

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



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

This publication is for school superintendents 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 School Superintendents, 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 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.

Your choices are the Virginia Retirement System (VRS) – Plan 2, which is a defined benefit plan and the Optional Retirement Plan for School Superintendents (ORPSS) – 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 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.

If you move from a school division where you were covered by VRS to another school division and elect coverage under VRS, 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 transfer from a school superintendent position at one public school division in Virginia to another, both of which offer the ORPSS, you must again choose the Optional Retirement Plan or be automatically covered by VRS.

If you transfer from your ORPSS position to a school division that does not offer the ORPSS, you will be covered by VRS.

Remember: You have 30 days from the date your information packet is sent to you by VRS to choose your retirement plan and return the required forms to VRS. If you do not elect the ORPSS, you will be covered by the VRS defined benefit plan.

Choosing your retirement plan

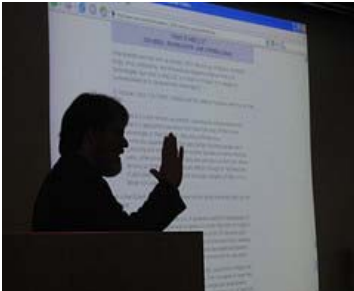
The choice of a retirement plan is a critical one because of its impact on your financial security. As an eligible school superintendent, you have the choice between two retirement plans that are distinctly different.

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 and average final compensation. Average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. 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 benefit is funded by your school division which contributes an actuarially determined percentage of your creditable compensation to the plan. You pay an additional 5 percent of your compensation into the Plan on a pre-tax salary reduction basis. Your school division may pay some or the entire employee 5 percent for you, if approved by the governing board.

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 benefit. 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 Virginia Retirement System Handbook for Members – Plan 2 available at www.varetire.org under the Members tab or from your school division's Human Resources office.

Defined Contribution Plan

The Optional Retirement Plan for School Superintendents (ORPSS), on the other hand, is a **defined contribution plan** where vesting is immediate. For purposes of the ORPSS, vesting means the total balance in your account is available to you when you leave employment with the school division and meet the Internal Revenue Service distribution eligibility requirement. To receive a distribution you must have stopped working for any public employer in Virginia that provides retirement benefits through a retirement plan administered or authorized by VRS. Your retirement benefit is based on employer and employee contributions and the investment gains and losses on those contributions. Your employer contributes to your ORPSS account 8.5 percent of your creditable compensation. In some cases the school division may pay up to an additional 0.4 percent employer contribution not to exceed a total of 8.9 percent of your creditable compensation. You contribute an additional 5 percent of your 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). The school division may pay some or the entire 5 percent employee contribution, if the governing body passes a resolution to do so.

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 ORPSS benefits is contained in the ORP for School Superintendents Participant Handbook available at www.varetire.org under Defined Contribution Plans / Optional Retirement Plan for School Superintendents.

Listing of Funds, Asset Classes and Benchmarks (page 15 - 16) lists the investment choices currently available to Plan participants.

Comparing VRS to ORP Benefits Illustration (pages 17 - 25) 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:

	VRS	ORP
US Code Section	IRC Section 401(a)	IRC Section 401(a)
Type of Plan	Defined Benefit: During retirement you receive a lifetime monthly benefit based on your age, total service credit 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, gains, losses and fees on investments and the length of time your benefit will be paid. Participants may choose between the investments offered.
Contributions	<p>Each pay period you pay five percent of your creditable compensation on a tax-deferred salary reduction basis into your VRS member contribution account (MCA). Your MCA earns interest at 4 percent on an annual basis, credited on June 30 each year on contributions that have been in the account 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 oversight by the Board of Trustees</p>	<p>Each pay period you pay five percent of your creditable compensation on a tax deferred salary reduction basis into your ORP account. Gains and losses on your contributions depend upon the investments you select. Some school divisions pay all or part of the employee contribution.</p> <p>Each pay period your employer pays an additional 8.5 percent of your creditable compensation into your ORP account. Some school divisions pay up to an additional 0.4 percent of compensation with their governing board's approval. The employer contribution is invested in the investments you have chosen from among those available in the Plan.</p>
Contribution Limits	<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 earnings from July through June.	<i>Internal Revenue Code Section 401(a)(17)</i> 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 ORPSS plan year runs from July 1 to June 30.
Vesting	Vesting is immediate for contributions you pay; 5 years for member contributions your employer pays and for a lifetime benefit.	Immediate for account balance, including both employer and employee contributions.

