



Virginia  
Retirement  
System®



## Choosing Your Retirement Plan

- Optional Retirement Plan for Higher Education Plan 1
- VRS Plan 1

**Membership Date: Before July 1, 2010**

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



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- **VRS Plan 1**

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This comparison guide is designed to help employees of colleges and universities choose between the Optional Retirement Plan for Higher Education (ORPHE) Plan 1 and the Virginia Retirement System defined benefit plan (VRS Plan 1).

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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 1, a defined contribution plan, and the Virginia Retirement System (VRS) Plan 1, a defined benefit plan. Your employer notifies VRS of your hire date and VRS sends you an eligibility letter with directions 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 covered by VRS Plan 1.

You are eligible for VRS Plan 1 if your membership date\* is before July 1, 2010; you were vested (with at least five years of VRS service credit and/or ORP participation) as of January 1, 2013; and you have not taken a refund or a full distribution from your ORP account. Under this plan, your retirement benefit is based on your age, service credit and average final compensation at retirement using a formula.

To see an estimate of your VRS member benefits, create a secure myVRS account at [myvrs.varetire.org](https://myvrs.varetire.org). Your myVRS account shows your total service credit, funds in your member contribution account and a projected monthly retirement benefit based on your VRS Plan 1 service.

There is no January 1, 2013, vesting requirement for ORPHE. If you have VRS service credit or ORP contributions earned during a period of employment before July 1, 2010, and retain an ORP balance or active annuity, then you are in ORPHE Plan 1 if you elect ORPHE.

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 where you were covered under VRS Plan 1 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 VRS Plan 1 in both positions, your VRS service credit continues.

If you move from a faculty position at an employer authorized by VRS to administer a separate ORP\*\* to the VRS ORPHE without a bona fide break in service, 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 where you were 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 now elect VRS Plan 1, your ORPHE account remains in place, and you may not take a direct distribution or rollover until you leave covered employment.

\* 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.

\*\* 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 [orphe.varetire.org](https://orphe.varetire.org).

# 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. As a new Virginia college or university president, chancellor or faculty member engaged in teaching, administration or research, you have the option to choose between two retirement plans.

## Defined Contribution Plan: ORPHE Plan 1

ORPHE is a defined contribution plan where vesting is immediate: the total balance in your account is available to you when you leave covered employment and are not re-employed by a VRS-participating employer offering retirement benefits under Title 51.1 of the *Code of Virginia*. Your retirement benefit is based on contributions to the plan, 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 benefit depends on the net investment earnings.

For more information, see the *Optional Retirement Plan for Higher Education Handbook for Participants* available at [orphe.varetire.org](http://orphe.varetire.org).

## Defined Benefit Plan: VRS Plan 1

VRS Plan 1 is a defined benefit plan that provides a monthly benefit during retirement based on your age, total service credit and average final compensation. Average final compensation is the average of your 36 consecutive months of highest creditable compensation as a covered employee. 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.

Your benefit is funded through member and employer contributions to VRS, which are invested during your career. You contribute 5% of your compensation each month to your member contribution account on a pretax salary reduction basis. Your employer makes a separate contribution based on the payroll of all covered employees.

Vesting is the minimum length of service needed to qualify for a retirement benefit. You become vested when you have at least five years (60 months) of service credit. Once you are vested, you are eligible for a retirement benefit if you meet the age and service requirements for your plan. Normal retirement age under VRS Plan 1 is age 65. You become eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or at age 50 with at least 30 years of service credit. You may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit. To determine your reduced benefit, VRS applies an early retirement reduction factor to the benefit you would receive if you retire with an unreduced benefit.

For more information, see the *Virginia Retirement System Plan 1 Handbook for Members* available at [varetire.org](http://varetire.org) under Publications.

