

Virginia Retirement System Optional Retirement Plan for School Superintendents Plan 1 *Choosing Your Retirement Plan*



**Virginia Retirement System
Choosing Your Retirement Plan
Optional Retirement Plan
for
School Superintendents
Plan 1**

This publication is for newly appointed School Superintendents who are eligible to choose between the Virginia Retirement System defined benefit retirement plan and the Optional Retirement Plan for School Superintendents. *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 a newly appointed school superintendent whose school division adopted the Optional Retirement Plan for School Superintendents (ORPSS) you are eligible to choose between the Virginia Retirement System (VRS) defined benefit retirement plan and the Optional Retirement Plan for School Superintendents (ORPSS) defined contribution retirement plan. Your school division notifies VRS of your appointment using the Certification of Eligibility to Participate in the Optional Retirement Plan for School Superintendents (Form VRS 71 – A). If you do not select the ORPSS **within 30 days** from the date your information packet and election forms are sent to you by VRS, you will be covered by the VRS defined benefit plan.

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 ORPSS. 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.

If you are moving between school divisions both of which offer the ORPSS you are again eligible to choose between plans.

If you move from a school division where you were covered by VRS and elect ORPSS upon entering your new position, you may transfer your VRS member contribution account (MCA) into your ORPSS account.

If you move between school divisions and elect VRS as your retirement plan in both positions, your VRS service credit continues to accumulate. The total amount of service in your record will be used to determine your benefit at retirement.

If you move from a position where you were covered by the ORPSS and become covered by VRS in your new position, your ORPSS account remains in place. You may not take a direct distribution or rollover until you leave public employment in Virginia.

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



Choosing your retirement plan



The choice of a retirement plan is critical because of its impact on your financial security. As an eligible school superintendent, you have the choice between two retirement plans that are distinctly different.

Defined Benefit Plan

The Virginia Retirement System (VRS) is a **defined benefit plan**. This means your retirement benefit is determined by the following: the amount of service you accumulate in VRS-covered positions (including certain types of eligible service you purchase); your age at retirement; and the average of your 36 consecutive months of highest creditable compensation. **Your employer guarantees this benefit by on-going contributions to VRS.** In a defined benefit plan your benefit increases with each year that you work and with your pay increases. In general, a defined benefit plan tends to produce a larger benefit for those who have longer service.

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 30 years of service and be at least 50 years old, or have at least five years of service at age 65. 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 55 or have 10 years of service and be at least age 50. For VRS purposes, vesting means you are eligible for a lifetime benefit when you have at least 5 years of service credit and reach the eligible age to draw a benefit.

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

Defined Contribution Plan

The ORPSS, on the other hand, is a defined contribution plan where vesting is immediate. For purposes of the ORPSS, vesting means that the total balance in your account is available to you when you leave employment with the school division offering the plan and are not reemployed by another Virginia public employer offering basic retirement benefits through Code of Virginia Section 51.1. Your retirement benefit is based on employer contributions to the Plan adjusted for investment gains, losses and fees. 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. In general, a defined contribution plan such as the ORPSS works best for people who have multiple employers during their careers and who prefer the plan's portability. More detail on ORPSS benefits is contained in the ORPSS for School Superintendent Participant Handbook available at www.varetire.org under Defined Contribution Plans/Optional Retirement Plan for School Superintendents.

Listing of Funds, Asset Class', and Benchmarks (pages 13 & 14) lists the investment choices currently available to Plan participants.

Comparing VRS to ORPSS Benefits Illustration (pages 15 – 21) is an illustration of benefits in the two plans based on stated assumptions.



Comparing Plans

The following summary gives you a general comparison of the two plans:

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Type of Plan	<p>Defined Benefit: Your benefit at retirement is based on a formula, which uses an average of your 36 consecutive months of highest creditable compensation, your years of service credit (including service credit you purchased) and your age at retirement, adjusted for any retirement factor that applies.</p>	<p>Defined Contribution: Your benefit at retirement is based on contributions, adjusted for investment gains, losses and fees, and the length of time your benefit will be paid. Participants may choose between the investments offered.</p>
Contributions	<p>You contribute 5 percent of your creditable compensation, which is placed in your Member Contribution Account (MCA). In some cases the employer may pay the member 5% for you. Your MCA earns interest at 4% compounded on June 30 of each year on contributions that have been in the system for 12 months.</p> <p>The employer also makes a contribution to an employer pool account that is based on a rate established every two years by the VRS actuary 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.</p>	<p>The employer makes the total contribution for you. Each pay period 10.4% of your creditable compensation goes into an account on your ORPSS account. The contribution rate is set by the VRS Trustees and reviewed periodically.</p> <p>The available investments are chosen by the VRS Investment Department with Board of Trustee oversight.</p> <p>You are responsible for selecting the investments from those offered.</p>
Contribution Limits	<p><i>Internal Revenue Code Section 401(a)(17)</i> states that retirement plan contributions may only be made on the first \$249,000 of compensation. This is an annual limit, which may be adjusted each year, depending upon the amount of increase in the Consumer Price Index and applies to earning from July through June.</p>	<p><i>Internal Revenue Code Section 401(a)(17)</i> specifies that the compensation on which your employer may make retirement plan contributions cannot exceed \$249,000 of compensation. This is an annual limit, which may be adjusted each year, depending upon the amount of increase in the Consumer Price Index. The limit applies to the plan year in which the compensation is paid. The ORPSS plan year is July 1 through June 30.</p>