	VRS	ORP
IRS Code Section	IRC Section 401(a)	IRC Section 401(a)
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 MCA, including accrued interest. If you are not vested you are only entitled to the contributions you paid. You are not entitled to any of the employee contributions your employer paid for you. 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 refund and your right to a lifetime benefit.</p> <p>The refund is subject to federal and state income tax and may be subject to a 10 percent early distribution tax if taken before age 59 ½ (unless you separate from service after reaching age 55). Taxation may be deferred by having the refund rolled over to another employer's plan or an IRA.</p>	<p>You may take a distribution from your plan 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, rolled over to another plan that will accept such rollovers or taken as a distribution.</p> <p>Distributions are subject to federal and state income taxes, and may be subject to a 10 percent early distribution 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 by rolling the distribution to another employer's plan or an IRA.</p>
Taxation of Retirement Benefit	<p>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 upon the tax laws of your state of residence.</p>	<p>No tax is due until you take a distribution. The distribution is subject to federal and state income tax, depending upon the tax laws of your state of residence. An additional early distribution tax if may apply if taken prior to age 59 ½. The penalty does not apply if you separate from service after age 55, receive an annuity or take essentially equal payments over your lifetime. Taxation may be deferred if a rollover is available.</p>

	VRS	ORP
IRS Code Section	IRC Section 401(a)	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. Many types of public service and leave may be purchased to enhance the benefit.	Participation may continue if you become employed by another public school division in Virginia that offers the ORPSS. Similar optional retirement plans may be available to you if you become a political appointee or become employed in a faculty position at a public college or university in Virginia. If you leave public employment in Virginia your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.
Employee Retirement Savings Plans	Participation in a 403(b) plan and the Commonwealth's 457 Deferred Compensation and Cash Match Plans is available to you regardless of the retirement plan selected, if your school division offers these plans.	Participation in a 403(b) plan and the Commonwealth's 457 Deferred Compensation and Cash Match Plans is available to you regardless of the retirement plan selected, if your school division offers these plans.
Investment Risks	Your benefit is guaranteed as long as the employer continues to make contributions to the Plan.	The investment risk is borne by the employee. Your benefit at retirement is based on contributions gains, losses and fees on investments. Risk varies according to investments chosen.
Investment Costs	Fund management cost is paid by earnings on the contributions to VRS.	Fund management and record keeping costs are borne by the employee.
Inflation Risk (Pre-retirement)	Your benefit is related to pay and standard of living just prior to retirement; therefore, initial benefit keeps pace with pre-retirement inflationary trends.	Participants 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 make systematic withdrawals from their Plan accounts allowing the remainder to continue to be invested.

	VRS	ORP
IRS Code Section	IRC Section 401(a)	IRC Section 401(a)
Eligibility for Benefit Payout	You are eligible for an unreduced benefit when your age plus service equals 90 or at Social Security unreduced retirement age with at least 5 years of service. An actuarially reduced benefit may begin as early as age 60 with at least 5 years of service credit.	You may begin receiving benefits at termination of employment, regardless of age. Amount of benefit is determined by contributions, gains and losses on account and the length of time the benefit is to be paid.
Disability	If your disability is permanent you may qualify for VRS Disability Retirement. The school division may also provide a short and/or long term disability plan.	Disability benefits are not available, except through Social Security. Your school division may provide disability coverage. Contact your Human Resources office for information on programs that may be available to you. If you terminate employment as the result of a disability, you may begin distributions from the ORPSS.
Group Life Insurance (GLI) IMPORTANT NOTE: For both VRS and the ORP 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 if 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 following the first full calendar year after the date you leave covered employment. Accidental death benefits cease at retirement. 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. Coverage continues until age 80 and may be retained beyond age 80 by using the conversion feature.	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 if 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 following the first full calendar year after the date you leave covered employment. Accidental death benefits cease at retirement. Additional Optional Life Insurance is available to employees (until age 80) 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.