## Other Benefits to Consider When Choosing Your Plan

Your benefits will vary depending on the plan you select. A few key factors to consider:

- Employer contribution amounts.
- How long you plan to work for a VRS-participating employer.
- Portability.
- Your degree of control over your plan.
- Your comfort level with investment risk and bearing the responsibility for investing.
- The amount of your estimated defined benefit.
- Cost-of-Living Adjustment (COLA).
- Retirement eligibility age.
- Life insurance and disability offerings.

# Comparing Plans

The following summary gives you a general comparison of the two plans, based on stated assumptions:

Subject	VRS Plan 1	ORPHE Plan 1
<b>Type of Plan</b>	VRS Plan 1 is a defined benefit plan. Your monthly benefit at retirement is based on your age, total service credit and average final compensation, which is the average of your 36 consecutive months of highest creditable compensation as a covered employee.	ORPHE is a defined contribution plan. Your retirement benefit depends on the contributions provided to the plan and the investment performance of those contributions. At retirement, a participant may start receiving distributions from the balance in his or her account, reflecting the contributions, investment gains or losses and any required fees.
<b>Contributions</b>	You contribute 5% of your compensation each month to your member contribution account on a pretax, salary-reduction basis. Your contributions are tax-deferred until you withdraw them as part of your retirement benefit. Your account accrues 4% interest, which is compounded annually on the balance as of the previous June 30. Your employer makes a separate contribution based on the payroll of all covered employees. The VRS actuary determines the rate your employer pays and is based on several factors, including the number of employees eligible for benefits, number of retired employees, employee salaries, ages and mortality rates. Your monthly retirement benefit is funded through member and employer contributions to VRS, which are invested during your career. VRS holds these funds in a trust to pay benefits for VRS members, retirees and beneficiaries.	The employer makes the total contribution for you. Each pay period, 10.4% of your creditable compensation goes into your ORPHE account.  The contribution rate is set by statute and is reviewed periodically by the VRS Board of Trustees. Available investments are chosen by the VRS investment staff with oversight by the Board of Trustees. You are responsible for selecting the investments from those available and you bear the investment risk.
<b>Contribution Limits</b>	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.	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 of the following year. See <a href="http://orphe.varetire.org">orphe.varetire.org</a> for more details.

Subject	VRS Plan 1	ORPHE Plan 1
<b>Vesting</b>	Vesting is the minimum length of service needed to qualify for a retirement benefit. You become vested when you have at least five years (60 months) of service credit. Once you are vested, you are eligible for a retirement benefit if you meet the age and service credit requirements.	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.
<b>Portability</b>	Participation continues if you are employed by a VRS-participating employer, including all Virginia state government agencies, all Virginia public colleges and universities, all Virginia public schools and most Virginia local governments. Service credit representing many types of public service and leaves of absence may be purchased to enhance the benefit.	Participation continues if you remain employed in a faculty position at a Virginia public college or university, and must continue if you transfer between institutions, including to a Virginia public college or university that sponsors its own ORP, unless you have a break in service. If you leave public employment in Virginia, your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.
<b>Supplemental Retirement Savings Plans</b>	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 Plan 1.
<b>Consolidating Retirement Savings Plans</b>	<p>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 the five years needed to become vested in the VRS defined benefit plan. You may not roll money from other plans into VRS except to purchase approved service credit.</p> <p>Payouts from other retirement savings plans can be rolled into the Commonwealth of Virginia 457 Deferred Compensation Plan, then the 401(a) Virginia Cash Match Plan, if your employer has adopted both plans and you participate in both plans. If you rolled funds from another retirement plan into your 457 Deferred Compensation Account and/or Cash Match Account, you may withdraw those funds while you are still employed. Withdrawals made prior to age 59½ may be subject to a 10% penalty, plus state and federal income tax withholding.</p>	<p>Distributions from other 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.</p> <p>Payouts from other retirement savings plans can be rolled into the Commonwealth of Virginia 457 Deferred Compensation Plan, then the 401(a) Virginia Cash Match Plan, if your employer has adopted both plans and you participate in both plans. If you rolled funds from another retirement plan into your 457 Deferred Compensation Account and/or Cash Match Account, you may withdraw those funds while you are still employed. Withdrawals made prior to age 59½ may be subject to a 10% penalty, plus state and federal income tax withholding.</p>

