



Guide to Automatic Enrollment

Picture your financial future.

Welcome to the Commonwealth of Virginia 457 Deferred Compensation Plan! As a new salaried state employee, you will be automatically enrolled in the Commonwealth of Virginia 457 Deferred Compensation Plan (457 Plan). The 457 Plan, administered by the Virginia Retirement System (VRS), lets you conveniently save for your future on a tax-deferred basis, keeping more of your money working for you.

Automatic Enrollment into the 457 Plan

If you do nothing, approximately 90 days from the date of your automatic enrollment notice, deferrals of \$20 from each paycheck will be invested in the Balanced Growth Fund in your 457 Plan account. You'll also receive an employer matching contribution of \$10 per pay date, giving you an additional \$240 each year.

Once you receive a password from ING, the 457 Plan record keeper, you may take the following actions regarding the 457 Plan:

- Self-enroll in the Plan by completing and mailing the enclosed Enrollment and Beneficiary Designation forms. Or, you may enroll in the Plan or change your deferral amount or investment options online at www.varetire.org; select *Commonwealth of Virginia Deferred Compensation Plan* under the *Defined Contribution Plans* tab. Or, call the toll-free Plan Information Line at **1-VRS-DC-PLAN1 (1-877-327-5261)**. Once you self-enroll, you will no longer be subject to automatic enrollment rules.
- Opt out of participation in the 457 Plan. To do so, you must go to www.varetire.org and select *Commonwealth of Virginia Deferred Compensation Plan* under the *Defined Contribution Plans* tab. Or, call **1-VRS-DC-PLAN1 (1-877-327-5261)** toll free.

Note: if you have a 457 plan account balance from earlier employment, you will not be automatically enrolled. You may go online, call the Plan Information Line or submit an enrollment form to reactivate your account.

Opting Out of the Plan Before deferrals begin

If you choose to opt out of the Plan within 90 days from the date you received your automatic enrollment notice, no deferral will be made from your salary. Your password will remain active and you can re-enroll in the Plan at any time.

After deferrals begin

If you decide to opt out of the Plan after your first contribution was deposited to your account, you have 90 days to opt out and request a refund from ING. A check will be mailed to you and your refund will reflect any gains or losses. The refund is taxable and you will receive an IRS form 1099-R for income tax reporting purposes. Your Cash Match Plan balance is forfeited.

Normal distribution rules apply if no refund request is received within the 90-day period.

Employees of State Colleges and Universities

If you are an employee of a state college or university and you begin making deferrals to your employer's 403(b) tax-deferred savings plan, you will not be enrolled automatically in the 457 Plan. You may participate in both plans, but you must actively enroll in the 457 Plan by completing the *Enrollment* and *Beneficiary Designation* forms. If you participate in a 403(b) Plan in addition to the 457 Plan, you are eligible to receive only one cash match per pay date.

Find Out More

- **Online at www.varetire.org.** Select *Commonwealth of Virginia Deferred Compensation Plan* under the *Defined Contribution Plans* tab to monitor your account, review fund information, transfer funds, download statements, print forms and access a variety of investing and retirement-related articles.
- **Toll-free at **1-VRS-DC-PLAN1 (1-877-327-5261)**.** Customer Service Associates are available to answer questions Monday – Friday, 8 a.m.– 8 p.m. Eastern Time. Virginia registered representatives are available Monday – Friday, 8:30 a.m.– 5 p.m. Eastern Time by phone or in person at the Virginia Service Center, 919 E. Main Street, Suite 1604 in Richmond.

As a participant, you also will receive quarterly account statements and news and information about your Plan.

Easy access to the 457 Plan

Online at
www.varetire.org:

- Select *Commonwealth of Virginia Deferred Compensation Plan* from the *Defined Contribution Plans* tab.
- The first time you access your account you will be asked to set a username and create your password.

By phone: Call
1-VRS-DC-PLAN1
(1-877-327-5261)

Read these *Plan Features and Highlights* to learn more about the Plans and how easy it is to enroll. If you have any questions, call toll-free at **1-VRS-DC-PLAN1 (1-877-327-5261)**.