	VRS	ORP
IRS Code Section	IRC Section 401(a)	IRC Section 401(a)
Group Life Insurance (GLI) – Educational Leave	<p>While on educational leave you are reported for GLI at full salary, if you are receiving half pay or more.</p> <p>You are not reported for GLI while on educational leave receiving less than half pay.</p>	<p>While on educational leave you are reported for GLI at full salary, if you are receiving half pay or more.</p> <p>You are not reported for GLI while on educational leave receiving less than half pay.</p>
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.
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 named beneficiary.</p>	<p>All contributions and investment earnings are payable to your beneficiary.</p> <p>The beneficiary may choose the method of payment.</p> <p>No special death in service benefit is available.</p>
Death in Service - Work Related	<p>If you die from a cause compensable under workers compensation, your surviving spouse, minor child, mother or father will receive as a monthly benefit half your average final compensation (AFC) or 1/3 AFC if the survivor qualifies for Social Security death benefits (offset by certain Workers' Compensation)</p> <p>Your MCA is refunded to the named beneficiary.</p>	<p>All contributions and investment earnings are payable to your beneficiary.</p> <p>The beneficiary may choose the method of payment.</p> <p>No special work-related death benefits are available.</p>
Educational Leave of Absence with Half 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.
Educational Leave of Absence with Less Than Half Pay	No employee or employer contributions are paid. You may purchase up to four years of service credit for any approved official educational leave of absence from a VRS-covered position when you return to employment.	No employee or employer contributions are paid.

	VRS	ORP
IRS Code Section	IRC Section 401(a)	IRC Section 401(a)
Health Insurance	Your school division's Human Resources office can provide information on the employee health insurance benefits available to you while actively employed.	Your school division's Human Resources office can provide information on the employee health insurance benefits available to you while actively employed.
Health Insurance Credit - Service Retirement	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. 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.	Eligible with 15 years of VRS and/or ORP service. To qualify must receive periodic distribution from the ORP immediately upon qualifying and incur cost for your own health insurance. 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 half pay does not count toward creditable service for the health insurance credit. Educational leave with half pay or more counts as creditable service for the health insurance credit.	Educational leave with less than half pay does not count toward creditable service for the health insurance credit. Educational leave with half pay or more counts as creditable service for the health insurance credit.
Health Insurance Credit – Disability Retirement	If you qualify for VRS Disability Retirement, you will receive \$4 multiplied by the lesser of (a) twice the amount of 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 your individual premium.	The Health Insurance Credit is only available if you leave employment as the result of your disability and begin receiving a distribution from your ORPSS account. You must have at least 15 years of VRS and/or ORP service at the time you leave employment to qualify for the credit. Credit payment may not exceed the out of pocket cost for your individual premium.

	VRS	ORP
IRS Code Section	IRC Section 401(a)	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 a 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 are generally available:</p> <ul style="list-style-type: none"> • annuity, including survivor options; • systematic/periodic withdrawal; • total lump sum withdrawal; • partial 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 if: 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 survivor waives benefit.</p>	<p>Varies according to the option chosen. If you use a portion of your ORPSS 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 the year you reach age 70 ½ or when you terminate employment in a position in which you are covered for retirement benefits by a plan administered or authorized by VRS.</p>	<p>You must begin a distribution from the plan at the later the year you reach age 70 ½ or when you terminate public employment in a position in which you are covered for retirement benefits by 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 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 ORPSS within 30 days of the date VRS sent your information packet, you will automatically be covered by VRS.

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 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 tab select Forms.

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



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, along with general information about the Plan. The registered representatives do not give investment advice.

