

Plan Comparison Guide

The Virginia Retirement System Plan Comparison Guide provides a quick look at some of the similarities and differences among VRS Plan 1, VRS Plan 2 and the Hybrid Retirement Plan. The Hybrid Retirement Plan will apply to most VRS members hired on or after January 1, 2014. Most current VRS Plan 1 and Plan 2 members may make an irrevocable decision to opt into the plan. The election window will be from January 1 through April 30, 2014. This guide is designed to help you understand and compare the plan provisions for these three VRS retirement plans. For more detailed information about these retirement plans, visit www.varetire.org.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1</p> <p>VRS Plan 1 is a defined benefit plan. The retirement benefit is based on your age, creditable service and average final compensation at retirement using a formula. You are in VRS Plan 1 if your membership date is before July 1, 2010, and you were vested as of January 1, 2013.</p>	<p>About VRS Plan 2</p> <p>VRS Plan 2 is a defined benefit plan. The retirement benefit is based on your age, creditable service and average final compensation at retirement using a formula. You are in VRS Plan 2 if your membership date is on or after July 1, 2010, or your membership date is before July 1, 2010, and you were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The plan applies to most members hired on or after January 1, 2014, and to VRS Plan 1 and VRS Plan 2 members who are eligible to opt into the plan during a special election window. (See “Eligible Members” on page 2.)</p> <ul style="list-style-type: none"> • The defined benefit is based on your age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution plan depends on the contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, you may start receiving distributions from the balance in your defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Retirement Contributions</p> <p>You contribute up to 5% of your compensation each month to your member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Your contributions are tax-deferred until you withdraw them as part of your retirement benefit or as a refund. Your employer makes a separate contribution to VRS for all covered employees. VRS invests contributions to provide for your future benefit payment.</p>	<p>Retirement Contributions</p> <p>Same as VRS Plan 1.</p>	<p>Retirement Contributions</p> <p>Your retirement benefit is funded through mandatory and voluntary contributions made by you and your employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of your creditable compensation and are required from both you and your employer. Additionally, you may choose to make voluntary contributions of more than the mandatory amount to the defined contribution component of the plan, and your employer is required to match those voluntary contributions according to specified percentages.</p>

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Eligible Members

You are in VRS Plan 1 if your membership date is before July 1, 2010, and you were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members may make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opt in is July 1, 2014.

If eligible deferred members return to work during the election window, they may opt into the Hybrid Retirement Plan.

Members who are eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 1 are not eligible to elect the Hybrid Retirement Plan and will select VRS Plan 1 or ORP.

Eligible Members

You are in VRS Plan 2 if your membership date is on or after July 1, 2010, or your membership date is before July 1, 2010, and you were not vested as of January 1, 2013.

Hybrid Opt-In Election

VRS Plan 2 members may make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opt in is July 1, 2014.

If eligible deferred members return to work during the election window, they may opt into the Hybrid Retirement Plan.

Members who are eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 are not eligible to elect the Hybrid Retirement Plan and will select VRS Plan 2 or ORP.

Eligible Members

You are in the Hybrid Retirement Plan if your membership date is on or after January 1, 2014:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elect to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members is July 1, 2014

*Non-Eligible Members

Some members will not be eligible to participate in the Hybrid Retirement Plan:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and will select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Creditable Service

Creditable service includes active service. You earn creditable service for each month you are employed in a covered position. It also may include credit for prior service you may have purchased or additional creditable service you were granted. Your total creditable service is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit. It may also count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.

Creditable Service

Same as VRS Plan 1.

Creditable Service

Under the defined benefit component of the plan, creditable service includes active service. You earn creditable service for each month you are employed in a covered position. It also may include credit for prior service you may have purchased or additional creditable service you were granted. Your total creditable service is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit. It may also count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

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Vesting

Vesting is the minimum length of service you need to qualify for a future retirement benefit. You become vested when you have at least five years (60 months) of creditable service. Vesting means you are eligible to qualify for retirement if you meet the age and service requirements for your plan. You also must be vested to receive a full refund of your member contribution account balance if you leave employment and request a refund.

You are always 100% vested in the contributions that you make.

Vesting

Same as VRS Plan 1.

Vesting

Defined Benefit Vesting is the minimum length of service you need to qualify for a future retirement benefit. You are vested under the defined benefit component of the Hybrid Retirement Plan when you reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opt into the Hybrid Retirement Plan will stay vested in the defined benefit component.

Defined Contribution Vesting is the minimum length of service members need to be eligible to withdraw employer contributions from the defined contribution component of the plan. You are always 100% vested in the contributions that you make.

Upon retirement or leaving covered employment, you are eligible to withdraw a percentage of employer contributions. Distribution is not required by law until age 70½.

- After two years, you are 50% vested and may withdraw 50% of employer contributions.
- After three years, you are 75% vested and may withdraw 75% of employer contributions.
- After four or more years, you are 100% vested and may withdraw 100% of employer contributions.

