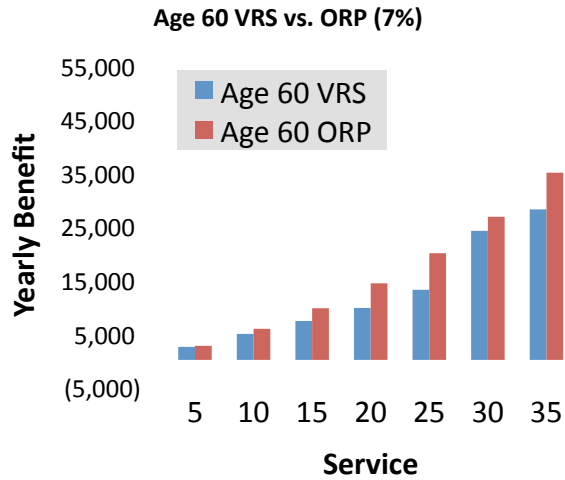
Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,216	4,897	8,141	12,066	16,814	22,559	29,509
<i>Difference</i>														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	2,387	5,275	8,769	12,996	18,111	24,299	31,785
<i>Difference</i>							(3,718)							3,718
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	2,622	5,794	9,632	14,275	19,892	26,688	34,911
<i>Difference</i>	(200)	(950)	(2,366)	(4,588)	(6,821)	(2,631)	(6,844)	200	950	2,366	4,588	6,821	2,631	6,844
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,941	6,499	10,804	16,013	22,314	29,938	39,162
<i>Difference</i>	587	557	(219)	(1,899)	(4,672)	(5,881)	(11,095)	(587)	(557)	219	1,899	4,672	5,881	11,095
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	3,017	6,667	11,083	16,426	22,890	30,711	40,172
<i>Difference</i>	752	871	224	(1,350)	(4,045)	(6,654)	(12,106)	(752)	(871)	(224)	1,350	4,045	6,654	12,106
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,097	6,845	11,379	16,864	23,500	31,530	41,244
<i>Difference</i>	912	1,174	650	826	(3,453)	(7,472)	(13,177)	(912)	(1,174)	(650)	826	3,453	7,472	13,177
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,990	8,818	14,659	21,725	30,275	40,618	53,132
<i>Difference</i>	19	(799)	(2,630)	(5,687)	(10,227)	(16,561)	(25,066)	(19)	799	2,630	5,687	10,227	16,561	25,066

Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171



Comparing VRS to ORP Annual Benefits Illustration

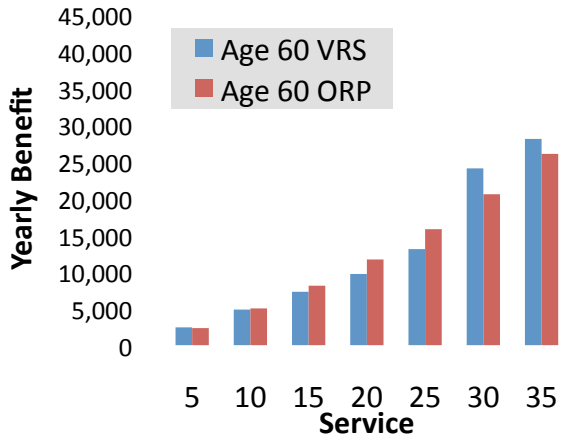
Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	6.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,916	4,129	6,682	9,630	13,033	16,961	21,496
Difference														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	2,088	4,498	7,280	10,492	14,199	18,479	23,420
Difference							4,647							(4,647)
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	2,321	4,999	8,092	11,662	15,782	20,539	26,030
Difference	101	(156)	(827)	(1,975)	(2,711)	3,518	2,036	(101)	156	827	1,975	2,711	(3,518)	(2,036)
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,635	5,677	9,188	13,241	17,920	23,321	29,556
Difference	893	1,380	1,397	872	(278)	736	(1,489)	(893)	(1,380)	(1,397)	(872)	278	(736)	1,489
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	2,710	5,837	9,448	13,616	18,427	23,981	30,393
Difference	1,059	1,701	1,859	1,460	418	76	(2,326)	(1,059)	(1,701)	(1,859)	(1,460)	(418)	(76)	2,326
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	2,789	6,008	9,724	14,013	18,965	24,681	31,279
Difference	1,221	2,011	2,305	2,025	1,083	(624)	(3,213)	(1,221)	(2,011)	(2,305)	(2,025)	(1,083)	624	3,213
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,663	7,892	12,774	18,409	24,914	32,423	41,092
Difference	346	127	(745)	(2,371)	(4,867)	(8,366)	(13,025)	(346)	(127)	745	2,371	4,867	8,366	13,025