**ING-Institutional Plan Services
919 E. Main Street, Suite 1604 (Sun Trust Building)
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 School Superintendents.

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, Asset Classes and Benchmarks 6-30-2011

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, Asset Classes and Benchmarks 6-30-2011

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 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 percent 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.

• **ORPSS Return**

Assumed rate of return on employee directed investments in the ORPSS

Rate of return not guaranteed.

• **ORPSS 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.

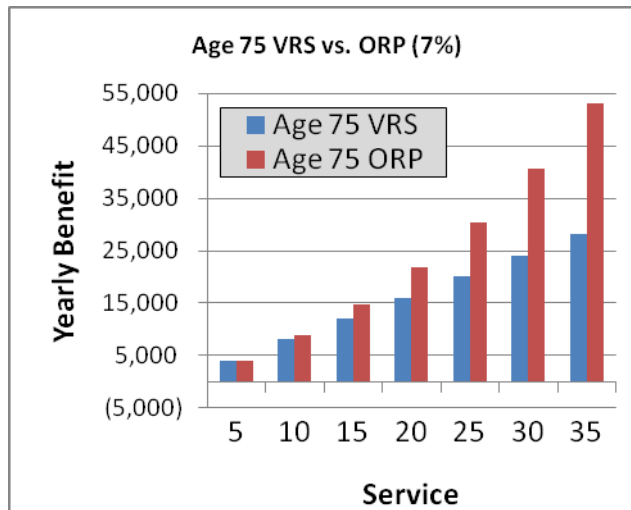
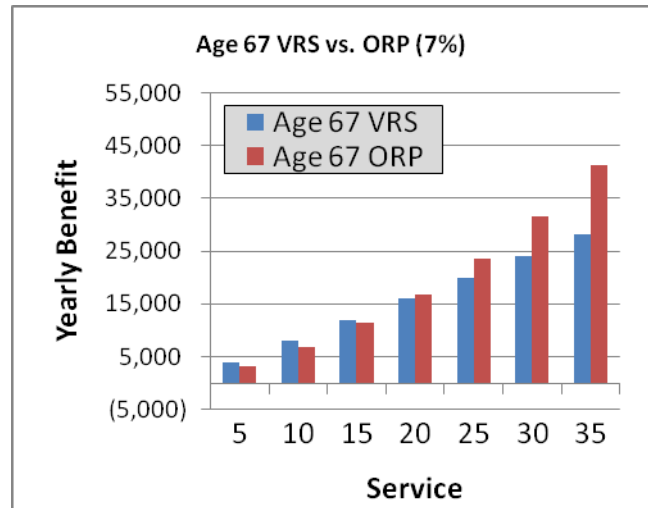
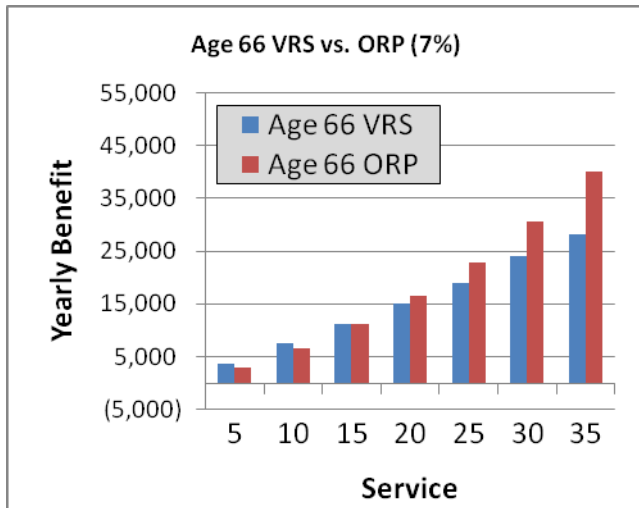
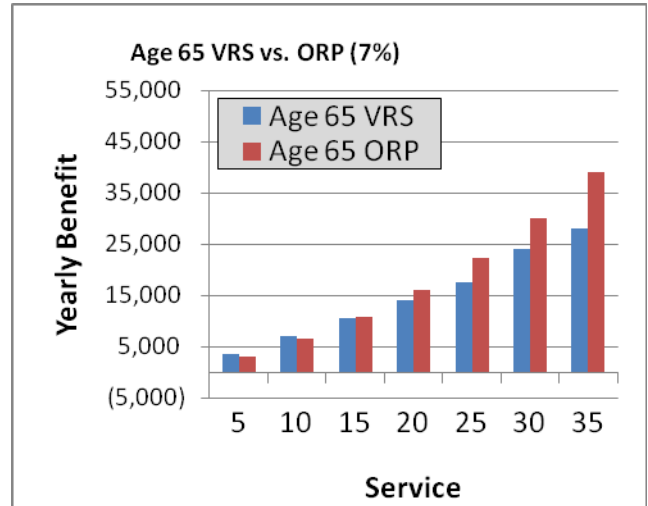
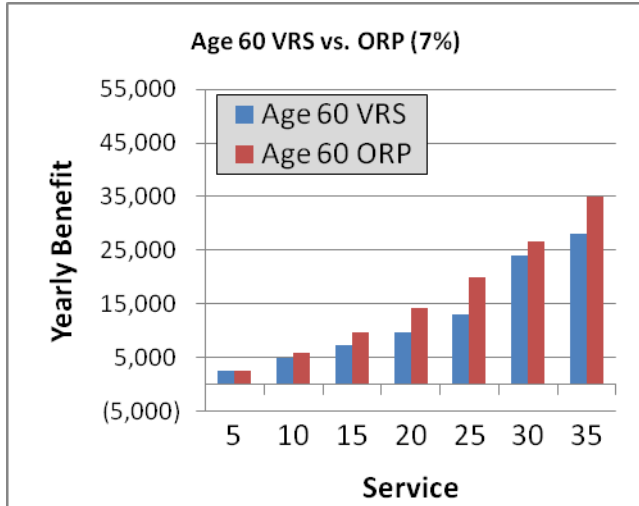
Comparing VRS to ORP Annual Benefits Illustration

