



Virginia
Retirement
System®

Choosing Your Retirement Plan

HIGHER EDUCATION



A comparison guide to help you select
the best plan for your future

VRS Hybrid Retirement Plan

or

Optional Retirement Plan for Higher Education Plan 2

VRS Membership Date: On or after January 1, 2014



The information contained in this document is governed by Title 51.1 of the *Code of Virginia*. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the *Code of Virginia*, which may be amended from time to time.

Introduction

As a new Virginia college or university president, chancellor or faculty member engaged in teaching, administration or research, you are eligible to choose between the Optional Retirement Plan for Higher Education (ORPHE) Plan 2, which is a defined contribution plan, and the Virginia Retirement System (VRS) Hybrid Retirement Plan.

Your employer notifies VRS of your hire date, and VRS sends you an eligibility letter with instructions on using your myVRS account to select a plan. **If you do not select a plan within the 60-day election window based on your hire date, you will be enrolled in the VRS Hybrid Retirement Plan.**

If your membership date* is on or after January 1, 2014, and you are eligible for ORPHE, you must elect either ORPHE Plan 2 or the Hybrid Retirement Plan. If you have prior service under VRS Plan 1 or VRS Plan 2, you are not eligible to elect the Hybrid Retirement Plan and will select between VRS Plan 1 or VRS Plan 2 (as applicable) or ORPHE, based on your hire date.

There are significant differences between the Hybrid Retirement Plan and ORPHE Plan 2, and you should carefully consider which plan best matches your current situation and future needs. This guide is designed to help you make an informed choice. It includes:

- An overview of each plan.
- Side-by-side comparisons of key plan provisions.
- Sample retirement benefit projections under each plan.
- Instructions on how to use myVRS to evaluate plan features, project retirement income and elect your plan. **Be sure to go to myvrs.varetire.org to make your plan selection. See page 20 for details.**

Choosing Your Retirement Plan

Preparing for retirement is about having enough income to live comfortably after you retire. Most financial planning experts recommend 80% of your current earnings as a retirement income target. You have two retirement plan options.

VRS Hybrid Retirement Plan

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.

The defined benefit is based on your age, service credit and average final compensation at retirement using a formula. The benefit from the defined contribution plan depends on the contributions you and your employer make 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 fees.

* Membership is based on the date you are first reported to VRS in a covered position. If you have previous VRS service but took a refund, your membership date is the date you return to covered employment.

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 to the defined contribution component of the plan, and your employer is required to match those voluntary contributions according to specified percentages.

For a snapshot of key features of the Hybrid Retirement Plan, see pages 5-8.

For more information, see the [Hybrid Retirement Plan Handbook for Members](#).

ORPHE Plan 2

ORPHE Plan 2 is a defined contribution plan. Your retirement benefit is based on contributions from both you and your employer, adjusted for gains, losses and fees. You choose how the contributions will be invested from a range of options. You bear the investment risk, and the amount of your retirement benefit depends on the net investment earnings.

For an overview of key features of ORPHE Plan 2, see pages 5-8.

For more information, see the [Optional Retirement Plan for Higher Education Handbook for Participants](#).

Guiding Questions

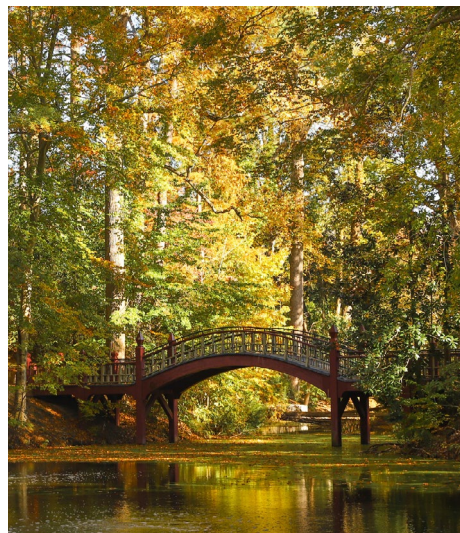
Choosing a retirement plan is an individual decision based on factors that are most important to you. As you compare plan details, you may wish to consider questions such as:

- How much will my employer and I contribute to my plan?
- Which plan is most likely to meet my retirement income goals, given comparable assumptions?
- What's my comfort level with investment risk?
- How long do I plan to work for a VRS-participating employer?
- What are my options if I leave employment but do not retire?
- When am I eligible to retire?
- Will I be eligible for a cost-of-living adjustment?
- What life insurance and disability benefits are offered?

When You Change Positions

- **If you move from one faculty position to another without a bona fide break in service**, you must continue in the plan you originally chose. If you have a bona fide break in service, you have to choose between the two retirement plans again. A bona fide break in service is a break of at least one full calendar month from the last date of employment during a period you would normally work. Periods of leave with or without pay do not count toward satisfying this break in service. For faculty members, summer breaks, intersession periods, educational leave and sabbaticals also do not count toward satisfying this break.
- **If you move from a position covered under the VRS Hybrid Retirement Plan and are choosing ORPHE**, you may transfer the funds in your VRS member contribution account to your ORPHE account.
- **If you move from one VRS-participating employer to another and elect the VRS Hybrid Retirement Plan in both positions**, your VRS service credit continues.
- **If you move without a bona fide break in service from a faculty position at an employer authorized by VRS to administer a separate ORP****, you will have a 30-day window to select a new provider. You will not have a new plan election as you must continue in the plan you originally chose.
- **If you move from a position covered by the University of Virginia Medical Center optional retirement plan**, your participation in the UVA Medical Center plan will not count toward VRS service credit or ORP participation. The UVA Medical Center offers a separate ORP that is not authorized or administered by VRS.
- **If you move from a position where you elected ORPHE and become covered under the VRS Hybrid Retirement Plan**, your ORPHE account remains in place, and you may not take a direct distribution or rollover until you leave covered employment.