	Deferred Compensation Plan	Cash Match Plan						
Who is eligible to enroll?	All employees of the Commonwealth and participating employers, including wage employees and elected or appointed officials, are eligible to enroll. Salaried state employees hired or rehired on or after January 1, 2008 are automatically enrolled in the Plan unless they already have a 457 account, self-enroll, opt out or actively contribute to a 403(b) account.	Full-time or part-time salaried employees of the Commonwealth and political subdivisions that adopted the Cash Match Plan are eligible if they are making continuous 457 contributions. Wage employees are not eligible for the employer cash match. <i>If you participate in a 403(b) in addition to your 457 Plan, you are eligible to receive only one cash match per pay date.</i>						
Who contributes?	You	Your employer						
How do I enroll?	You can enroll three ways: <ul style="list-style-type: none"> • Online: Go to www.varetire.org and select the <i>Defined Contribution Plans</i> tab, then <i>Commonwealth of Virginia Deferred Compensation Plan</i> or <i>Virginia Cash Match Plan 401(a)</i>. You will need your password to enroll online. • By phone: 1-VRS-DC-PLAN1 (1-877-327-5261), option 1. • You also may complete an enrollment form if you are unable to enroll online or by phone. 	It's automatic for full-time or part-time salaried employees once you enroll in the 457 Plan and are making continuous contributions of at least \$10 per pay date to the Deferred Compensation Plan.						
What is the contribution amount?	The minimum amount you can contribute is \$10 per pay date. The maximum you can contribute is up to 100 percent of includible compensation or the maximum listed in the table below, whichever is less. Plan limits are as follows: <table border="1" data-bbox="374 1182 913 1262"> <thead> <tr> <th>Regular</th> <th>Age 50+</th> <th>Standard Catch-Up</th> </tr> </thead> <tbody> <tr> <td>\$16,500</td> <td>\$5,500</td> <td>\$16,500</td> </tr> </tbody> </table> <p>Age 50+: If you are age 50 or over during the calendar year, you may contribute an additional amount into the 457 Plan for all plan years except during the years you are using the Standard Catch-Up Provision.</p> <p>Standard Catch-Up: You may make contributions up to twice the regular contribution limit during the three calendar years prior to your designated normal retirement age, depending on your available catch-up credit.</p> <p>Age 50+ and Standard Catch-Up Provisions may not be used in the same calendar year.</p>	Regular	Age 50+	Standard Catch-Up	\$16,500	\$5,500	\$16,500	For salaried employees of the Commonwealth of Virginia, the matching amount is 50 percent of your contribution to the Deferred Compensation Plan not to exceed \$10 per pay date. Political subdivisions and school divisions that participate in the Cash Match Plan may establish their own Cash Match amount. In addition to your employer's contribution, you also may roll money over from an eligible retirement plan such as a 401(a), 401(k), 403(b), 457(b), IRA or Federal Employees Thrift Savings Plan.
Regular	Age 50+	Standard Catch-Up						
\$16,500	\$5,500	\$16,500						
What are my investment choices?	The Plan offers a variety of investment options across different asset classes. You may be eligible to participate in the Self-Directed Brokerage Account option for an additional fee. Only publicly-traded mutual funds are offered through the brokerage option. For more information about the Plan's investment options, go to www.varetire.org and select <i>Commonwealth of Virginia Deferred Compensation Plan</i> or <i>Virginia Cash Match Plan 401(a)</i> under the <i>Defined Contribution Plans</i> tab or call the Plan Information Line toll-free at 1-VRS-DC-PLAN1 (1-877-327-5261) . <i>Please consider the investment objectives, risks, fees and expenses carefully before investing. For more information, including a fund prospectus and/or fund fact sheet, go to www.varetire.org or call 1-VRS-DC-PLAN1 (1-877-327-5261).</i> <i>For information about the Self-Directed Brokerage, contact TD AMERITRADE at 1-866-766-4015. Read the fund information carefully before investing.</i>							

Deferred Compensation Plan

Cash Match Plan

When can I withdraw from my account?