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



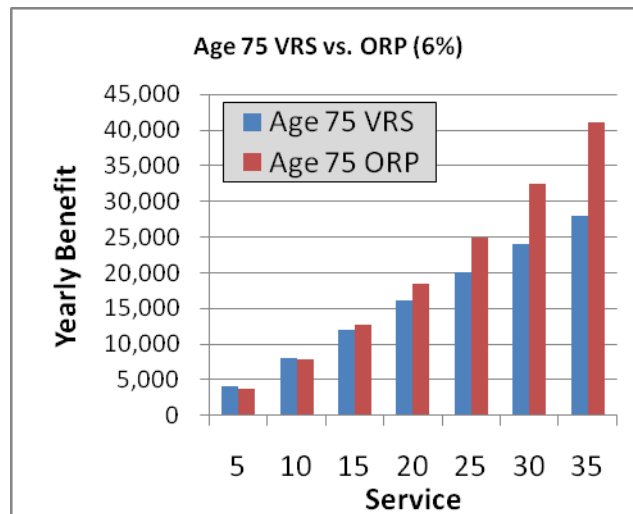
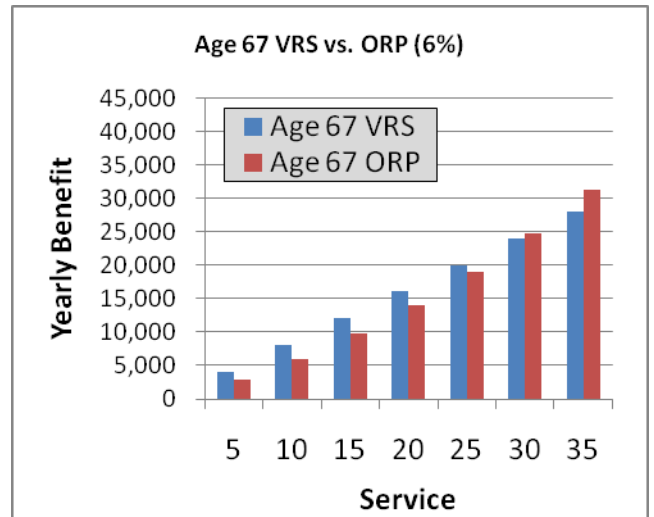
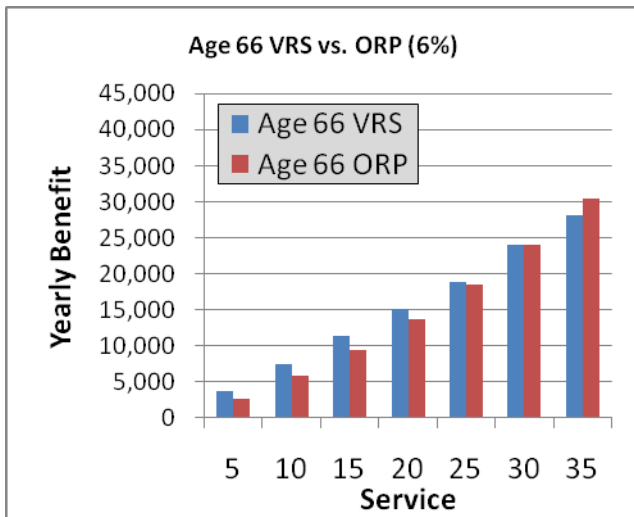
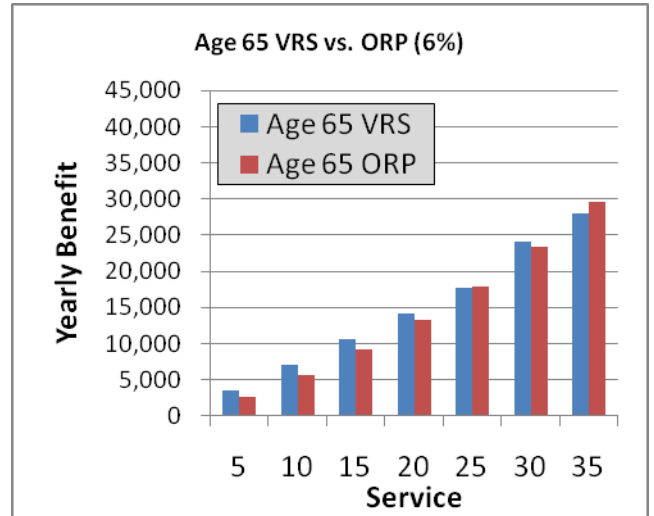
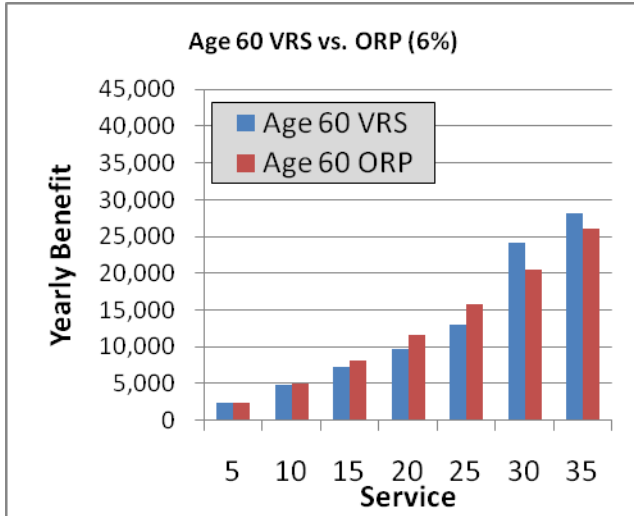
Comparing VRS to ORP Annual Benefits Illustration

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
<i>Difference</i>														
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
<i>Difference</i>							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
<i>Difference</i>	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
<i>Difference</i>	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
<i>Difference</i>	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
<i>Difference</i>	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
<i>Difference</i>	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