*** The College of William and Mary, including the Virginia Institute of Marine Science; George Mason University; the University of Virginia, including UVA at Wise; Virginia Commonwealth University; and Virginia Tech administer separate ORP plans for their faculty members. These plans are authorized under VRS. For more information, see the Optional Retirement Plan for Higher Education Handbook for Participants available at dcp.varetire.org/orphe.*



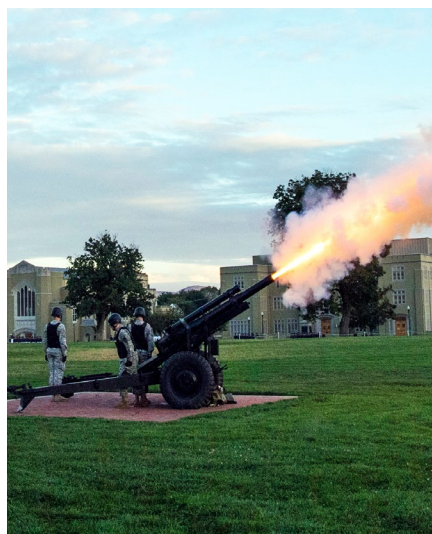
Comparing Plans: Key Plan Features

The following summary provides a general comparison of key plan features, based on stated assumptions.

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|---------------------------------------|---|---|
| Type of Plan | <p>VRS 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.</p> <p>Defined Benefit: The defined benefit is based on your age, service credit and average final compensation at retirement using a formula. Your average final compensation is the average of your 60 consecutive months of highest creditable compensation as a covered employee.</p> <p>Defined Contribution: In addition to the lifetime monthly benefit payable from the defined benefit plan at retirement, you may begin receiving distributions from the balance in your defined contribution account when you retire or at a later time of your choosing. Your account balance reflects your contributions, investment gains or losses and any applicable fees.</p> | <p>ORPHE Plan 2 is a defined contribution plan. Your retirement benefit depends on the contributions provided to the plan and the investment performance of those contributions.</p> <p>You may begin receiving distributions from your account balance when you retire or at a later time of your choosing. Your balance reflects your contributions, investment gains or losses and any applicable fees.</p> |
| Contributions | <p>Defined Benefit: You contribute a mandatory 4% of your creditable compensation each month. Your employer makes a contribution based on a rate determined by the VRS actuary.</p> <p>Defined Contribution: You contribute a mandatory 1% of your creditable compensation each pay period, which your employer matches. You may also choose voluntary contributions up to 4% of your creditable compensation, with partial match by your employer of up to 2.5%. (View illustration.)</p> | <p>Your employer contributes 8.5% of your creditable compensation to your account. You contribute an additional 5% of your creditable compensation, for a total of 13.5% of your compensation each pay period going into your plan.</p> <p>The contribution rate is set by statute and is reviewed periodically by the VRS Board of Trustees. Some institutions pay up to an additional 0.4% of compensation with their governing board's approval.</p> |
| Eligibility for Benefit Payout | <p>Defined Benefit:</p> <p>Unreduced Benefit: Normal Social Security retirement age, or when age and service equal 90.</p> <p>Reduced Benefit: Age 60 with at least five years (60 months) of service credit.</p> <p>Defined Contribution: When you leave employment, subject to restrictions.</p> | <p>You may begin receiving benefits when you leave public employment in Virginia, regardless of age. The amount of the benefit is determined by contributions to your ORPHE account (including any money you rolled into the plan), adjusted for gains, losses and fees on investments and the length of time the benefit will be paid.</p> |

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|----------------------------------|--|--|
| Amount of Annual Benefit | <p>Defined Benefit: Your benefit will be based on age at retirement, years of service, average final compensation, choice of benefit payout and other factors.</p> <p>Defined Contribution: The amount of the benefit will be determined by contributions to your defined contribution account (including money you rolled into the plan), adjusted for gains, losses and fees on investments.</p> <p>Increasing your voluntary contribution to the defined contribution part of the plan will result in a larger estimated benefit.</p> <p>See Appendix A, page 16-19, for illustrations.</p> | <p>The amount of the benefit is determined by contributions to your ORPHE account (including any money you rolled into the plan), adjusted for gains, losses and fees on investments.</p> <p>See Appendix A, page 16-19, for illustrations.</p> |
| Cost-of-Living Adjustment | <p>Defined Benefit: The COLA matches the first 2% increase in the annual monthly average of the Consumer Price Index for all Urban Consumers and half of any additional increase (up to 2%), for a maximum COLA of 3% for the defined benefit component.</p> <p>Defined Contribution: The COLA is not applicable to the defined contribution component.</p> | <p>Cost-of-living adjustments are not available unless you purchase an annuity with this feature.</p> |
| Investment Risks | <p>Defined Benefit: Your contributions are invested by the Virginia Retirement System and your benefit is calculated using a formula.</p> <p>Defined Contribution: You choose how the contributions will be invested from a range of options. Available investments are chosen by the VRS investment staff with oversight by the Board of Trustees.</p> <p>You bear the investment risk, and the amount of your benefit depends on the amount contributed, adjusted for gains, losses and fees on investments.</p> | <p>You choose how the contributions will be invested from a range of options. Available investments are chosen by the VRS investment staff with oversight by the Board of Trustees.</p> <p>You bear the investment risk, and the amount of your benefit depends on the amount contributed, adjusted for gains, losses and fees on investments.</p> |
| Investment Costs | <p>Defined Benefit: Investment management costs are paid by earnings on the contributions you and your employer make to VRS.</p> <p>Defined Contribution: You pay the investment management and record-keeping costs for the investments you select.</p> | <p>You pay the record-keeping costs and investment management fees for the investments you select.</p> |