Disability Coverage

If you are eligible to be considered for disability retirement and retire on disability, the retirement multiplier will be 1.7% on all creditable service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP).

Members covered under VSDP will be subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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Members covered under VSDP will be subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Disability Coverage

Eligible political subdivision and school division members (including opt-ins) will participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable plan for members.

State employees (including opt-ins) in the Hybrid Retirement Plan will be covered under the Virginia Sickness and Disability Program (VSDP). State employees participating in the Hybrid Retirement Plan will not be eligible for disability retirement.

Members opting into the Hybrid Retirement Plan and covered under VSDP or VLDP will be subject to a one-year waiting period before becoming eligible for non-work related disability benefits. Current VSDP participants opting in with one year of employment will not have a waiting period.

VRS PLAN 1**VRS PLAN 2****HYBRID RETIREMENT PLAN****Normal Retirement Age**

Age 65.

Normal Retirement Age

Normal Social Security retirement age.

Normal Retirement Age

Same as VRS Plan 2 for the purpose of the defined benefit component.

For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. Distribution is not required by law until age 70½. See www.varetire.org.

Earliest Unreduced Retirement Eligibility

You become eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Earliest Unreduced Retirement Eligibility

You become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of creditable service or when your age and service equal 90. *Example:* Age 60 with 30 years of creditable service.

Unreduced Retirement Eligibility

Under the defined benefit component of the plan, you become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of creditable service, or when your age and service equal 90. *Example:* Age 60 with 30 years of creditable service.

For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org.

Earliest Reduced Retirement Eligibility

You may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Earliest Reduced Retirement Eligibility

You may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Reduced Retirement Eligibility

Under the defined benefit component of the plan, you may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org.

Purchase of Prior Service

You may be able to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in your plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, you must purchase your most recent period of service first. You also may be eligible to purchase periods of leave without pay; contact your human resource office for more information. You are not eligible to purchase prior service if you are employed in a non-covered position, are a deferred member or are a retiree.

Purchase of Prior Service

Same as VRS Plan 1.

Purchase of Prior Service

See the Purchase of Prior Service section at www.varetire.org/hybrid, select Plan Info.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility: If you retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from your retirement date. If you retire with a reduced benefit with less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following your unreduced retirement eligibility date.

Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) if you are in any of the following circumstances:

- You are within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- You retire on disability.
- You retire directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- You are involuntarily separated from employment for causes other than job performance or misconduct and are eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- You die in service and your survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility: Same as VRS Plan 1.

Exceptions to COLA Effective Dates: Same as VRS Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

Same as VRS Plan 2 for the defined benefit component.

The COLA is not applicable to the defined contribution component.

Eligibility: Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates: Same as VRS Plan 1 and VRS Plan 2.

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Average Final Compensation

Your average final compensation is the average of your 36 consecutive months of highest compensation as a covered employee.

Average Final Compensation

Your average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula in the defined benefit component of the plan.

Service Retirement Multiplier

A retirement multiplier is a factor that determines how much of your average final compensation will be used to calculate your retirement benefit. Your retirement multiplier is 1.7%.

Service Retirement Multiplier

A retirement multiplier is a factor that determines how much of your average final compensation will be used to calculate your retirement benefit. For service retirement, your retirement multiplier is 1.65% on creditable service earned, purchased or granted on or after January 1, 2013, and 1.7% on creditable service earned, purchased or granted before January 1, 2013.

Service Retirement Multiplier

A retirement multiplier is a factor that determines how much of your average final compensation will be used to calculate the defined benefit component of your retirement benefit. Your retirement multiplier is 1.0%.

If you opt into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate your retirement benefit.

The Role of Investments

Your contributions are invested by the Virginia Retirement System and your benefit is calculated using a formula. See “How Your Benefit is Calculated” on page 7.

The Role of Investments

Same as VRS Plan 1; see “How Your Benefit is Calculated” on page 7.

The Role of Investments

Defined Benefit: Your contributions are invested by the Virginia Retirement System and your benefit is calculated using a formula. See “How Your Benefit is Calculated” on page 7.

Defined Contribution: You choose how the contributions will be invested from a range of options. You bear the investment risk, and the amount of your benefit depends on the amount you contribute and net investment earnings.

VRS PLAN 1

How Your Benefit is Calculated

Your unreduced Basic Benefit is calculated using the following formula:

Average final compensation × retirement multiplier × total years of creditable service at retirement = Annual benefit amount ÷ 12 = Monthly benefit amount before taxes and other deductions

An early retirement reduction factor is applied to your monthly benefit amount if you retire with a reduced retirement benefit or a benefit payout option other than the Basic Benefit.

See a benefit calculation example on the next page.

VRS PLAN 2

How Your Benefit is Calculated

Same formula as VRS Plan 1.

For VRS Plan 2 members, a retirement multiplier of 1.65% is applied to service earned, purchased or granted on or after January 1, 2013; and a multiplier of 1.7% is applied to service earned, purchased or granted before January 1, 2013.