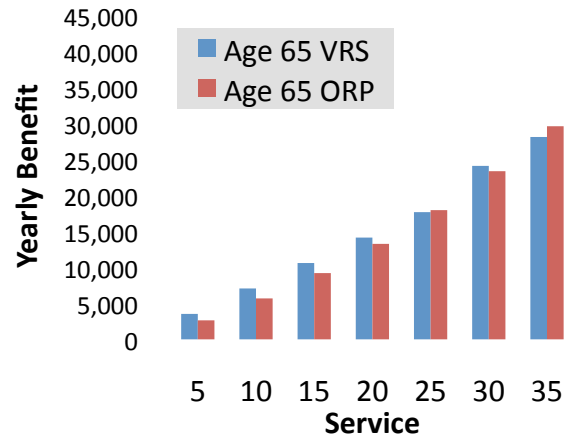
Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	6.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

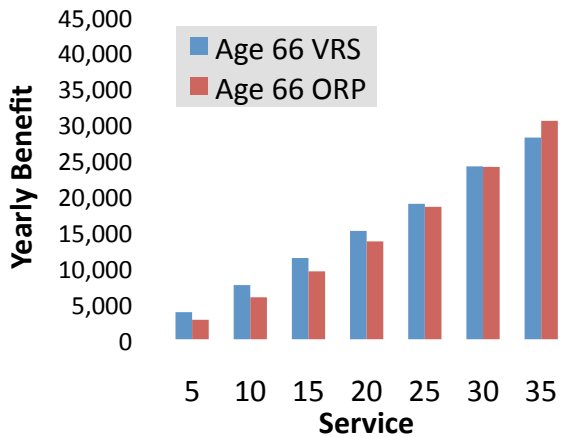
Age 60 VRS vs. ORP (6%)



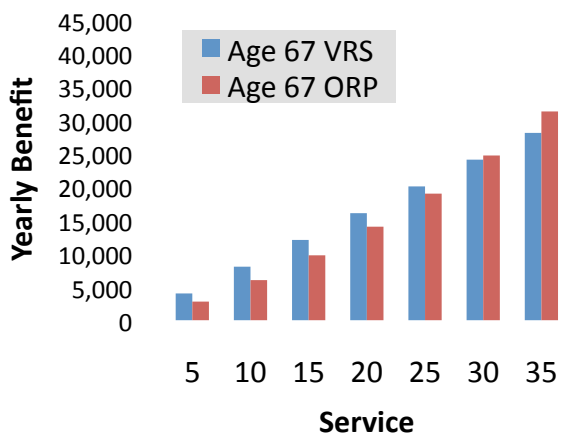
Age 65 VRS vs. ORP (6%)



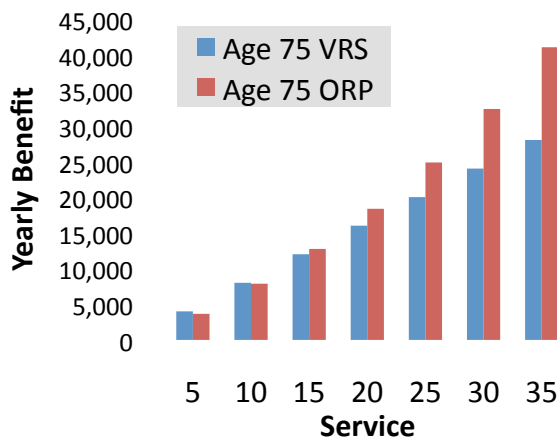
Age 66 VRS vs. ORP (6%)



Age 67 VRS vs. ORP (6%)