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Vesting	Vesting is immediate for your member paid contribution and for member contributions paid by the employer on behalf of the member prior to July 1, 2010. Five years of creditable service or involuntary separation is required for member contributions paid by the employer on or after July 1, 2010. Five years of creditable service is required for a lifetime benefit when the age requirement is met.	Vesting is immediate for your ORPSS account balance. This means you may take a distribution of all or a portion of your ORPSS account balance when you leave employment and qualify for a distribution.
Termination before Retirement	<p>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) balance including accrued interest. If you do not take a refund you retain the service credit and, if vested, the right to a lifetime benefit when you reach the age requirement. If you take a refund you lose the service credit represented by the amount refunded and your right to a lifetime benefit.</p> <p>The refund is subject to federal and state income tax. An additional 10% federal tax penalty may be imposed if a refund is taken before age 59 ½ (unless you separate from service after age 55). Taxation may be postponed by having the refund rolled over to another eligible plan or IRA.</p>	<p>You may take a distribution from your ORPSS account when you are no longer employed in a position that provides you a retirement benefit through a plan administered or authorized by VRS. Your account balance may be left in the Plan, where you continue to manage your investments, rolled over, or taken as a distribution.</p> <p>Distributions are subject to federal income tax and to state income taxes, depending on the laws of the state in which you reside. It also 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 postponed by rolling the distribution into another employer’s plan or to an IRA.</p>
Taxation of Retirement Benefit	Your retirement benefit is paid as a monthly payment for your lifetime or, if you selected a survivor option, your lifetime and that of the contingent annuitant you name. No tax is due until you begin receiving your retirement benefit. The monthly benefit is taxed as ordinary income for federal income tax and for state income tax, depending on the tax laws of your state of residence. No early distribution tax is due on a lifetime benefit.	No tax is due until you take a 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 distribution excise tax if taken prior to age 59 ½. 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 you roll over the distribution to another employer’s plan or to an IRA.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Portability	<p>Participation continues if you are employed by one of approximately 800 Virginia public employers that provide retirement benefits through VRS, including all Virginia state government agencies. All Virginia public colleges and universities, all Virginia public schools and most Virginia local governments.</p> <p>Service credit representing many types of public service and leaves of absence may be purchased to enhance the benefit.</p>	<p>Participation continues if you are employed by another school division offering the ORPSS, if you elect the ORPSS upon being hired by that school division.</p> <p>If you leave public employment in Virginia, your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.</p>
Consolidating Retirement Plans	<p>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.</p> <p>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 your school division has adopted both the 457 Plan and the Virginia Cash Match Plan.</p>	<p>Distributions from other retirement plans may be rolled into the ORPSS separate rollover account.</p> <p>Payouts from other retirement savings plans can also be rolled into the 401(a) Virginia Cash Match Plan if your school division has adopted and you participate in the Commonwealth 457 Plan and thereby qualify for a Cash Match Plan account.</p> <p>You may take a distribution from your rollover account at any time, regardless of your employment status.</p>
Investment Risks	<p>Your benefit is guaranteed as long as your employer continues to make contributions to the Plan.</p>	<p>The investment risk is borne by the employee. Your benefit is based on contributions, adjusted for gains, losses and fees on investments. Risk varies according to investments chosen.</p>
Investment Costs	<p>Trust fund management costs are paid by earnings on the contributions to VRS.</p>	<p>Investment management and record keeping costs are borne by the employee.</p>
Inflation Risk (Pre-retirement)	<p>Your benefit is related to years of highest pay, which generally occur just prior to retirement. Therefore, your initial benefit tends to be in line with your standard of living just prior to retirement.</p>	<p>Participant may choose from a variety of investments to address inflation risk.</p>
Inflation Risk (Post-Retirement)	<p>The VRS benefit includes cost-of-living adjustments starting on July 1 of the second calendar year after retirement begins.</p> <p>Adjustments are tied to the CPI-urban and may not exceed 5% per year under current law.</p>	<p>Cost-of-living adjustments are not available unless you purchase an annuity with this feature.</p> <p>Retirees may also make periodic distribution from the Plan account allowing the remainder to continue to be invested.</p>