You may withdraw only when you:

- Terminate employment with the employer that offers the Plan
- Use your Plan account to purchase VRS service credit, if approved
- Experience an unforeseeable emergency that is approved by the Plan Administrator
- Have a low balance, inactive account (subject to IRS and Plan requirements)
- Reach age 70½ even if still employed

If you die, your beneficiary receives your account balance. Withdrawals are not subject to an early withdrawal penalty, but are subject to state and federal income tax. You are required to take your first minimum distribution by April 1 of the calendar year following the later of: (1) the calendar year in which you reach 70½, or (2) the calendar year in which you terminate employment from the employer sponsoring your Plan.

NOTE: If you were enrolled automatically in the Plan and elect not to participate, you may opt out of participation and request a refund of your deferrals within 90 days of the first deferral.

You may withdraw only when you terminate employment with the employer that offers the Plan.

If you die, your beneficiary receives your account balance. Withdrawals are subject to state and federal income tax. An IRS penalty for withdrawals prior to age 59½ may apply. You are required to take your first minimum distribution by April 1 of the calendar year following the later of: (1) the calendar year in which you reach 70½, or (2) the calendar year in which you terminate employment from the employer sponsoring your Plan.

If you rolled funds from another retirement plan into your Cash Match Plan, you may withdraw funds from your rollover account while you are still employed. Withdrawals made prior to age 59½ may be subject to a 10 percent penalty, plus state and federal income tax withholding.

How do I make investment option changes?

Use your password and Social Security number to access your account under the *Defined Contribution Plans* tab on the Plan Web site at www.varetire.org or call the toll-free Plan Information Line at **1-VRS-DC-PLAN1 (1-877-327-5261)**. You can:

- Move all or a portion of your existing balances between investment options (subject to Plan rules)
- Change how your future contributions are invested

How do I keep track of my account?

You will receive a combined quarterly account statement showing your account balance and activity for your Deferred Compensation and Cash Match Plans. You can also check your account balance online at www.varetire.org under the *Defined Contribution Plans* tab or by calling **1-VRS-DC-PLAN1 (1-877-327-5261)**.

Are there fees to participate in the Plans?

Yes. An annual recordkeeping and communication services fee of 19 basis points (0.19 percent) capped at a combined account balance of \$130,000 will be deducted from your account on a quarterly basis (0.0475 percent per quarter). In addition, each investment option has investment management fees that vary by investment option. You can find your Plans' core investment options' fees and performance on the Plan Web site, by calling the Plan Information Line or within the *Investment Option Performance* report included with your quarterly statement. For more information on fees associated with the Self-Directed Brokerage Account option, refer to the fact sheet online or call the Plan Information Line.

What are my distribution options?

- Keep your money in the Plan until a future date (subject to required minimum distribution rules)
- Receive:
 - Full or partial lump sum
 - Periodic payments
 - Annuity payments
 - Partial lump sum with remainder paid as a periodic payment or annuity
- Roll over into an eligible retirement plan such as a 401(a), 401(k), 403(b), Federal Employees Thrift Savings Plan or governmental 457(b) that accept such rollovers.

Once I receive payments, can I change my payment amount?

Yes, you can make changes to your distribution requests. Except for the purchase of an annuity, you may change your distribution option for the balance remaining in your Plan. Call **1-VRS-DC-PLAN1 (1-877-327-5261)** or go to www.varetire.org and select *Commonwealth of Virginia Deferred Compensation Plan* or *Virginia Cash Match Plan 401(a)* under the *Defined Contribution Plans* tab.

Deferred Compensation Plan

Cash Match Plan

Can I use my 457 account balance to purchase service credits for the VRS Defined Benefit Plan?

Yes. In-service trustee-to-trustee transfer of assets from a governmental 457(b) plan to a governmental defined benefit plan for the purchase of permissible service credit or repayment of contributions and earnings that were previously refunded causing forfeiture of service credit under the defined benefit plan is allowed. For additional information and eligibility, call **1-VRS-DC-PLAN1 (1-877-327-5261)**. To use the option you must be approved to purchase service by your Defined Benefit Plan.