The benefit is calculated using the following formula:

Average final compensation × retirement multiplier(s) for the plan × total years of creditable service at retirement = Annual benefit amount ÷ 12 = Monthly benefit amount before taxes and other deductions

See a benefit calculation example on the next page.

HYBRID RETIREMENT PLAN

How Your Benefit is Calculated

You will receive a benefit from the defined benefit component that is based on a formula plus the contributions, and from the defined contribution component that is based on contributions made by you and any matching contributions made by your employer, plus net investment earnings on those contributions.

Defined Benefit

The benefit is calculated using the following formula:

Average final compensation × retirement multiplier for the plan × total years of creditable service at retirement = Annual benefit amount ÷ 12 = Monthly benefit amount before taxes and other deductions

Defined Contribution

Your contributions + net investment earnings = defined contribution benefit

Distribution options are flexible and may be changed over time. Distributions are subject to taxes.

Retirement Multipliers

Under the defined benefit component of the Hybrid Retirement Plan, the retirement multiplier to be used on service earned, purchased or granted on or after January 1, 2014, is 1.0%.

VRS Plan 1 and VRS Plan 2 members who opt into the Hybrid Retirement Plan (effective July 1, 2014) will have multiple retirement multipliers applied to the benefit, based on when service was credited to the member's record:

- For VRS Plan 1 opt-ins, the retirement multiplier is 1.7% on any service earned, purchased or granted before July 1, 2014; service earned, purchased or granted on or after July 1, 2014, will have a 1.0% multiplier applied.
- For VRS Plan 2 opt-ins, the retirement multipliers are 1.65% on service earned, purchased or granted on or after January 1, 2013; 1.7% on service earned, purchased or granted before January 1, 2013; and 1.0% on service earned, purchased or granted on or after July 1, 2014.

See benefit calculation examples for a new employee (on or after 1/1/2014), a VRS Plan 1 opt-in member and a VRS Plan 2 opt-in member, on the next page.

VRS PLAN 1**VRS PLAN 2****HYBRID RETIREMENT PLAN****Benefit Calculation Example**

In this example, the member is retiring at age 50 with 30 years of creditable service. The member's average final compensation is \$50,000.

30 years in VRS Plan 1 (1.7%)

Average final compensation	\$50,000
Retirement multiplier (1.7%)	× .017
Creditable service	× 30
Annual benefit amount	\$25,500
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$2,125

Benefit Calculation Example

In this example, the member is retiring at age 60 with 30 years of creditable service, 27 years of which were earned after January 1, 2013. The member's average final compensation is \$50,000.

3 years in VRS Plan 1 (1.7%);**27 years in VRS Plan 2 (1.65%)**

Average final compensation	\$50,000
Retirement multiplier (1.65%)	× .0165
Creditable service earned after 1/1/2013	× 27
Annual benefit amount based on 1.65%	= \$22,275

Average final compensation	\$50,000
Retirement multiplier (1.7%)	× .017
Creditable service earned before 1/1/2013	× 3
Annual benefit amount based on 1.7%	= \$2,550

1.65% calculation	= \$22,275
+	+
1.7% calculation	= \$2,550
Total annual benefit amount	= \$24,825
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$2,068.75

Benefit Calculation Examples

In these examples, the member is retiring at age 60 with 30 years of creditable service. The member's average final compensation is \$50,000.

New Employee**30 years in the Hybrid Retirement Plan (1%)**

Average final compensation	\$50,000
Retirement multiplier	× .01
Creditable service earned after 1/1/2014	× 30
Annual benefit amount based on 1.0%	= \$15,000
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$1,250 + 30 years of defined contributions

VRS Plan 1 Opt-In**20 years in VRS Plan 1 (1.7%);****10 years in the Hybrid Retirement Plan (1%)**

Annual benefit amount based on 1.7%	= \$17,000
Average final compensation	\$50,000
Retirement multiplier	× .01
Creditable service earned on or after 7/1/2014	× 10
Annual benefit amount based on 1.0%	= \$5,000
1.7% calculation	= \$17,000
+	+
1.0% calculation	= \$5,000
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$1,833.33 + 10 years of defined contributions

VRS Plan 2 Opt-In**1.5 years in VRS Plan 1 (1.7%);****1.5 years in VRS Plan 2 (1.65%);****27 years in the Hybrid Retirement Plan (1%)**

Annual benefit amount based on 1.7%	= \$1,275
Average final compensation	\$50,000
Retirement multiplier	× .0165
Creditable service earned on or after 1/1/2013	× 1.5
Annual benefit amount based on 1.65%	= \$1,237.50
Average final compensation	\$50,000
Retirement multiplier	× .01
Creditable service earned on or after 7/1/2014	× 27
Annual benefit amount based on 1.0%	= \$13,500
1.7% calculation	= \$1,275.00
+	+
1.65% calculation	= \$1,237.50
+	+
1.0% calculation	= \$13,500
Total annual benefit amount	= \$16,012.50
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$1,334.38 + 27 years of defined contributions