Subject	VRS Plan 1	ORPHE Plan 1
<b>Investment Risks</b>	Your benefit is funded through member and employer contributions to VRS, which are invested during your career. VRS holds these funds in a trust protected by the <i>Constitution of Virginia</i> . This trust may be used to pay benefits to VRS members, retirees and beneficiaries.	Your benefit is based on member and employer contributions, adjusted for gains, losses and fees on investments. You bear the investment risk, which varies according to investments chosen.
<b>Investment Costs</b>	Investment management costs are paid by earnings on contributions to VRS.	Investment management and record-keeping costs are paid by the participant.
<b>Disability</b>	VRS Plan 1 members who are state employees are covered under the Virginia Sickness and Disability Program (VSDP) or disability retirement. Also check with your employer about other disability plans.	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. When employment ends as a result of a disability, a distribution from ORPHE may begin.
<b>Basic Group Life Insurance</b>	<p>If an employer participates in the VRS Basic Group Life Insurance Program, members are covered under the program 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 the 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 and their dependents.</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 (IRC).</p>	<p>Same as VRS Plan 1. 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 VRS Plan 1.</p>

Subject	VRS Plan 1	ORPHE Plan 1
<p><b>Life Insurance Conversion</b></p>	<p>Members, their spouses and dependent children, if enrolled, can convert their coverage to an individual policy within 31 days of the last day of the month in which a member leaves his or her position. This option is not available after 31 days.</p> <p>Conversion occurs only at the time of leaving employment and not retirement. In retirement, basic group life insurance follows the member.</p>	<p>Same as VRS Plan 1.</p>
<p><b>Service Credit</b></p>	<p>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>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><i>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 (ORP).</i></p>
<p><b>Purchase of Prior Service</b></p>	<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. 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. See the Purchase of Prior Service section at <a href="http://varetire.org">varetire.org</a>.</p>	<p>ORPHE participation is not available for purchase and cannot be used in the calculation of a VRS retirement benefit. Funds must remain in ORPHE until the participant terminates employment and has a bona fide break in service with all VRS-participating employers.</p>

Subject	VRS Plan 1	ORPHE Plan 1
<p><b>Health Insurance Credit</b></p>	<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 50 years of age.</p> <p>To qualify, you must receive a retirement benefit and incur a cost for your own health insurance. The 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 50 years old.</p>	<p>If you retire, are at least 50 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. To qualify, you must incur a cost for your own health insurance. The 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 50 years old.</p>
<p><b>Educational Leave of Absence With Half-Pay or More</b></p>	<p>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.</p>	<p>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.</p>
<p><b>Educational Leave of Absence With Less Than Half-Pay</b></p>	<p>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.</p>	<p>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.</p>
<p><b>Death-in-Service: Non-Work-Related</b></p>	<p>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 natural or legally adopted 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>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>

Subject	VRS Plan 1	ORPHE Plan 1
<b>Death-in-Service: Work-Related</b>	<p>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, natural or legally adopted 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 33<sup>1</sup>/<sub>3</sub>% of your average final compensation (AFC) 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>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> <p>No work-related, death-in-service benefit is available.</p>
<b>Order of Precedence</b>	<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"> <li>• First, to the spouse of the member;</li> <li>• Second, if no surviving spouse, to the children of the member and descendants of deceased children, per stirpes;</li> <li>• Third, if none of the above, to the parents of the member;</li> <li>• Fourth, if none of the above, to the duly appointed executor or administrator of the estate of the member;</li> <li>• Fifth, if none of the above, to other next of kin of the member entitled under the laws of the domicile of the member at the time of his death.</li> </ul>	Same as VRS Plan 1.