Employer contributions to the Cash Match Plan cannot be used to purchase VRS service credit. Monies in the Cash Match Plan rollover account may be rolled over to VRS to purchase approved service credit.

May I transfer or roll over my account from my former employer's plan into this Plan?

Yes. But only approved balances from other governmental 457(b) plans may be transferred into the Commonwealth's Deferred Compensation Plan. For additional information, call the Plan Information Line at **1-VRS-DC-PLAN1 (1-877-327-5261)**.

Yes. Balances from an eligible retirement plan such as a 401(a), 401(k), 403(b), 457(b), traditional IRA or Federal Employees Thrift Savings Plan may be rolled over into the Cash Match Plan.

May I contribute bonuses to the Plan?

Yes. You may contribute bonuses and other compensation paid to you.

Not applicable

At termination or retirement are there other contributions I can make to the Plans?

Participants terminating employment or retiring may also contribute their unused vacation, compensatory and sick leave payout (including disability credits) to the Commonwealth's Deferred Compensation Plan.

If you select the Partial Lump Sum Option (PLOP) for your VRS retirement, some or all of the lump-sum payment may also be rolled over to your cash match account. You may take a distribution from your rollover account while you are employed by the Commonwealth or a participating employer.

May I transfer or roll over my account if I leave employment with my current employer?

Note: Check with the plan that you are rolling into to ensure it accepts the rolled over monies.

If you leave employment with your employer, you may roll over your account balance to an eligible retirement plan such as a 401(a), 401(k), 403(b), 457(b), traditional IRA or Federal Employees Thrift Savings Plan if the plan accepts this type of incoming rollover. However, an IRS penalty for withdrawals from these plans prior to age 59½ may apply.

This IRS penalty for early withdrawals does not apply to monies distributed from a 457 plan.

If you leave employment with your employer, you may roll over your account balance to an eligible retirement plan such as a 401(a), 401(k), 403(b), 457(b), traditional IRA or Federal Employees Thrift Savings Plan if the plan accepts this type of incoming rollover. However, an IRS penalty for withdrawals from these plans prior to age 59½ may apply.

Will I be forced to take a distribution from the Plan when I leave employment with the employer that provides the Plan?

No. You may leave the monies in the Plan and continue to manage your account. When you reach age 70½, a certain minimum distribution will be required if you are not still working for an employer that provides the Plan.

May I continue to make contributions to the Plan once I terminate employment with a sponsoring employer?

No. The contributions can only be made while you are employed by a sponsoring employer, including the Commonwealth of Virginia or one of the Virginia political subdivisions, school divisions or special authorities that adopted the Plan. However, you may continue to roll monies into the Plans as long as you have an account balance.

Thinking how your retirement picture may look? The Commonwealth of Virginia 457 Plan can help you focus on your goals. With your automatic enrollment at \$20 per pay date, you receive a \$10 cash match. See what increasing your contribution amount can do.



Meet Sarah: She earns \$2,000 a month in regular pay and wants to save \$100 a month in the 457 Plan. Let's compare how much she would save before tax with the 457 Plan versus after tax (through a bank savings account, for example).

The Cash Match

As a salaried employee, Sarah will receive a cash match from her employer. Let's assume the match is \$10 per pay period on a semi-monthly basis. **That's an additional \$20 per month or \$240 per year contributed to her Cash Match Plan. Over 20 years, that money could grow to \$9,000!***

*Assumes cash match of \$20 each month earning six percent annual rate of return.

Sarah's Paycheck Comparison

	Contributing to DCP Before Tax	Contributing After Tax
Gross Pay	\$2,000	\$2,000
Before-Tax Contributions to Plan	- 100	- 0
Taxable Pay	\$1,900	\$2,000
Estimated Income Tax Withholding from Pay	- 214	- 235
FICA & Medicare	- 153	- 153
Take-Home Pay	\$1,533	\$1,765
After-Tax Contributions to Other Accounts	- 0	- 100
Spendable Pay	\$1,533	\$1,512
Before-Tax Advantage	\$21	None

By contributing before-tax in this Plan, Sarah has **\$21 more** to spend (or save) each month – **\$252 more per year**.

