



## Plan Features and Highlights

Picture your financial future.

**The Commonwealth of Virginia 457 Deferred Compensation Plan can help you realize your retirement picture.** The Plan, available through your employer, allows you to save for retirement on a tax-deferred basis through convenient payroll deductions. Read more to learn how you can benefit by saving with the Plan.



**Meet Sarah:** She earns \$2,000 a month 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).

### Sarah's Paycheck Comparison

	Contributing to 457 Plan 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	- 551	- 580
Take-Home Pay	\$1,349	\$1,420
After-Tax Contributions to Other Accounts	- 0	- 100
Spendable Pay	\$1,349	\$1,320
<b>Before-Tax Advantage</b>	<b>\$29</b>	<b>None</b>

By contributing before-tax in this Plan, Sarah has **\$29 more** to spend (or save) each month – **\$348 more per year.**

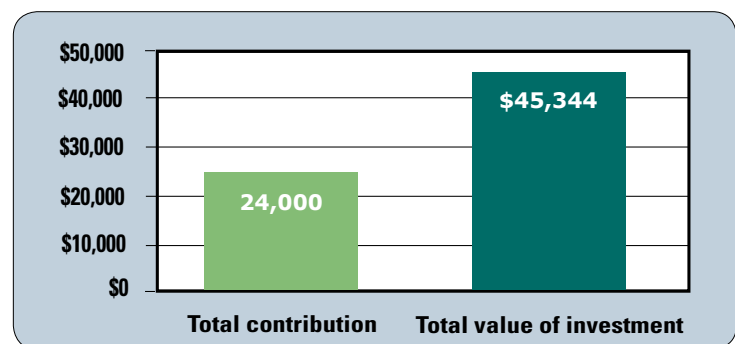
This hypothetical illustration assumes federal tax withholding of 25 percent, state & local tax withholding of 4 percent, and does not account for Social Security or Medicare taxes.

### 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.

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 six percent average annual return, Sarah's account could have grown to **over \$45,000!** It happens because any earnings in your 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 \$100. 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%) of the first \$2,000 you invest in the Plan. The credit is available if your adjusted gross income (AGI) does not exceed \$57,500 if you are married and file a joint return; or \$28,750 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%	Less than \$34,500	Less than \$17,250
20%	\$34,501 - \$37,500	\$17,251 - \$18,750
10%	\$37,501 - \$57,500	\$18,751 - \$28,750
0%	\$57,500 and over	\$28,750 and over

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

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 on or after January 1, 2008 are enrolled automatically in the Plan unless they already have a 457 account, self enroll, opt out or actively contribute to a 403(b) account. Currently, automatic enrollment does not apply to political subdivisions and school divisions.

Who contributes?

You

How do I enroll?

You can enroll three ways:

- **Online:** Go to [www.varetire.org](http://www.varetire.org) and select *Commonwealth of Virginia Deferred Compensation Plan* under the *Defined Contribution Plans* tab. You will be brought to an introduction page, from which you can select a link to log in and enroll online. You will need a password to enroll that was sent to you by mail. If you lost or forgot your password, select "Forgot your password" under the user login screen.
- **By phone:** **1-VRS-DC-PLAN1 (1-877-327-5261)**, option 1.
- **By mail:** If you are unable to enroll online or by phone, you may complete an Enrollment form.

Check with your employer to learn the enrollment method(s) available to you.

What is the contribution amount?

The minimum amount you can contribute is \$10 per pay period. 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:

Regular	Age 50+	Standard Catch-Up
\$17,000	\$5,500	\$17,000

**Age 50+:** If you are age 50 or over during the calendar year, you may contribute an additional amount to the 457 Plan for all plan years except during the years you are using the Standard Catch-Up Provision.

**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.

**Age 50+ and Standard Catch-Up Provisions may not be used in the same calendar year.**

What are my investment option 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. Publicly-traded mutual funds, exchange-traded funds (ETFs), and individual stocks and bonds, are offered through the brokerage option.

For more information about the Plan's investment options, go to [www.varetire.org](http://www.varetire.org) and select *Commonwealth of Virginia Deferred Compensation Plan* under the *Defined Contribution Plans* tab or call the Plan Information Line toll-free at **1-VRS-DC-PLAN1 (1-877-327-5261)**.

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](http://www.varetire.org) and select the Plan under the *Defined Contribution Plans* tab for access to the Plan Investments or call **1-VRS-DC-PLAN1 (1-877-327-5261)**.

For information about the Self-Directed Brokerage, contact TD Ameritrade at **1-866-766-4015**. Read the fund information carefully before investing.

### 457 Deferred Compensation Plan

When can I withdraw from my account?

You may withdraw only when you:

- Terminate employment from 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), or
- Reach age 70½ even if still employed

If you die, your beneficiary receives your benefits. 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 distributions 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.

How do I make investment option changes?

Use your password and Social Security number to access the Plan Web site at [www.varetire.org](http://www.varetire.org) under the *Defined Contribution Plans* tab 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 quarterly account statement showing your account balance and activity for your 457. You also can check your account balance online at [www.varetire.org](http://www.varetire.org) under the *Defined Contribution Plans* tab or call **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 18 basis points (0.18%) capped at combined account balances of \$130,000 will be deducted from your account on a quarterly basis less than (0.045% per quarter). In addition, each investment option has investment management fees that vary by investment option. You can find your Plan's 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 when I terminate employment?

- Keep your money in the Plan until a future date (subject to required minimum distribution rules)
- Receive:
  - A total 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), governmental 457(b), traditional IRA or Federal Employees Thrift Savings Plan that accepts such rollovers.

Is there a penalty for taking a distribution from the 457 Plan?

Unlike many retirement savings plans, there is no early retirement penalty for distributions from the Plan. Once you leave employment with the employer that sponsors the Plan, you may take distributions from the Plan, regardless of your age. Distributions are subject to federal and state income tax, depending upon the state in which you reside at the time of distribution.

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. Go to [www.varetire.org](http://www.varetire.org) and select *Commonwealth of Virginia Deferred Compensation Plan* under the *Defined Contribution Plans* tab or call toll-free **1-VRS-DC-PLAN1 (1-877-327-5261)**.

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.

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

Yes. Only approved balances from other governmental 457(b) plans may be transferred into the Commonwealth's 457 Deferred Compensation Plan. Use the *Rollover-Incoming Form* available at [www.varetire.org](http://www.varetire.org) under the *Defined Contribution Plans* tab. Select the "Forms" section from under the *Commonwealth of Virginia Deferred Compensation Plan*. You may take a distribution from your rollover account at any time—even while you are still employed.

May I contribute to the Plan the payout I receive for unused vacation and sick leave or other compensation such as bonuses?

Yes. To make these types of contributions to the Plan, complete a *One-time Payroll Authorization Form*, which is available at [www.varetire.org](http://www.varetire.org), from your employer or by calling the Plan Information Line. You must give the completed form to your employer while you are still an employee and no later than the month before the month in which you would otherwise receive the payment.

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

If you leave employment with the employer that provides the Plan, 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 that accepts such rollovers. However, an IRS penalty for withdrawals from these plans prior to age 59½ may apply.

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

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

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.

## Have questions?

### Visit the Web site: [www.varetire.org](http://www.varetire.org).

Select *Commonwealth of Virginia Deferred Compensation Plan* 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.

### Stop by 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