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|--------------------|---|--|
| Vesting | <p>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 service credit.</p> <p>Defined Contribution: You are always 100% vested in the contributions that you make.</p> <p>Upon retirement or leaving covered employment, you are eligible to withdraw a percentage of employer contributions. Distribution is not required by law until age 73.</p> <ul style="list-style-type: none"> • 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. | <p>Vesting is immediate for your ORPHE account balance. You may take a distribution of all or a portion of your ORPHE account balance when you leave employment and qualify for a distribution.</p> |
| Portability | <p>Defined Benefit: Plan participation continues if you are employed by a VRS-participating public employer, including all Virginia state government agencies, all Virginia public colleges and universities, all Virginia public schools and most Virginia local governments.</p> <p>Service credit representing many types of public service and leaves of absence may be purchased to enhance the benefit.</p> <p>Defined Contribution: If you leave public employment in Virginia, your defined contribution account balance(s) may be rolled over to a subsequent employer's qualified plan or an IRA. This is subject to vesting rules.</p> <p>For additional information, see Leaving Employment (page 8).</p> | <p>Participation continues if you are employed by another employer offering ORPHE.</p> <p>If you leave public employment in Virginia, your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.</p> <p>For additional information, see Leaving Employment (page 8).</p> |



SUBJECT**VRS HYBRID RETIREMENT PLAN****ORPHE PLAN 2****Leaving Employment**

Defined Benefit: If you leave covered employment and do not retire, you can take a refund of your member contributions and interest or leave your member contribution account balance with VRS and become a deferred member. If you are vested before becoming a deferred member, you may be eligible for a future retirement benefit if you meet the age and service requirements.

If you are vested before taking a refund, you will receive a full refund of your account balance. If you are not vested, you will receive a refund of the balance, excluding any member contributions made by your employer and the interest on these contributions. Taking a refund cancels your membership and eligibility for any future VRS benefits.

Defined Contribution: Your Hybrid 401(a) and Hybrid 457 Plan contributions and any employer matching contributions stop when you leave your position. You can:

- Leave your money in your account and continue to manage your investments. Your pretax account continues to be tax-deferred.
- Use your Hybrid 457 Plan to consolidate your retirement funds from other qualified employer plans or Individual Retirement Accounts.
- Request a payment (distribution) from your plan. A variety of distribution options are available.
- Roll over money from your Hybrid 457 Plan or Hybrid 401(a) account to another qualified employer plan or IRA.
- Purchase an annuity. Your plan offers an annuity product through MetLife.

See [Hybrid Retirement Plan Leaving Employment Guide](#) for additional information on this topic.

You may take a distribution from your ORPHE account when you are no longer employed in a position that provides you a retirement benefit through a plan administered or authorized by VRS. Your account balance may be left in the plan, where you continue to manage your investments; rolled over to another qualified plan; or taken as a distribution.

See Taxation of Retirement Benefit for additional information on this topic (page 15).



Other Factors You May Wish to Consider

As you compare the two available retirement plans, here are additional features to consider. You may also wish to consult the following handbooks for complete plan descriptions:

[VRS Hybrid Retirement Plan for Members](#)

[Optional Retirement Plan for Higher Education](#)

Service Provisions

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|----------------------------------|---|---|
| Service Credit | <p>Defined Benefit: You earn service credit for each month you are employed in a covered position. It also may include credit for prior service you may have purchased or additional service credit you were granted. Your total service credit is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.</p> <p>Defined Contribution: Service credit is used to determine vesting for the employer contribution portion of the plan.</p> | <p>Participation in ORPHE does not count toward the calculation of a benefit under the VRS defined benefit plan; however, ORPHE participation as well as VRS defined benefit plan service credit count toward eligibility for group life insurance coverage and the health insurance credit in retirement.</p> <p>NOTE: Plan determination is based on VRS defined benefit service credit and years of participation and the retention of a balance or an annuity in an eligible optional retirement plan.</p> |
| Purchase of Prior Service | <p>Purchase of prior service applies to the defined benefit component. 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 service credit in your plan. Prior service credit counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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. Learn more at varetire.org/pps.</p> | <p>ORPHE participation is not available for purchase and cannot be used in the calculation of a VRS retirement benefit.</p> |