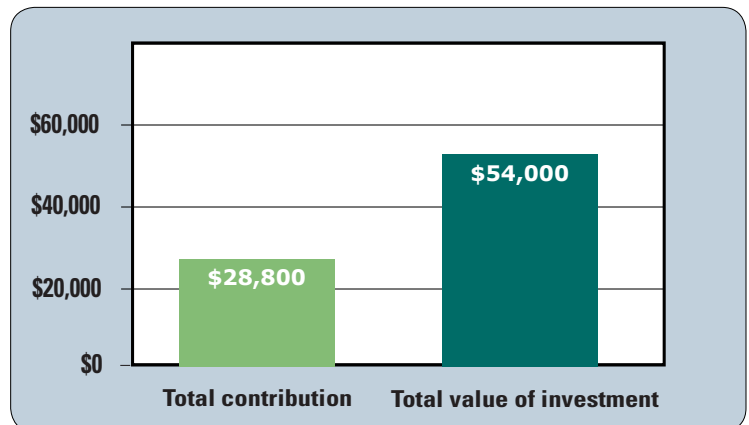
This hypothetical illustration assumes federal tax withholding of 25 percent, state & local tax withholding of four percent.

Benefits of Tax-Deferred Growth and Compounding

Let's continue and see how tax-deferred compounding can help Sarah save more money for retirement over time. Assume that Sarah contributes \$100 per month for 20 years to the 457 Plan, investing a total of \$24,000. She also receives the Cash Match of \$20 per month, which is another \$4,800, for a total investment of \$28,800.

Because Sarah's deferrals are tax deferred, she saves money on taxes, meaning more of her money remains in her account working for her. After 20 years, assuming a six percent average annual return, Sarah's combined accounts could have grown to **nearly \$54,000!** It happens because any earnings in the Plans are reinvested—allowing those earnings to potentially generate more earnings.

Potential Account Growth Over the Long-Term



For illustrative purposes only. Assumes six percent annual rate of return and monthly contributions of \$120 (\$100 from employee, plus \$20 from employer). The final combined account balance does not account for Plan fees or expenses, which would reflect lower net returns. Investment return and principal value will fluctuate so, when shares are redeemed, they may be worth more or less than original cost.

Bonus! Saver's Credit To encourage low- and moderate-income individuals to save more for the future, the government offers a tax credit for contributions. You may be eligible for a credit on your federal taxes equal to a percentage (up to 50 percent) of the first \$2,000 you invest in the Plan. The credit is available if your adjusted gross income "AGI" does not exceed \$55,500 if you are married and file a joint return; or \$27,750 if you are single or married and file a separate return. The actual amount of your credit is based on your tax filing status and adjusted gross income (AGI), as shown on right:

Tax credit	Joint return AGI	Single (other filers) AGI
50 percent	Less than \$33,000	Less than \$16,500
20 percent	\$33,001 - \$36,000	\$16,501 - \$18,000
10 percent	\$36,001 - \$55,500	\$18,001 - \$27,750
0 percent	Over \$55,500	Over \$27,750

Have questions?

Visit the Web site: www.varetire.org.

Select *Commonwealth of Virginia Deferred Compensation Plan* or *Virginia Cash Match Plan 401(a)* under the *Defined Contribution Plans* tab.

Call toll-free 1-VRS-DC-PLAN1 (1-877-327-5261)

- Press **1**, then **0** to speak with a Customer Service Associate, weekdays 8 a.m. to 8 p.m.
- Press **2** to speak with a Virginia registered representative, weekdays 8:30 a.m. to 5 p.m.

Visit the Virginia Service Center:

919 E. Main Street, Suite 1604
(SunTrust Building)
Richmond, Virginia 23219

Monday - Friday, 8:30 a.m. to 5 p.m.
Eastern Time