Subject	VRS Plan 1	ORPHE Plan 1
<p><b>Leaving Employment</b></p>	<p>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 (you have at least five years of service credit) before becoming a deferred member, you may be eligible for a future retirement benefit if you meet the age and service requirements.</p> <p>See Taxation of Retirement Benefit for additional information on this topic.</p> <p>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.</p>	<p>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; or taken as a distribution.</p> <p>See Taxation of Retirement Benefit for additional information on this topic.</p>
<p><b>Eligibility for Benefit Payout</b></p>	<p>Unreduced benefit: Age 65 with five years of service credit, or age 50 with 30 years of service credit.</p> <p>Reduced benefit: Age 55 with five years of service, or age 50 with 10 years of service credit.</p> <p>To determine your reduced benefit, VRS applies an early retirement reduction factor to the benefit you would receive if you retired with an unreduced benefit.</p>	<p>You may begin receiving benefits when you leave public employment in Virginia, regardless of age.</p> <p>The amount of the benefit is determined by contributions to your ORPHE account (including 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>
<p><b>Benefit Payout Options</b></p>	<p>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 service retirement. The payout option you elect at retirement is irrevocable, with the exception of the Survivor Option (see Change of Payout Option).</p>	<p>The following options are generally available:</p> <ul style="list-style-type: none"> <li>• Systematic distributions</li> <li>• Full lump-sum distribution</li> <li>• Partial lump-sum distribution</li> <li>• Annuity purchase to produce a lifetime benefit, with or without survivor option</li> <li>• Rollover to another plan or IRA</li> </ul> <p>You may use a combination of these payout methods.</p>

Subject	VRS Plan 1	ORPHE Plan 1
<b>Change of Payout Option</b>	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.	Distribution options may be changed for balances remaining in the plan. Generally, once purchased, the annuity option cannot be changed.
<b>Taxation of Retirement Benefit</b>	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.	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.
<b>Cost-of-Living Adjustment (COLA)</b>	VRS Plan 1 includes cost-of-living adjustments (COLAs), which help your retirement benefit keep pace with rising costs. The COLA is based on the annual monthly average of the Consumer Price Index for all Urban Consumers (CPI-U). The amount matches the first 3% increase in the CPI-U and half of any remaining additional increase (up to 4%), for a maximum COLA of 5%. During years of no inflation or deflation, the COLA is 0%.	Cost-of-living adjustments are not available with this feature unless you purchase an annuity.
<b>Required Minimum Distribution</b>	If you are separated from employment and 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.	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.

Subject	VRS Plan 1	ORPHE Plan 1
<b>Forfeiture of Benefits</b>	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.	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.

# Compare and Select Plans in myVRS

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 a plan election within 60 days, you automatically will be covered by VRS Plan 1.

You can compare your retirement plan options in myVRS. Log into or register for your myVRS account at [myvrs.varetire.org](http://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 VRS Plan 1 and ORPHE Plan 1. The comparison is based on several factors, including:

- What are your options if you leave employment but do not retire?
- How much control will you have over your plan?
- 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 VRS Plan 1 and ORPHE Plan 1.

- 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 salary 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 MissionSquare Retirement) 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 instructions for naming a beneficiary for group life insurance.

## Investment Options

Members who elect to participate in ORPHE may learn more about investments at [orphe.varetire.org](http://orphe.varetire.org), or through the following providers:

	
<b>Record-kept by MissionSquare Retirement</b>	<b>TIAA</b>
<a href="http://orphe.varetire.org/dcp">orphe.varetire.org/dcp</a> 877-327-5261, option 1 800-669-7471 (TDD)	<a href="http://tiaa.org/vrs">tiaa.org/vrs</a> 800-842-2252

## 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 Commonwealth also reserves the right to change investment providers or investment funds available to plan participants. A change of investment providers or available funds may affect all accounts held under the plan or future contributions.