Disability, Death and Insurance Benefits

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|-----------------------------------|--|--|
| Disability | <p>Hybrid Retirement Plan members who are state employees are covered under the Virginia Sickness and Disability Program and are not eligible for disability retirement.</p> <p>Your employer also may provide a short- and/or long-term disability plan.</p> | <p>Institutions may provide disability coverage or make it available for purchase. Contact your human resource office for information on programs that may be available to you. You also may be eligible to apply for Social Security disability.</p> <p>When employment ends as a result of a disability, a distribution from ORPHE may begin.</p> |
| Basic Group Life Insurance | <p>If your employer participates in the VRS Basic Group Life Insurance Program, you are covered under the basic plan from the first day of employment. Employers may pay your portion of the premiums.</p> <p>The natural death benefit is equal to your compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. Some basic group life insurance benefits will continue into retirement. Your coverage will end if you have not met the age and service requirements for retirement or you take a refund of your member contributions and interest.</p> <p>Group life insurance coverage will begin to reduce by 25% on January 1 following one calendar year of retirement and will continue to reduce by 25% each January 1 until it reaches 25% of its original value. The provisions that allow for double the natural death benefit for accidental death end upon retirement. Additional optional life insurance is available to employees, retirees and their dependents. You pay the premiums.</p> <p>When you retire, your employer is required to calculate and report imputed income on your W-2 if your group life insurance coverage exceeds \$50,000, as required by the Internal Revenue Code.</p> | <p>Same as the VRS Hybrid Retirement Plan. If your employer participates, you are covered from the first day of employment.</p> <p>Group life insurance will continue after separation if you meet the age and service requirements for retirement. Taking a full distribution of your ORPHE account will not affect your eligibility for group life insurance. Your coverage will reduce following the same schedule outlined under the VRS Hybrid Retirement Plan.</p> |
| Life Insurance Conversion | <p>You, your spouse and dependent children, if enrolled, can convert coverage to an individual policy within 31 days of the last day of the month in which you leave your position. This option is not available after 31 days.</p> <p>Conversion occurs only at the time of leaving employment and not retirement. Basic group life insurance follows you in retirement.</p> | <p>Same as VRS Hybrid Retirement Plan.</p> |

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|---|--|--|
| Health Insurance Credit | <p>You are eligible to apply for the health insurance credit, a tax-free benefit to assist with health care premiums, if you retire with at least 15 years of VRS defined benefit service credit or ORP participation (or a combination of both) and are at least 60 years of age.</p> <p>To qualify, you must receive a retirement benefit and incur a cost for your own health insurance. The monthly benefit is \$4 per year of service not to exceed the out-of-pocket cost for your individual premium. The credit ceases at your death. Deferred participants with 15 years of VRS defined benefit service credit and/or ORP participation are eligible for the health insurance credit when they turn 60 years old.</p> | <p>If you retire, are at least 60 years of age and have at least 15 years of VRS defined benefit service credit or ORP participation (or a combination of both), you may be eligible to apply for the health insurance credit, a tax-free benefit to assist with health care premiums.</p> <p>To qualify, you must incur a cost for your own health insurance. The monthly benefit is \$4 per year of service not to exceed the out-of-pocket cost for your premium. The credit ceases at your death. Deferred participants with 15 years of VRS defined benefit service credit and/or ORP participation are eligible for the health insurance credit when they turn 60 years old.</p> |
| Death-in-Service: Non-Work-Related | <p>Defined Benefit: A death-in-service benefit is a lump-sum payment of the balance in your member contribution account, if any, to your named beneficiary. If your named beneficiary is your spouse, your minor child or your parent, he or she may elect a lump-sum payment or a monthly benefit. The death-in-service benefit is in addition to any life insurance benefits you may have.</p> <p>Defined Contribution: The defined contribution account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods.</p> | <p>The ORPHE account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods.</p> |
| Death-in-Service: Work-Related | <p>Defined Benefit: If you die while you are an active member from a work-related cause, your named beneficiary will be eligible for a lump-sum payment of any funds remaining in your member contribution account. In addition, your spouse, minor child or parent will be eligible for a monthly benefit. If this individual also is your named beneficiary, he or she will receive both benefits. If your beneficiary is eligible for Social Security survivor benefits, the VRS work-related benefit will be equal to 33¹/₃% of your average final compensation at the time of your death. If he or she is not eligible, the VRS benefit will be equal to 50% of your AFC. If your beneficiary is eligible for a workers' compensation survivor benefit, the VRS work-related benefit is offset by the workers' compensation benefit.</p> <p>Defined Contribution: The account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods. No work-related death-in-service benefit is available.</p> | <p>The ORPHE account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods. No work-related death-in-service benefit is available.</p> |

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|----------------------------|--|-------------------------------------|
| Order of Precedence | <p>You may choose the order established by law to provide payment of your benefits or you may designate specific beneficiaries to receive your benefits in the event of your death. The order of precedence is as follows:</p> <ul style="list-style-type: none"> • First, to your spouse; • Second, if no surviving spouse, to your minor child or children, • Third, if none of the above, to your parent or parents; • Fourth, if none of the above, any funds remaining in your member contribution account will be paid in a lump sum accordingly: <ul style="list-style-type: none"> ◆ To your adult child or children. ◆ If none, to the descendants of your deceased adult child or children, per stirpes. ◆ If none, to the duly appointed executor or administrator of your estate. ◆ If none, to your next of kin entitled under the laws of the domicile at the time of your death. | Same as VRS Hybrid Retirement Plan. |