Age 75 VRS vs. ORP (6%)



Comparing VRS to ORP Annual Benefits Illustration

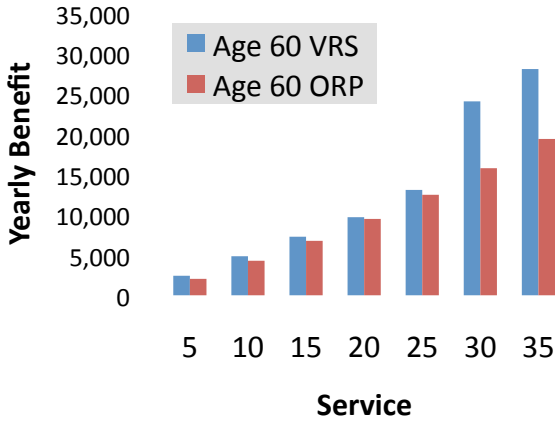
Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,638	3,442	5,428	7,614	10,021	12,671	15,588
Difference														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	1,809	3,801	5,994	8,408	11,065	13,991	17,213
Difference							10,854							(10,854)
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	2,038	4,283	6,753	9,473	12,468	15,765	19,394
Difference	383	561	512	214	603	8,293	8,672	(383)	(561)	(512)	(214)	(603)	(8,293)	(8,672)
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,346	4,930	7,774	10,905	14,352	18,147	22,325
Difference	1,182	2,127	2,811	3,209	3,290	5,910	5,742	(1,182)	(2,127)	(2,811)	(3,209)	(3,290)	(5,910)	(5,742)
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	2,419	5,083	8,016	11,244	14,799	18,712	23,020
Difference	1,349	2,455	3,291	3,832	4,046	5,346	5,047	(1,349)	(2,455)	(3,291)	(3,832)	(4,046)	(5,346)	(5,047)
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	2,497	5,246	8,272	11,604	15,272	19,310	23,756
Difference	1,513	2,773	3,757	4,434	4,776	4,747	4,311	(1,513)	(2,773)	(3,757)	(4,434)	(4,776)	(4,747)	(4,311)
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,351	7,041	11,103	15,576	20,499	25,920	31,887
Difference	658	978	925	463	(452)	(1,863)	(3,821)	(658)	(978)	(925)	(463)	452	1,863	3,821

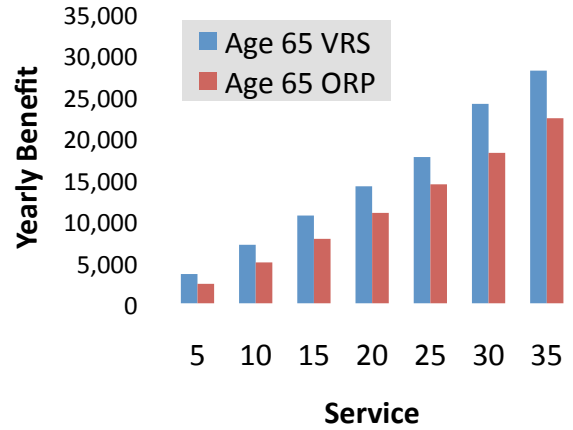
Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	13.50%	Average Final Compensation	\$47,171

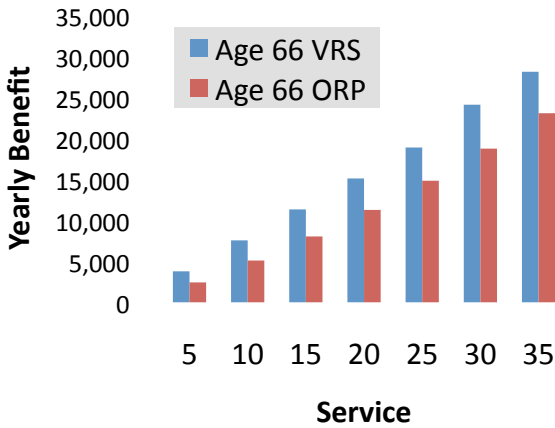
Age 60 VRS vs. ORP (5%)