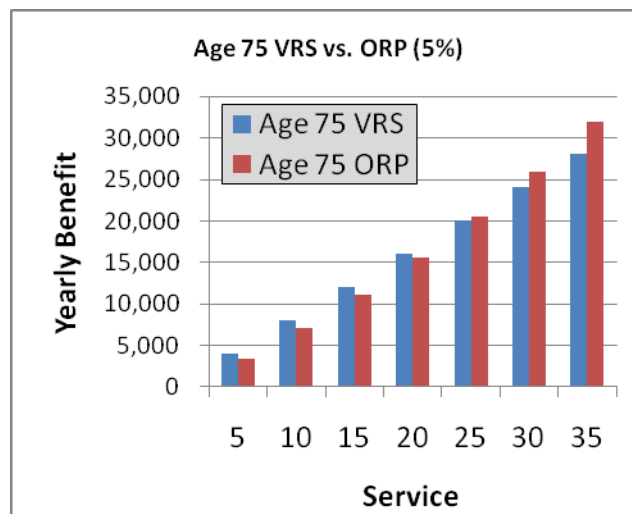
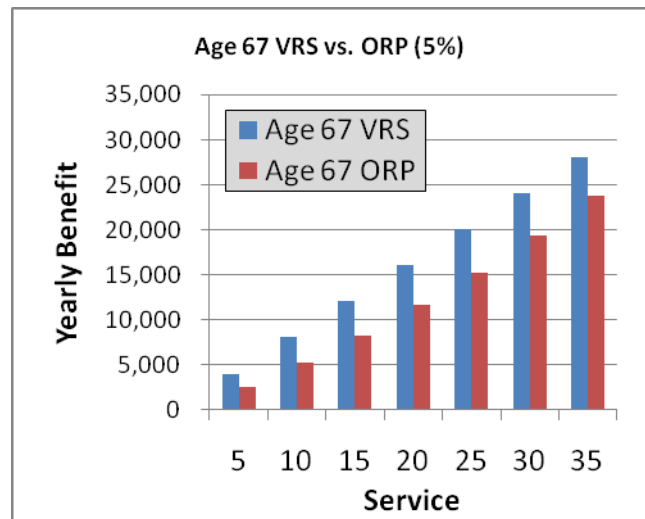
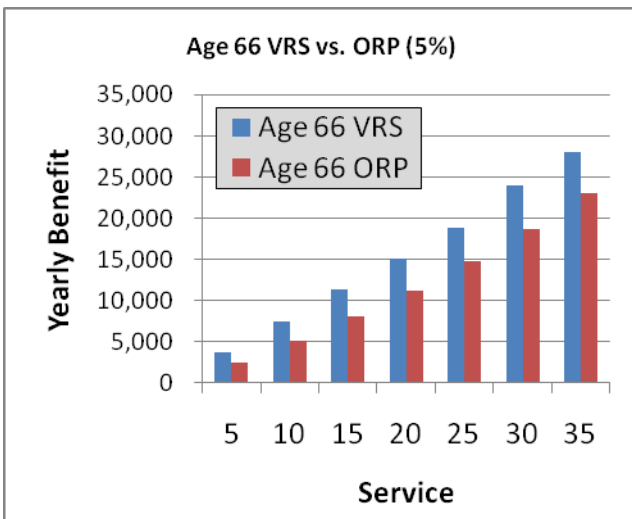
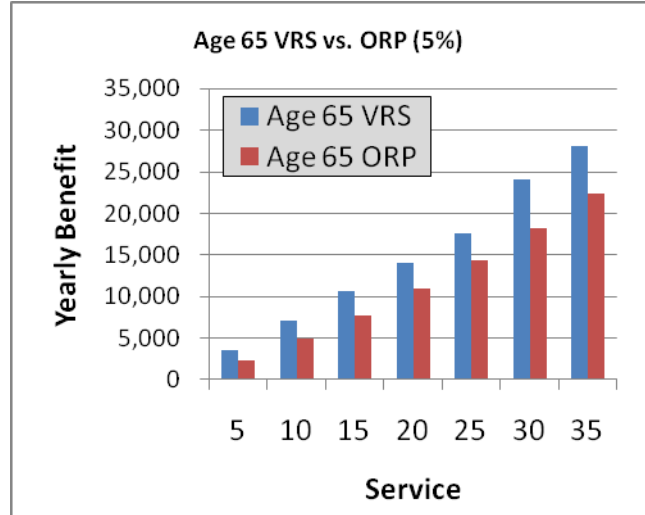
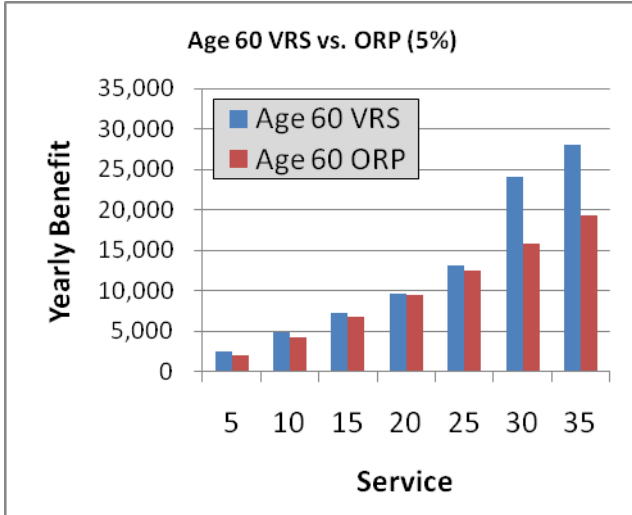
Comparing VRS to ORP Annual Benefits Illustration