Rules for Retirement Savings and Contribution Limits

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|--|--|---|
| Contribution Limits | <p>Internal Revenue Code Section 401(a)(17) states that compensation used to calculate your benefit may not exceed the compensation limit for the plan year in which the compensation was earned. This is an annual limit, which may be adjusted each year, depending on the amount of increase in the Consumer Price Index. See your benefits administrator for information on the current year's limit.</p> <p>Additionally, voluntary contributions go into the Hybrid 457 Deferred Compensation Plan. The IRS imposes an annual contribution limit on 457 plans, which includes the Hybrid 457 Deferred Compensation Plan and the Commonwealth of Virginia 457 Deferred Compensation Plan.</p> | <p>Internal Revenue Code Section 401(a)(17) specifies that the compensation on which you and your employer may make contributions may not exceed the compensation limit for the plan year in which the compensation is earned. See your benefits administrator for information on the current year's limit. The ORPHE plan year is from the second pay date in July of the current year to the first pay date in July the following year.</p> <p>See orphe.varetire.org for more details.</p> |
| Supplemental Retirement Savings Plans | Employers may offer additional savings opportunities, including the Commonwealth of Virginia 457 Deferred Compensation Plan and 401(a) Virginia Cash Match Plan, a 403(b) plan or another supplemental savings plan. | Same as VRS Hybrid Retirement Plan. |

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
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| Consolidating Retirement Savings Plans | <p>Defined Benefit: You may be eligible to purchase service for other periods of public or military service, including time covered by VRS, and refunded service. You may not roll money from other plans into VRS except to purchase approved service credit.</p> <p>Defined Contribution: You may roll balances from other qualified retirement savings plans into the Hybrid 457 Deferred Compensation Plan.</p> | Balances from other qualified retirement plans may be rolled into the ORPHE separate rollover account. You may take a distribution from your rollover account while you are employed by the Commonwealth of Virginia or a VRS-participating employer. Withdrawals made prior to age 59½ may be subject to a 10% penalty, plus state and federal income tax withholding. Rollover funds may not be annuitized while actively employed in a covered position. |

Leave Benefit Provisions

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|---|---|--|
| Educational Leave of Absence With Half-Pay or More | You will be reported to VRS at the full rate of pay and continue to receive service credit toward basic group life insurance and the health insurance credit. | Employee and employer contributions will continue to be paid on the salary earned while on educational leave. You will continue to be reported for group life insurance and the health insurance credit at full salary. |
| Educational Leave of Absence With Less Than Half-Pay | No employer or employee contributions are made to VRS, and you are not reported for group life insurance or the health insurance credit. If you return to your position, you may purchase up to four years of service credit for any approved official educational leave of absence from a VRS-covered position. | No contributions are made to ORPHE, and you are not reported for group life insurance or the health insurance credit. No make-up contributions are made when you return to employment. |
| Military Leave | <p>Defined Benefit: You will receive VRS service credit at no cost if you return to covered employment within one year and your discharge is not dishonorable.</p> <p>Defined Contribution: You can make up any mandatory and voluntary contributions to the defined contribution component upon returning from military leave. You must not have been dishonorably discharged and must have returned to covered employment within one year of discharge. You have three times the length of the service period, not to exceed five years, to make up the employee contributions.</p> | If you leave for qualified military service and return to work under the Uniformed Services Employment and Reemployment Rights Act, you can make up any mandatory contributions you missed, based on your pre-leave salary. You have up to five years after returning (or three times the length of your service, if shorter) to do so. Your employer will also make up contributions for your period of service, generally within 90 days of your return. |

Benefit Payout Provisions

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|---------------------------------------|--|---|
| <p>Benefit Payout Options</p> | <p>Defined Benefit: When you retire, your benefit is paid first from your member contribution account. After these funds have been paid out, your benefit is funded from a separate contribution your employer makes to VRS and investment earnings. You receive your retirement benefit in the form of a monthly benefit according to a payout option you choose when you apply for retirement. The payout option you elect at retirement is irrevocable, except for the Survivor Option under some conditions.</p> <p>Defined Contribution: The following options are generally available:</p> <ul style="list-style-type: none"> • Systematic payments • Full lump-sum distribution • Partial lump-sum distribution • Annuity purchase to produce a lifetime benefit, with or without survivor option • Rollover to another plan or IRA <p>You may use a combination of these methods.</p> | <p>The following options are generally available:</p> <ul style="list-style-type: none"> • Systematic payments • Full lump-sum distribution • Partial lump-sum distribution • Annuity purchase to produce a lifetime benefit, with or without survivor option • Rollover to another plan or IRA <p>You may use a combination of these methods.</p> |
| <p>Change of Payout Option</p> | <p>Defined Benefit: Selecting the Basic Benefit, PLOP or Advance Pension Option is irrevocable. For the Survivor Option, you may name a new survivor or revert to the Basic Benefit if your survivor dies; you divorce your survivor with fewer than 20 years of marriage; you divorce after 20 or more years of marriage and your spouse dies, remarries or consents in writing to a change in benefit; or you provide VRS a written consent from your survivor giving up claim to a benefit along with proof of your survivor's good health.</p> <p>Defined Contribution: Distribution options may be changed for balances remaining in the plan. Generally, once purchased, the annuity option cannot be changed.</p> | <p>Distribution options may be changed for balances remaining in the plan. Generally, once purchased, the annuity option cannot be changed.</p> |