# ORPHE Plan 1 vs. VRS Plan 1 Benefit Illustrations

Benefit illustrations provide comparisons of the estimated value of annual benefits provided under ORPHE Plan 1 versus VRS Plan 1 for various age and service combinations using different assumptions. Read the Glossary of Terms and Methodology before reviewing these illustrations.

## 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 VRS Plan 1 (defined benefit plan)
  - Under ORPHE it is assumed that:
    - A life annuity is purchased with the account balance
    - An annual COLA is included in the annuity contract
    - The yield on the annuity contract is equal to the assumed ORPHE rate of return
- **Average Final Compensation**
  - The average of your 36 consecutive months of highest creditable compensation as a covered employee
  - Applicable to VRS Plan 1 (defined benefit plan)
- **Cost-of-Living Adjustment (COLA)**
  - Applicable to VRS Plan 1 (defined benefit plan)
  - Helps your retirement benefit keep pace with rising costs
  - Based on the annual monthly average of the Consumer Price Index for all Urban Consumers (CPI-U)
  - 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, participant would need to elect an annuity form of payment with payments increasing each year
- **Final Salary**
  - Salary in year of retirement
- **ORPHE Return**
  - Assumed rate of return on employee-directed investments in ORPHE
  - Rate of return not guaranteed
- **ORPHE Contribution**
  - Annual percent of pay contributed on behalf of each participant in ORPHE
- **Salary Increases**
  - Assumed annual rate of increase from date of hire until retirement

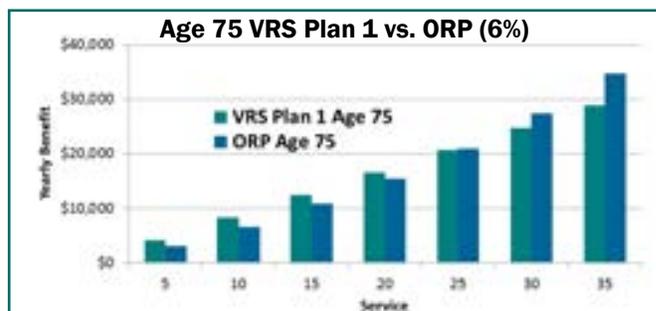
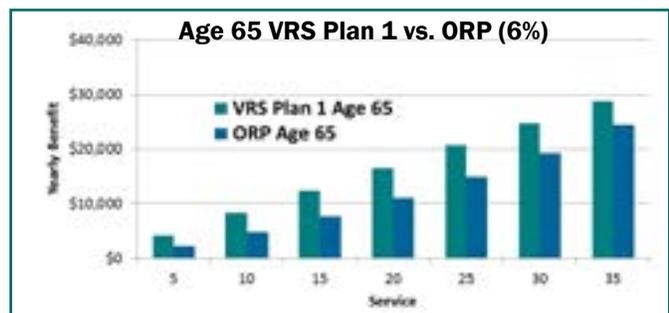
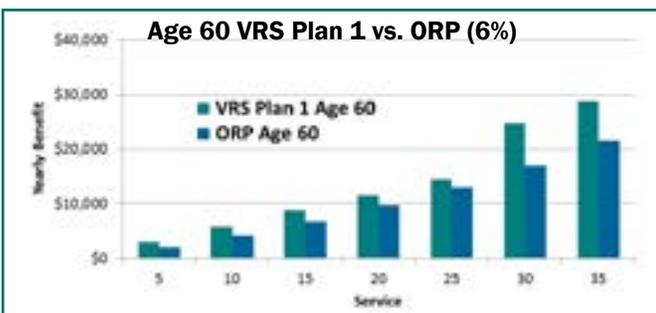
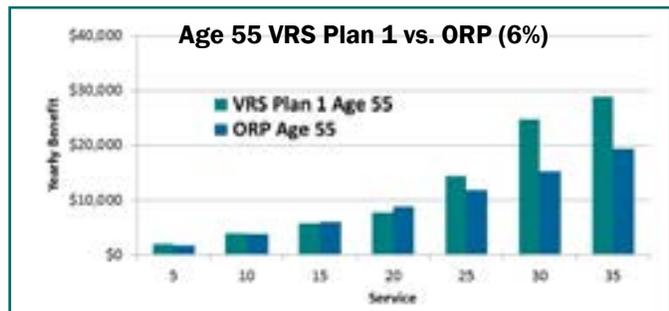
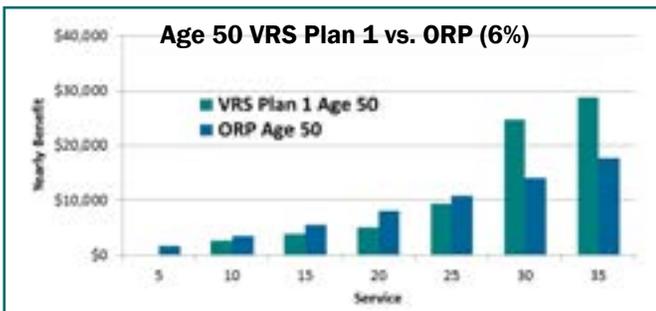
## Methodology