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
Employee Retirement Savings Plans	<p>You are eligible to participate in the supplemental tax deferred retirement savings plans sponsored by your school division regardless of the primary retirement plan you select.</p> <p>These include 403(b) arrangements and the Commonwealth's 457 Deferred Compensation and Virginia Cash Match Plans, if adopted by the school division.</p>	<p>You are eligible to participate in the supplemental tax deferred retirement savings plans sponsored by your school division regardless of the primary retirement plan you select.</p> <p>These include 403(b) arrangements and the Commonwealth's 457 Deferred Compensation and Cash Match Plans if adopted by the school division.</p>
Disability	<p>If disability is permanent, you may qualify for VRS Disability Retirement.</p> <p>Your school division may also provide a short and/or long term disability plan.</p>	<p>Disability benefits are generally not available, except through Social Security. If you choose the ORPSS you may wish to purchase private disability insurance.</p> <p>When employment ends as a result of a disability a distribution from the ORPSS may begin.</p>
Group Life Insurance (GLI) IMPROTANT NOTE: For both VRS and the ORPSS Group Life Insurance benefits are lost if you leave employment and take a refund of your Member Contribution Account or full distribution from your ORPSS.	<p>For natural death, death benefit is equal to your annual salary rounded to next \$1,000, times two. This amount is doubled for accidental death. Life insurance is retained in retirement provided the member is age 55 with at least 5 years of service, or age 50 with at least 10 years of service. 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 separate from service. Accidental death benefits cease at retirement. Additional Optional Life Insurance is available to employees and dependents. Coverage continues until age 80 and may be retained beyond age 80 by using the conversion feature.</p>	<p>Your Group Life Insurance benefit is the same regardless of the retirement plan chosen.</p>
Life Insurance Conversion	<p>Members leaving employment and not eligible to continue GLI may convert to a private policy through VRS with no evidence of insurability within 31 days of leaving employment.</p>	<p>ORPSS participants leaving employment and not eligible to continue GLI may convert to a private policy through VRS with no evidence of insurability within 31 days of leaving employment.</p>
Death in Service – Non Work-Related	<p>If you die in service from a cause not compensable under workers compensation, any beneficiary may receive a lump sum distribution of the MCA. If you are vested and the beneficiary is your spouse, minor child, mother or father, they can choose either a lump-sum payout of your MCA or a monthly benefit to the exclusion of any other named beneficiary</p>	<p>The ORPSS account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. 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 from a cause compensable under Workers Compensation, your surviving spouse, minor child, or mother or father will receive half your average final compensation (AFC) or 1/3 AFC if your survivor qualifies for Social Security death benefits (offset by certain Workers' Compensation). Your Member Contribution Account is refunded to the named beneficiary.	ORPSS account balance payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from the available methods of payment. No special work-related death in service benefit is available.
Health Insurance	The school division's human resource office can provide information on available health insurance benefits.	The school division's human resource office can provide information on available health insurance benefits.
Health Insurance Credit - Service Retirement	You are eligible for the retiree health insurance credit with 15 years of VRS and/or ORP service. To qualify you must receive your VRS 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 distribution from the ORPSS including distributions from an annuity purchased within the Plan and incur cost for your own health insurance. The 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 – Disability Retirement	You receive \$4 multiplied by the lesser of (a) twice the amount of your service or (b) the amount of service you would have completed at age 60. Credit payment may not exceed the out of pocket cost for the individual retiree's premium.	The credit is \$4.00 per year of service. Enhanced health insurance credit is not available if the calculated credit is less than \$120.00 per month. Credit payment may not exceed the out of pocket cost for the individual retiree's premium.
Eligibility for Benefit Payout	An unreduced benefit is paid if you have at least 30 years service and are at least age 50 or at age 65 with at least 5 years service. Retirement at age 55 with at least 5 years of service or at age 50 with at least 10 years of service produces an actuarially reduced benefit.	You may begin receiving benefits at termination of Virginia public employment, regardless of age. 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.

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 that your survivor continues to receive a benefit after your deaths.</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. The 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: Larger benefit paid in early years of retirement with reduced benefit later.</p>	<p>The following are generally available:</p> <p>Periodic Distributions</p> <p>Full Lump-Sum Distribution</p> <p>Partial Lump-Sum Distribution</p> <p>Partial Lump-Sum Distribution followed by periodic payments</p> <p>Annuity purchase to produce a lifetime benefit; with or without survivor option</p> <p>Rollover to another Plan or IRA</p>
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 if: your contingent annuitant dies; you divorce your contingent annuitant after fewer than 20 years of marriage (provided there is no approved court order requiring former spouse to receive survivor benefit); or your contingent annuitant relinquishes claim to the benefit and provides satisfactory evidence of his or her good health.</p>	<p>Distribution options may be changed for balances remaining in the Plan. Once purchased, the annuity option can 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 terminate public employment in Virginia in a position with retirement benefits through a plan administered or authorized by VRS.</p>	<p>You must begin a minimum distribution from the Plan at the later of age 70 ½ or when you terminate public employment in Virginia in a position with retirement benefits through a plan administered or authorized by VRS.</p>
Forfeiture of Benefits	<p>Your employer may direct that all of 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 of 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 the election and enrollment materials were sent to you to complete the Election to Participate – Optional Retirement Plan for School Superintendents (Form VRS-71), have the VRS 71 signed by your school division’s human resources and payroll officers, complete the ORPSS Enrollment and Beneficiary Forms, and return the required forms to VRS. If VRS does not receive the completed forms within **30 days** from the date election and enrollment materials were sent to you, you will be covered by the VRS defined benefit plan.

If you choose VRS

If, after reviewing the features of VRS and the ORPSS, 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 school division may require that you complete a form indicating your choice.

To designate a beneficiary 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/Forms. If you do not designate a beneficiary, at your death your benefit will be paid according to the Order of Precedence. Refer to the VRS 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)

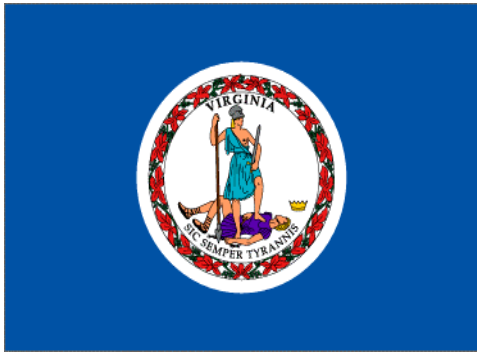
If you choose the ORPSS

If you decide a defined contribution plan such as the ORPSS will serve you better, there are five actions you must take by the date indicated on your notice:

- Complete the Election to Participate in Optional Retirement Plan for School Superintendents (VRS-71). The form must be signed by both your school division’s Human Resources Office and Payroll Office.
- Complete the ORPSS Enrollment Form. On this form you will choose the funds in which you want your ORPSS contributions invested. See the following pages of this document for the available investments.
- Designate the beneficiaries you wish to receive your Plan account in the event of your death using the ORP for School Superintendents Beneficiary Designation included in your materials and available on the Web at www.varetire.org under the Defined Contribution Plans tab.
- To designate a beneficiary for your Group Life Insurance use the Designation of Beneficiary (VRS-2) available from your Human Resources office or from the VRS Web site at www.varetire.org under Members/Forms.
- Mail the fully executed forms listed above to:

Virginia Retirement System
P.O. Box 2500
Richmond, Virginia 23218-2500
Phone 804/649-8059
Toll Free 1/888/VARETIR (827-3847)





ORPSS Third Party Administrator

If you choose the ORPSS, 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 legal, investment or financial advice.