| SUBJECT | VRS HYBRID RETIREMENT PLAN | ORPHE PLAN 2 |
|---------------------------------------|--|--|
| Taxation of Retirement Benefit | <p>Defined Benefit: No tax is due until you begin receiving your retirement benefit. Your retirement benefit is subject to federal income taxes as well as state income taxes if you live in a state that taxes income. No early retirement excise tax is due on a lifetime benefit.</p> <p>Defined Contribution: No tax is due until you take a distribution from the plan. The amount distributed directly to you is subject to federal income taxes as well as state income taxes if you live in a state that taxes income.</p> <p>Distributions from the Hybrid 401(a) Cash Match Plan also may incur an early distribution excise tax if taken prior to age 59½. An exception applies if you separate from service after age 55, receive an annuity or take essentially equal payments during your lifetime. Taxation may be postponed if you roll over the distribution to another employer’s plan or to an IRA.</p> | <p>No tax is due until you take a distribution from the plan. The amount distributed directly to you is subject to federal income taxes as well as state income taxes if you live in a state that taxes income. Distributions from ORPHE also may incur an early distribution excise tax if taken prior to age 59½. An exception applies if you separate from service after age 55, receive an annuity or take essentially equal payments during your lifetime. Taxation may be postponed if you roll over the distribution to another employer’s plan or to an IRA.</p> |
| Required Minimum Distribution | <p>Defined Benefit: If you are separated from employment and you do not apply for retirement by April 1 following the calendar year in which you turn age 73, VRS will pay you a retirement benefit using the Basic Benefit option, as required by law.</p> <p>Defined Contribution: You must begin a minimum distribution from the plan at age 73, or when you leave public employment in Virginia in a position with retirement benefits through a plan administered or authorized by VRS, whichever is later.</p> | <p>You must begin a minimum distribution from the plan at age 73 or when you leave public employment in Virginia in a position with retirement benefits through a plan administered or authorized by VRS, whichever is later.</p> <p>If you are still an active employee and have reached RMD age, you are not required to take a distribution until you are no longer employed in a position that provides you a retirement benefit through a plan administered or authorized by VRS.</p> |
| Forfeiture of Benefits | <p>If you are convicted of a felony and your employer determines that your conviction is related to your job duties, the employer must direct that all employer contributions and VRS-related benefits be forfeited. All member contributions will be refunded to you. Contact your human resource office for more information.</p> | <p>If you are convicted of a felony related to your ORPHE-covered employment and your employer determines that your conviction is related to your job duties, the employer must direct that your ORP employer contributions and all related benefits be forfeited. Contact your human resource office for more information.</p> |

Appendix A

Annual Benefit Illustrations

VRS Hybrid Retirement Plan Versus ORPHE Plan 2

What is the estimated value of your annual benefit at retirement if you choose the VRS Hybrid Retirement Plan or ORPHE Plan 2?

The following benefit illustrations provide estimated amounts for various age and service combinations, based on certain assumptions. They also illustrate the impact of your making minimum or maximum contributions to the defined contribution component of the hybrid plan.

These estimates are for illustrative purposes only. Actual benefits will be based on plan provisions, salary history, investment returns and the form of payment elected at retirement and could be higher or lower than the benefits illustrated. **Read the Glossary of Terms and Methodology before reviewing the charts.**

Using the online calculator available to you in myVRS, you can produce estimated benefits that may be closer to your individual circumstances. You can provide actual salary data, for example, and choose a different rate of expected return on your savings. [Register or log in to myVRS.](#)

Illustrations are shown on pages 18-19.



Glossary of Terms

Annual Benefit: Calculated based on a formula using your average final compensation, a retirement multiplier and your total service credit at retirement. Applicable to the defined benefit component of the Hybrid Retirement Plan.

Under ORPHE it is assumed that:

- You purchase a life annuity with the account balance.
- An annual COLA is included in the annuity contract.
- The yield on the annuity contract is equal to the assumed ORPHE rate of return.

Average Final Compensation: The average of your 60 consecutive months of highest creditable compensation as a covered employee. Applicable to the defined benefit component of the Hybrid Retirement Plan.

Cost-of-Living Adjustment: Applicable to the defined benefit component of the Hybrid Retirement Plan. Assists with rising costs. Based on the annual monthly average of the Consumer Price Index for all Urban Consumers, which is published by the U.S. Bureau of Labor Statistics and updated each July 1. During years of no inflation or deflation, the COLA will be 0%.

To have a COLA under ORPHE, you would need to elect an annuity form of payment with payments increasing each year.

Creditable Compensation: Creditable compensation is the member's current annual base salary excluding overtime; extraordinary pay; bonus pay; housing and moving expenses; mobile device and internet costs; vehicle allowances; termination pay for leave; non-permanent shift differentials; payments of a temporary nature including but not limited to acting pay (if not permanently confirmed for the position); or payments for extra duties, such as pay for teachers who serve as coaches. A member's election to defer salary to a deferred compensation plan, such as a 403(b), a 457(b) or a 125 plan, may only be included in creditable compensation if the member voluntarily elects the deferral, the deferral is not conditional or performance based, and the deferral would otherwise be included in the member's gross income. Other exclusions apply.

Final Compensation: Creditable compensation in year of retirement.

ORPHE Return: Assumed rate of return on employee-directed investments in ORPHE. Rate of return not guarantee

Compensation Increases: Assumed annual rate of increase from date of hire until retirement.