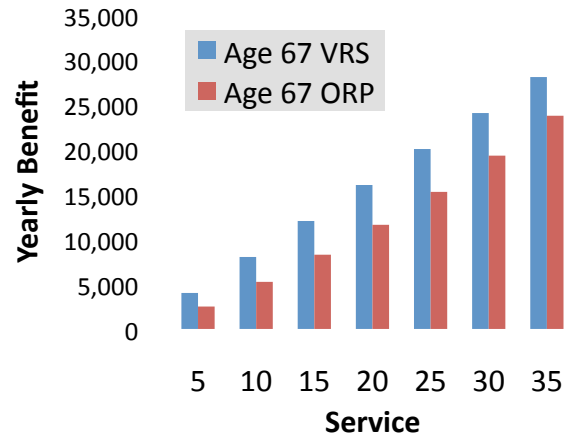
Age 65 VRS vs. ORP (5%)



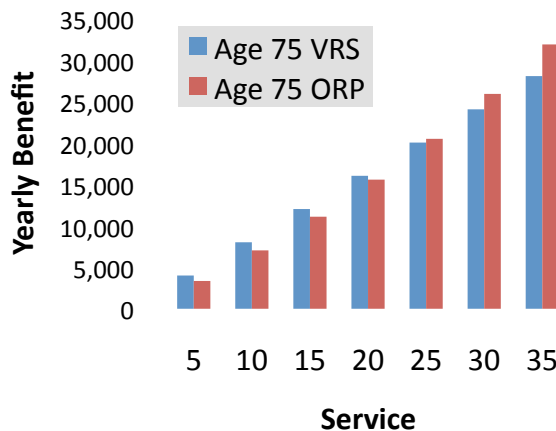
Age 66 VRS vs. ORP (5%)



Age 67 VRS vs. ORP (5%)



Age 75 VRS vs. ORP (5%)



Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

Age at Retirement	VRS							ORP						
	Service							Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,383	2,835	4,359	5,958	7,636	9,397	11,246
<i>Difference</i>														
Age 55 Annual Benefit	N/A	N/A	N/A	N/A	N/A	N/A	28,067	1,552	3,180	4,889	6,682	8,565	10,540	12,613
<i>Difference</i>							15,453							(15,453)
Age 60 Annual Benefit	2,422	4,844	7,265	9,687	13,071	24,057	28,067	1,776	3,639	5,595	7,648	9,802	12,063	14,436
<i>Difference</i>	646	1,204	1,670	2,039	3,269	11,994	13,631	(646)	(1,204)	(1,670)	(2,039)	(3,269)	(11,994)	(13,631)
Age 65 Annual Benefit	3,528	7,057	10,585	14,114	17,642	24,057	28,067	2,076	4,255	6,541	8,941	11,459	14,102	16,876
<i>Difference</i>	1,452	2,802	4,044	5,173	6,183	9,955	11,190	(1,452)	(2,802)	(4,044)	(5,173)	(6,183)	(9,955)	(11,190)
Age 66 Annual Benefit	3,769	7,538	11,307	15,076	18,845	24,057	28,067	2,147	4,400	6,765	9,247	11,852	14,586	17,455
<i>Difference</i>	1,622	3,137	4,542	5,829	6,993	9,471	10,612	(1,622)	(3,137)	(4,542)	(5,829)	(6,993)	(9,471)	(10,612)
Age 67 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	2,223	4,555	7,003	9,572	12,268	15,098	18,068
<i>Difference</i>	1,787	3,464	5,026	6,466	7,779	8,959	9,999	(1,787)	(3,464)	(5,026)	(6,466)	(7,779)	(8,959)	(9,999)
Age 75 Annual Benefit	4,010	8,019	12,029	16,038	20,048	24,057	28,067	3,055	6,261	9,625	13,156	16,862	20,752	24,834
<i>Difference</i>	955	1,758	2,403	2,882	3,185	3,306	3,233	(955)	(1,758)	(2,403)	(2,882)	(3,185)	(3,306)	(3,233)

Comparing VRS to ORP Annual Benefits Illustration

Plan 2 Assumptions Graphs			
Salary Increases	3.00%	COLA	2.25%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	13.5%	Average Final Compensation	\$47,171