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
<i>Difference</i>														
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
<i>Difference</i>							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
<i>Difference</i>	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
<i>Difference</i>	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
<i>Difference</i>	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
<i>Difference</i>	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
<i>Difference</i>	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



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
Difference														
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
Difference							<i>15,453</i>							<i>(15,453)</i>
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
Difference	<i>646</i>	<i>1,204</i>	<i>1,670</i>	<i>2,039</i>	<i>3,269</i>	<i>11,994</i>	<i>13,631</i>	<i>(646)</i>	<i>(1,204)</i>	<i>(1,670)</i>	<i>(2,039)</i>	<i>(3,269)</i>	<i>(11,994)</i>	<i>(13,631)</i>
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
Difference	<i>1,452</i>	<i>2,802</i>	<i>4,044</i>	<i>5,173</i>	<i>6,183</i>	<i>9,955</i>	<i>11,190</i>	<i>(1,452)</i>	<i>(2,802)</i>	<i>(4,044)</i>	<i>(5,173)</i>	<i>(6,183)</i>	<i>(9,955)</i>	<i>(11,190)</i>
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
Difference	<i>1,622</i>	<i>3,137</i>	<i>4,542</i>	<i>5,829</i>	<i>6,993</i>	<i>9,471</i>	<i>10,612</i>	<i>(1,622)</i>	<i>(3,137)</i>	<i>(4,542)</i>	<i>(5,829)</i>	<i>(6,993)</i>	<i>(9,471)</i>	<i>(10,612)</i>
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
Difference	<i>1,787</i>	<i>3,464</i>	<i>5,026</i>	<i>6,466</i>	<i>7,779</i>	<i>8,959</i>	<i>9,999</i>	<i>(1,787)</i>	<i>(3,464)</i>	<i>(5,026)</i>	<i>(6,466)</i>	<i>(7,779)</i>	<i>(8,959)</i>	<i>(9,999)</i>
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
Difference	<i>955</i>	<i>1,758</i>	<i>2,403</i>	<i>2,882</i>	<i>3,185</i>	<i>3,306</i>	<i>3,233</i>	<i>(955)</i>	<i>(1,758)</i>	<i>(2,403)</i>	<i>(2,882)</i>	<i>(3,185)</i>	<i>(3,306)</i>	<i>(3,233)</i>

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