ING Institutional Plan Services
919 East Main Street, Suite 1604
Richmond, VA 23219

Local Office Phone: 1-VRS-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 School Superintendents.

Benefit Illustrations

This publication provides benefit illustrations between the estimated value of annual benefits provided under VRS versus the ORP 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 - 06-30-2011

Tier	Fund	Fund Type	Benchmark
Tier I – Asset Allocation Funds	Income & Growth Fund	Asset Allocation	75% Barclays Capital Aggregate Bond Index, 22% Russell 3000, 3% MSCI EAFE indices
	Balanced Growth Fund	Asset Allocation	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	25% Barclays Capital Aggregate Bond, 64% Russell 3000, 11% MSCI EAFE indices
Tier II – Passively Managed Funds	Bond Index Fund	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 Fund	REITs (Real Estate Investment Trusts)	Dow Jones U.S. Select REIT Index
	Small/Mid Cap Equity Index Fund³	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

Listing of Funds, Fund Type and Benchmarks - 06-30-2011

Tier	Fund	Fund Type	Benchmark
	Stable Value	Stable Value	Check Web site for current yield
	Virginia Retirement System Investment Portfolio (VRSIP)	Asset Allocation	Custom Composite Benchmark
Tier IV – Self-Directed Brokerage Option	The Self-Directed Brokerage Account (SDBA) from TD Ameritrade allows you to select from thousands of mutual funds, exchange traded funds (ETFs) and individual stocks and bonds, in addition to your Plan’s core investment options. The SDB option is for knowledgeable investors who acknowledge and understand the risks associated with the investments available through the SDPA. 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 investments you select.		

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 of 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**

- Average salary for three highest years preceding retirement
- Used to calculate benefits under VRS benefit formula

•**Cost of Living Adjustment (COLA)**

- Annual Cost of Living adjustments automatically applied to benefits under VRS
 - 100% of 1st 3% increase in CPI
 - 50% of next 4% increase in CPI
 - Maximum increase 5%
- In order to have a COLA under ORP, employee would need to elect an annuity form of payment with payments increasing each year

•**Final Salary**

- Salary in year of retirement.

•**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

•**Salary Increases**

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

Methodology

•These 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 current plan provisions 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 normal life expectancy.

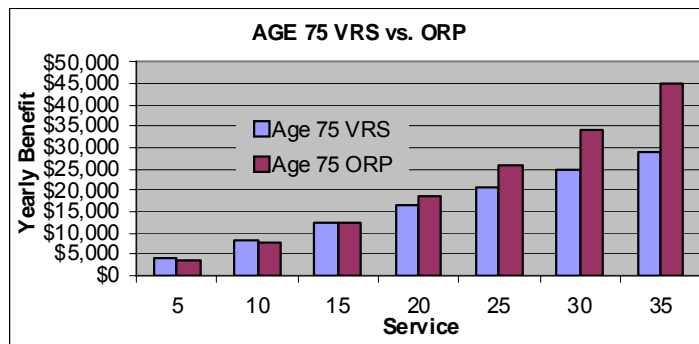
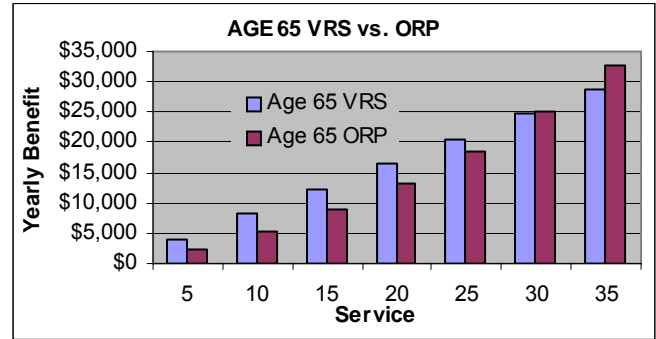
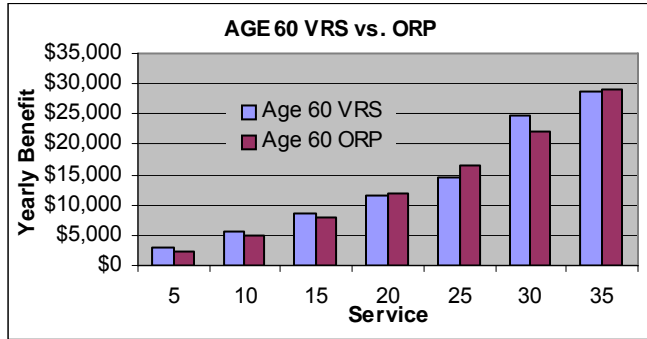
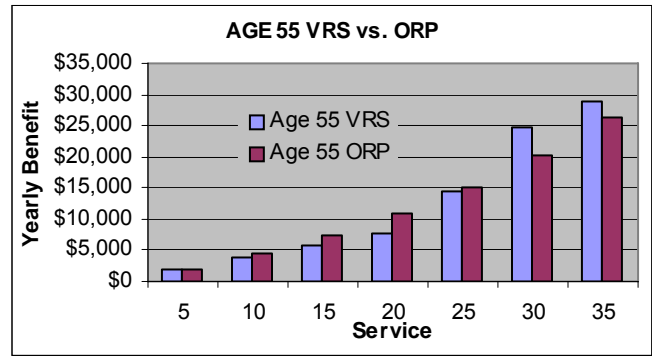
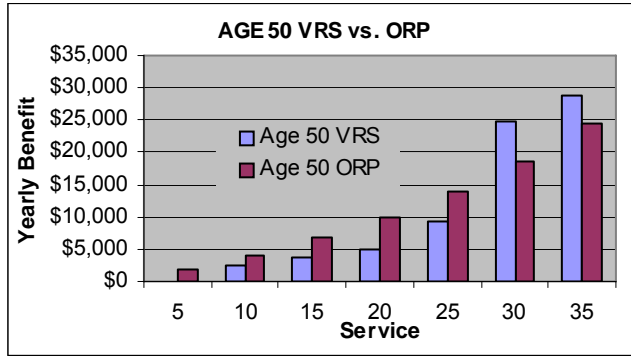
•Keep in mind that these estimates are for illustrative purposes only. Actual benefits will be based on actual plan provisions, salary history, investment returns, and form of payment elected at retirement and could be higher or lower than the benefits illustrated.



Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

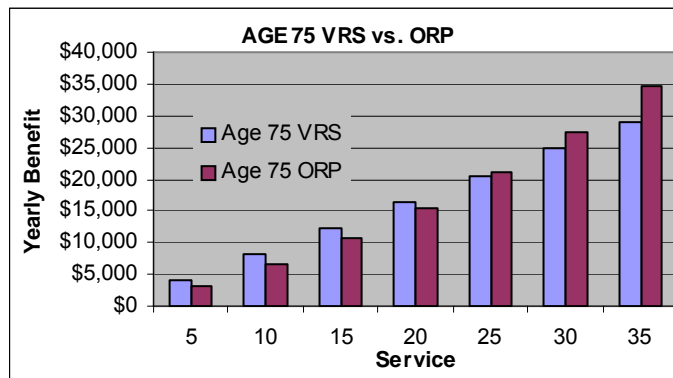
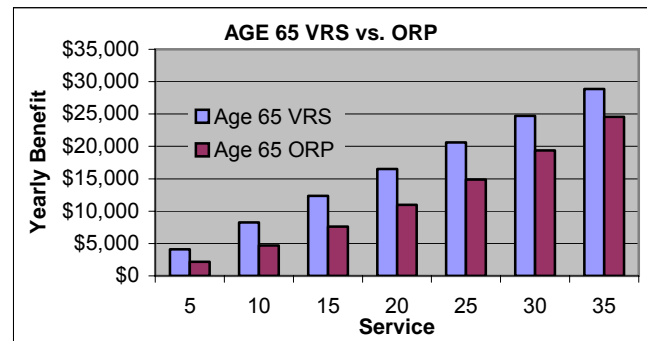
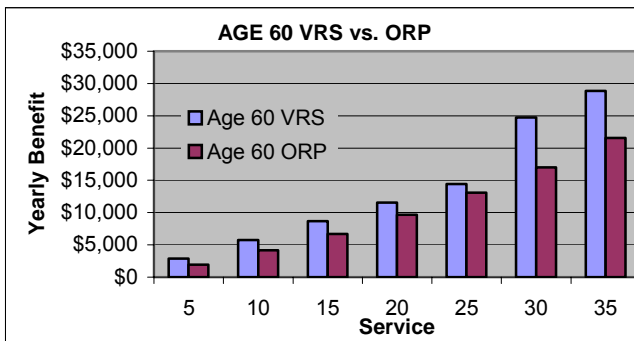
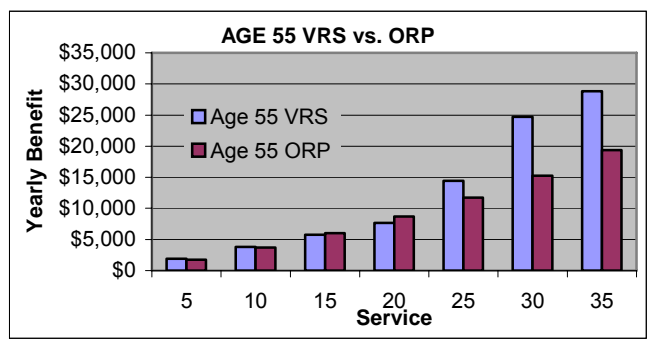
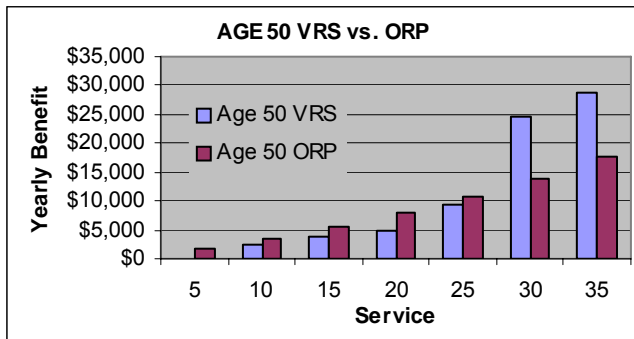
Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50														
Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,837	4,059	6,747	10,000	13,935	18,695	24,455
Difference	(1,837)	(1,588)	(3,040)	(5,057)	(4,614)	6,040	4,403	1,837	1,588	3,040	5,057	4,614	(6,040)	(4,403)
Age 55														
Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,982	4,380	7,281	10,791	15,037	20,175	26,391
Difference	(69)	(554)	(1,542)	(3,140)	(608)	4,560	2,467	69	554	1,542	3,140	608	(4,560)	(2,467)
Age 60														
Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	2,182	4,822	8,017	11,881	16,557	22,214	29,057
Difference	704	950	640	(338)	(2,128)	2,521	(199)	(704)	(950)	(640)	338	2,128	(2,521)	199
Age 65														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,455	5,424	9,017	13,364	18,623	24,985	32,683
Difference	1,668	2,821	3,351	3,126	1,990	(250)	(3,825)	(1,668)	(2,821)	(3,351)	(3,126)	(1,990)	250	3,825
Age 75														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	3,374	7,456	12,395	18,370	25,599	34,346	44,927
Difference	749	789	(27)	(1,880)	(4,986)	(9,611)	(16,069)	(749)	(789)	27	1,880	4,986	9,611	16,069



Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	6.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

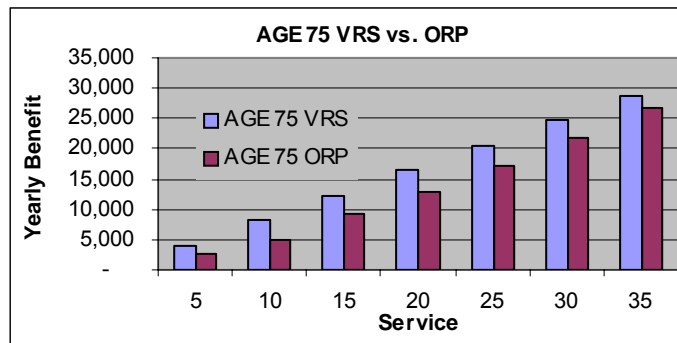
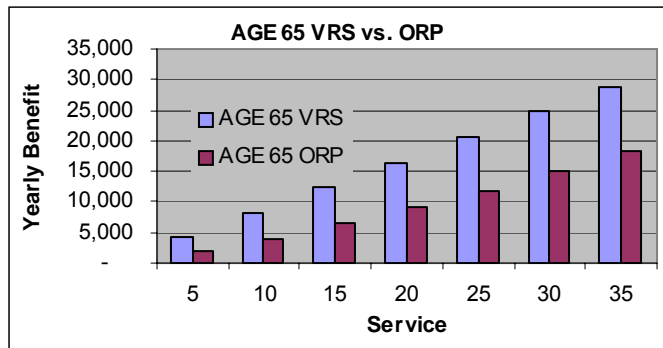
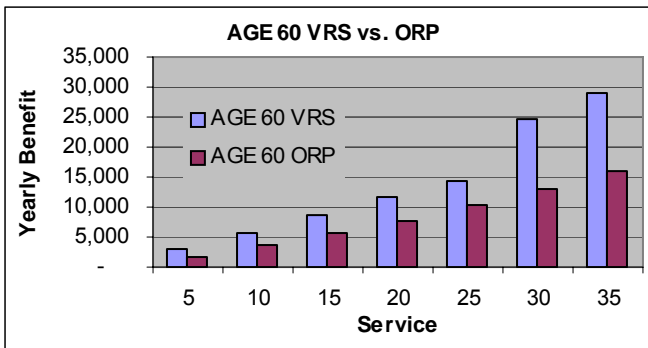
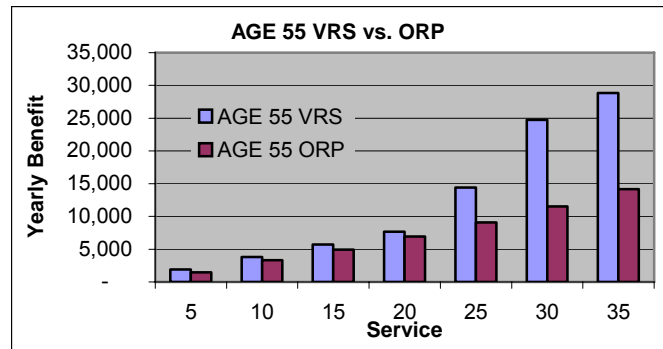
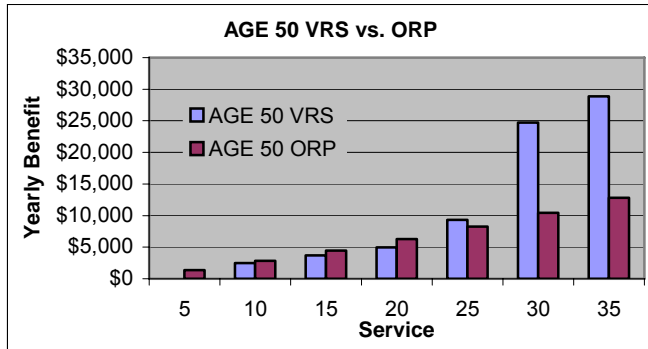
Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,581	3,407	5,514	7,947	10,755	13,996	17,738
<i>Difference</i>	<i>(1,581)</i>	<i>(936)</i>	<i>(1,807)</i>	<i>(3,004)</i>	<i>(1,434)</i>	<i>10,739</i>	<i>11,120</i>	<i>1,581</i>	<i>936</i>	<i>1,807</i>	<i>3,004</i>	<i>1,434</i>	<i>(10,739)</i>	<i>(11,120)</i>
Age 55 Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,726	3,718	6,018	8,672	11,737	15,275	19,358
<i>Difference</i>	<i>187</i>	<i>108</i>	<i>(279)</i>	<i>(1,021)</i>	<i>2,692</i>	<i>9,460</i>	<i>9,500</i>	<i>(187)</i>	<i>(108)</i>	<i>279</i>	<i>1,021</i>	<i>(2,692)</i>	<i>(9,460)</i>	<i>(9,500)</i>
Age 60 Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	1,923	4,142	6,704	9,661	13,075	17,016	21,565
<i>Difference</i>	<i>963</i>	<i>1,630</i>	<i>1,953</i>	<i>1,882</i>	<i>1,354</i>	<i>7,719</i>	<i>7,293</i>	<i>(963)</i>	<i>(1,630)</i>	<i>(1,953)</i>	<i>(1,882)</i>	<i>(1,354)</i>	<i>(7,719)</i>	<i>(7,293)</i>
Age 65 Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,188	4,715	7,631	10,997	14,883	19,369	24,547
<i>Difference</i>	<i>1,935</i>	<i>3,530</i>	<i>4,737</i>	<i>5,493</i>	<i>5,730</i>	<i>5,366</i>	<i>4,311</i>	<i>(1,935)</i>	<i>(3,530)</i>	<i>(4,737)</i>	<i>(5,493)</i>	<i>(5,730)</i>	<i>(5,366)</i>	<i>(4,311)</i>
Age 75 Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	3,082	6,640	10,746	15,487	20,960	27,277	34,569
<i>Difference</i>	<i>1,041</i>	<i>1,605</i>	<i>1,622</i>	<i>1,003</i>	<i>(347)</i>	<i>(2,542)</i>	<i>(5,711)</i>	<i>(1,041)</i>	<i>(1,605)</i>	<i>(1,622)</i>	<i>(1,003)</i>	<i>347</i>	<i>2,542</i>	<i>5,711</i>



Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

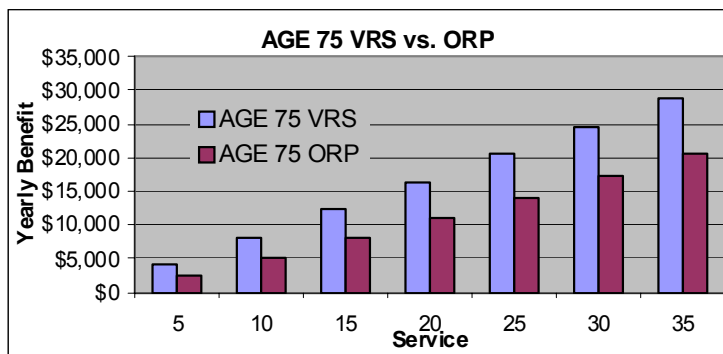
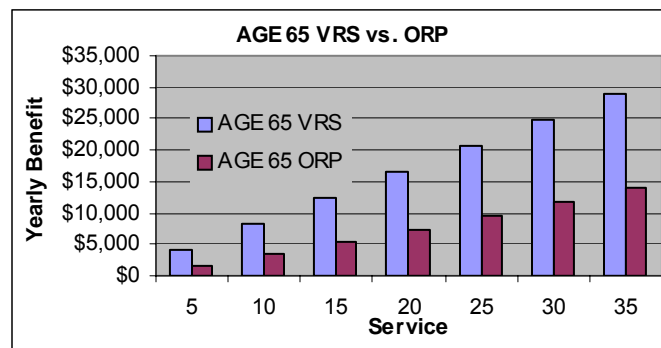
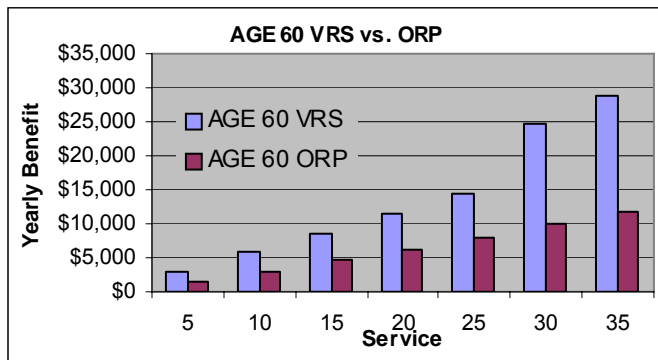
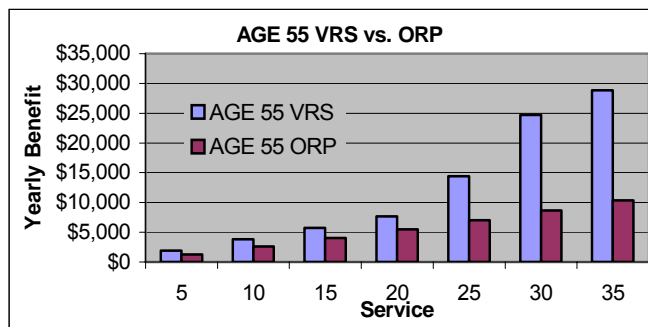
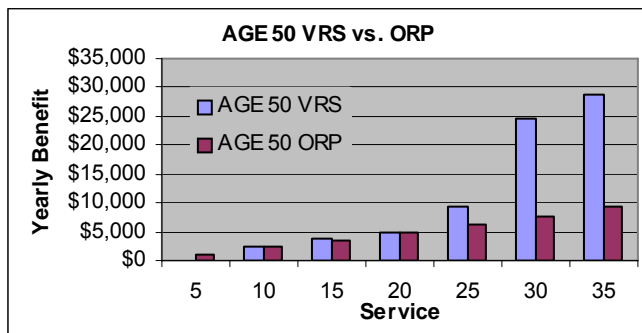
Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50														
Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,347	2,830	4,463	6,261	8,240	10,419	12,818
Difference	(1,347)	(359)	(756)	(1,318)	1,081	14,316	16,040	1,347	359	756	1,318	(1,081)	(14,316)	(16,040)
Age 55														
Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,490	3,310	4,935	6,923	9,111	11,520	14,173
Difference	423	516	804	728	5,318	13,215	14,685	(423)	(516)	(804)	(728)	(5,318)	(13,215)	(14,685)
Age 60														
Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	1,682	3,533	5,572	7,816	10,286	13,006	16,001
Difference	1,204	2,239	3,085	3,727	4,143	11,729	12,857	(1,204)	(2,239)	(3,085)	(3,727)	(4,143)	(11,729)	(12,857)
Age 65														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	1,940	4,076	6,428	9,017	11,897	15,005	18,460
Difference	2,183	4,169	5,940	7,473	8,716	9,730	10,398	(2,183)	(4,169)	(5,940)	(7,473)	(8,716)	(9,730)	(10,398)
Age 75														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,806	4,895	9,296	13,041	17,163	21,701	26,698
Difference	1,317	3,350	3,072	3,449	3,450	3,034	2,160	(1,317)	(3,350)	(3,072)	(3,449)	(3,450)	(3,034)	(2,160)



Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50														
Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,134	2,325	3,574	4,886	6,262	7,706	9,222
Difference	(1,134)	146	133	57	3,059	17,029	19,636	1,134	(146)	(133)	(57)	(3,059)	(17,029)	(19,636)
Age 55														
Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,274	2,610	4,013	5,485	7,030	8,651	10,353
Difference	639	1,216	1,726	2,166	7,399	16,084	18,505	(639)	(1,216)	(1,726)	(2,166)	(7,399)	(16,084)	(18,505)
Age 60														
Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	1,460	2,992	4,600	6,288	8,059	9,917	11,868
Difference	1,426	2,780	4,057	5,255	6,370	14,818	16,990	(1,426)	(2,780)	(4,057)	(5,255)	(6,370)	(14,818)	(16,990)
Age 65														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	1,710	3,504	5,388	7,364	9,439	11,616	13,901
Difference	2,413	4,741	6,980	9,126	11,174	13,119	14,957	(2,413)	(4,741)	(6,980)	(9,126)	(11,174)	(13,119)	(14,957)
Age 75														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,546	5,218	8,023	10,966	14,055	17,297	20,700
Difference	1,577	3,027	4,345	5,524	6,558	7,438	8,158	(1,577)	(3,027)	(4,345)	(5,524)	(6,558)	(7,438)	(8,158)



Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Ratio of VRS to ORP							
Service							
Age at Retirement	5	10	15	20	25	30	35
50	0.00%	60.88%	54.94%	49.43%	66.89%	132.31%	118.00%
55	96.52%	87.35%	78.82%	70.90%	95.96%	122.60%	109.35%
60	132.26%	119.70%	107.98%	97.16%	87.15%	111.35%	99.32%
65	167.94%	152.01%	137.16%	123.39%	110.69%	99.00%	88.30%
75	122.20%	110.58%	99.78%	89.77%	80.52%	72.02%	64.23%

* Note: At age 50, VRS benefits are deferred if less than 10 years of service.

Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	6.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Ratio of VRS to ORP							
Service							
Age at Retirement	5	10	15	20	25	30	35
50	0.00%	72.53%	67.23%	62.20%	86.67%	176.73%	162.69%
55	110.83%	102.90%	95.36%	88.23%	122.94%	161.93%	149.08%
60	150.08%	139.35%	129.13%	119.48%	110.36%	145.36%	133.82%
65	188.44%	174.87%	162.08%	149.95%	138.50%	127.70%	117.56%
75	133.78%	124.17%	115.09%	106.48%	98.34%	90.68%	83.48%

* Note: At age 50, VRS benefits are deferred if less than 10 years of service.

Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Ratio of VRS to ORP							
Service							
Age at Retirement	5	10	15	20	25	30	35
50	0.00%	87.31%	83.06%	78.95%	113.12%	237.40%	225.14%
55	128.39%	115.59%	116.29%	110.52%	158.37%	214.71%	203.61%
60	171.58%	163.37%	155.37%	147.68%	140.28%	190.18%	180.35%
65	212.53%	202.28%	192.41%	182.88%	173.26%	164.85%	156.33%
75	146.94%	168.44%	133.05%	126.45%	120.10%	113.98%	108.09%

* Note: At age 50, VRS benefits are deferred if less than 10 years of service.

Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Ratio of VRS to ORP							
Service							
Age at Retirement	5	10	15	20	25	30	35
50	0.00%	106.28%	103.72%	101.17%	148.85%	320.98%	312.93%
55	150.16%	146.59%	143.01%	139.49%	205.25%	285.92%	278.74%
60	197.67%	192.91%	188.20%	183.57%	179.04%	249.42%	243.16%
65	241.11%	235.30%	229.55%	223.93%	218.38%	212.94%	207.60%
75	161.94%	158.01%	154.16%	150.37%	146.66%	143.00%	139.41%

* Note: At age 50, VRS benefits are deferred if less than 10 years of service.