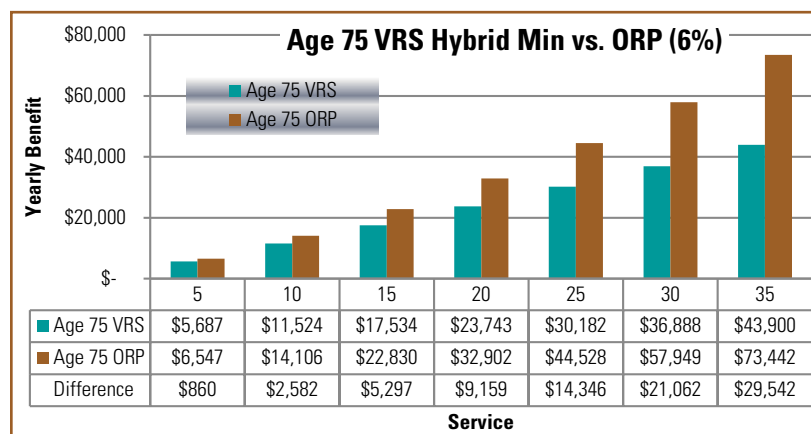
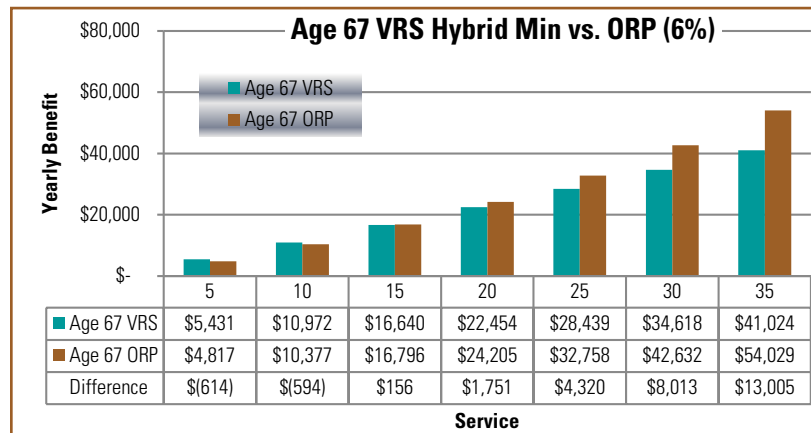
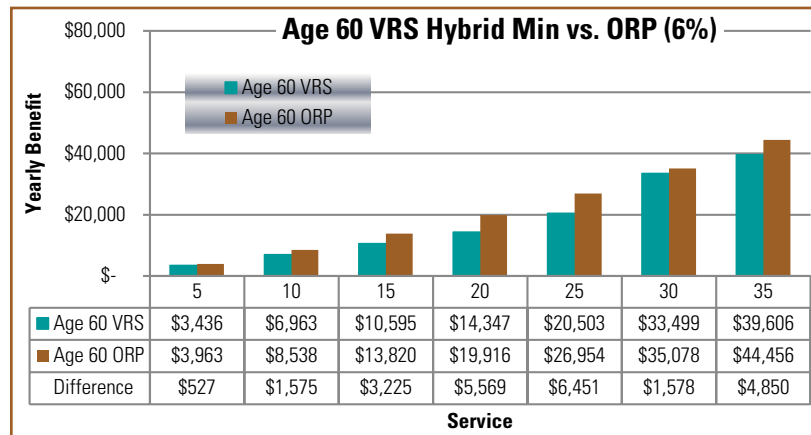
Methodology

- The benefit illustrations are based on current plan provisions and the stated assumptions as to annual salary increases, current salary level and future cost-of-living adjustments at a 6% rate of return on ORPHE account balances.
- 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 ORPHE are based on the single life annuity that could be provided by the account balance with annual increases based on the COLA assumption, the stated annual rate of return and normal life expectancy.
- These estimates are for illustrative purposes only. Actual benefits will be based on plan provisions, compensation history, investment returns and the form of payment elected at retirement. Your benefits could be higher or lower than the benefits illustrated.

ORPHE Plan 2 vs. VRS Hybrid Plan Annual Benefits Illustrations

The estimates below for the hybrid plan reflect the employee making only the 1% mandatory contribution to the defined contribution component of the hybrid plan.