- The following 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 (COLA) 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, salary history, investment returns and the form of payment elected at retirement, and could be higher or lower than the benefits illustrated.

# Comparing VRS to ORPHE Annual Benefits Illustrations

Plan 1 Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORPHE Annual Rate of Return	6.00%	Final Salary	\$50,000
ORPHE Contribution	10.40%	Average Final Compensation	\$48,500

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
<b>Age 50</b>														
Annual Benefit	*	\$2,471	\$3,707	\$4,943	\$9,321	\$24,735	\$28,858	\$1,581	\$3,407	\$5,514	\$7,947	\$10,755	\$13,996	\$17,738
Difference	(1,581)	(936)	(1,807)	(3,004)	(1,434)	10,739	11,120	1,581	936	1,807	3,004	1,434	(10,739)	(11,120)
<b>Age 55</b>														
Annual Benefit	\$1,913	\$3,826	\$5,739	\$7,651	\$14,429	\$24,735	\$28,858	\$1,726	\$3,718	\$6,018	\$8,672	\$11,737	\$15,275	\$19,358
Difference	187	108	(279)	(1,021)	2,692	9,460	9,500	(187)	(108)	279	1,021	(2,692)	(9,460)	(9,500)
<b>Age 60</b>														
Annual Benefit	\$2,886	\$5,772	\$8,657	\$11,543	\$14,429	\$24,735	\$28,858	\$1,923	\$4,142	\$6,704	\$9,661	\$13,075	\$17,016	\$21,565
Difference	963	1,630	1,953	1,882	1,354	7,719	7,293	(963)	(1,630)	(1,953)	(1,882)	(1,354)	(7,719)	(7,293)
<b>Age 65</b>														
Annual Benefit	\$4,123	\$8,245	\$12,368	\$16,490	\$20,613	\$24,735	\$28,858	\$2,188	\$4,715	\$7,631	\$10,997	\$14,883	\$19,369	\$24,547
Difference	1,935	3,530	4,737	5,493	5,730	5,366	4,311	(1,935)	(3,530)	(4,737)	(5,493)	(5,730)	(5,366)	(4,311)
<b>Age 75</b>														
Annual Benefit	\$4,123	\$8,245	\$12,368	\$16,490	\$20,613	\$24,735	\$28,858	\$3,082	\$6,640	\$10,746	\$15,487	\$20,960	\$27,277	\$34,569
Difference	1,041	1,605	1,622	1,003	(347)	(2,542)	(5,711)	(1,041)	(1,605)	(1,622)	(1,003)	347	2,542	5,711



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