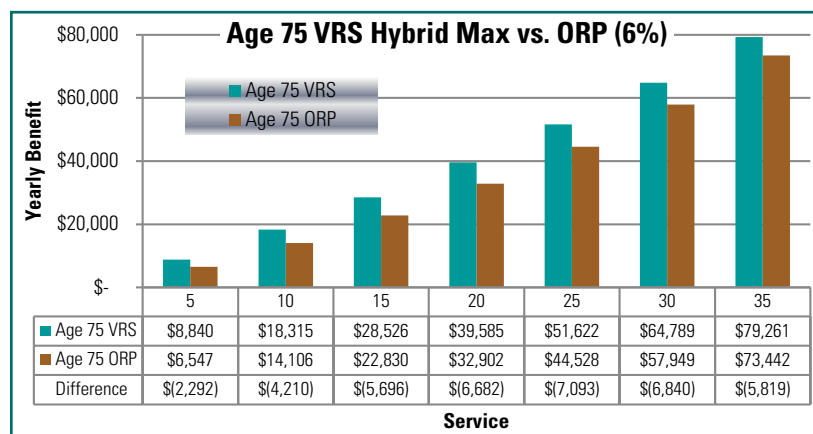
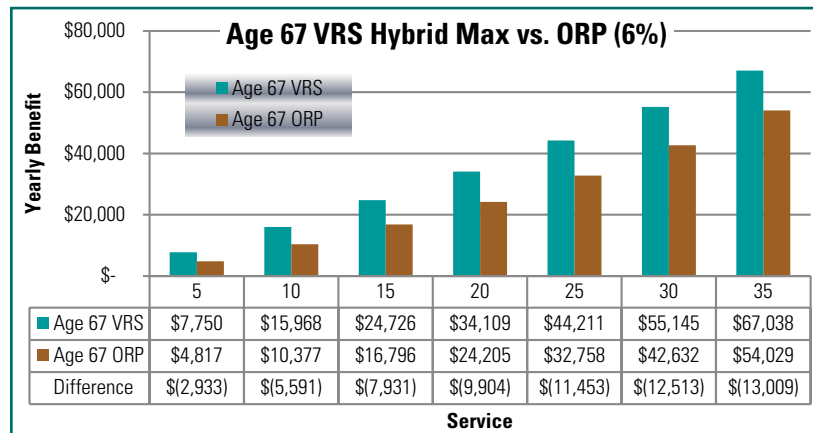
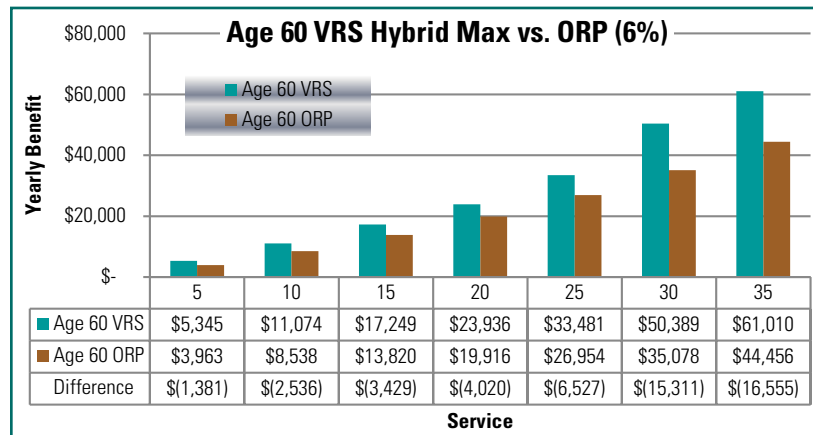
| MINIMUM HYBRID VOLUNTARY CONTRIBUTION ASSUMPTIONS | | | |
|--|--------|----------------------------------|-----------|
| Salary Increases | 3.00% | COLA | 2.25% |
| ORPHE Plan 2 & VRS Hybrid (DC Component) Annual Rate of Return | 6.00% | Final Salary | \$100,000 |
| ORPHE Plan 2 Contribution | 13.50% | Average Final Compensation | \$94,342 |
| VRS Hybrid Employee Contribution | 1.00% | VRS Hybrid Employer Contribution | 1.00% |



ORPHE Plan 2 vs. VRS Hybrid Plan Annual Benefits Illustrations

The estimates below for the hybrid plan reflect the employee making the maximum voluntary contribution (4%) in addition to the mandatory 1% contribution for a total of 5% to receive the maximum employer match.

| MAXIMUM HYBRID VOLUNTARY CONTRIBUTION ASSUMPTIONS | | | |
|--|--------|----------------------------------|-----------|
| Salary Increases | 3.00% | COLA | 2.25% |
| ORPHE Plan 2 & VRS Hybrid (DC Component) Annual Rate of Return | 6.00% | Final Salary | \$100,000 |
| ORPHE Plan 2 Contribution | 13.50% | Average Final Compensation | \$94,342 |
| VRS Hybrid Employee Contribution | 5.00% | VRS Hybrid Employer Contribution | 3.50% |



Use myVRS to Select Your Plan

Beginning on your hire or rehire date, you have a 60-day window to elect your plan. Your plan election is irrevocable. **If you do not make an election within 60 days, you automatically will be covered under the VRS Hybrid Retirement Plan.**

You can compare your retirement plan options in myVRS. Log into or register for your myVRS account at myvrs.varetire.org. Once logged in, you will see a message indicating how much time you have remaining to select a retirement plan.



Evaluate key plan features: On the Compare Plans screen in myVRS, you can evaluate features of the hybrid plan and ORPHE Plan 2. The comparison is based on several factors, including:

- What are your options if you leave employment but do not retire?
- What's your comfort level with investment risk?

View projected retirement income: Use the plan comparison calculator in myVRS to view your projected retirement income under the hybrid plan and ORPHE Plan 2.

- View the projection in today's dollars or future dollars, monthly or annually.
- See how your projected income changes after adjusting certain assumptions, such as your compensation or rate of return.

Elect your plan and select a provider: If you elect the ORPHE plan, you will choose one of two investment providers: DCP (VRS investment options record-kept by Voya Financial) or TIAA. You may compare provider choices in myVRS. After making a plan election and selecting a provider, you are directed to a confirmation screen in myVRS that includes information about your provider as well as a link to the Designation of Beneficiary tab for group life insurance.

Investment Options

If you elect to participate in ORPHE, learn more about investments at orphe.varetire.org, or through the following providers:



dcp.varetire.org/orphe
877-327-5261

Record-kept by Voya Financial



tiaa.org/vrs
800-842-2252

TIAA

VRS Hybrid Retirement Plan members may review investment options online at dcp.varetire.org/hybrid; select the Investments tab.

About Your Selection

Providing a choice of plans does not constitute a recommendation for either plan. The commonwealth reserves the right to amend or terminate ORPHE at any time and without the consent of any other party.

The VRS Board of Trustees 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 future contributions.

