



Virginia
Retirement
System



Choosing Your Retirement Plan

- Optional Retirement Plan for Higher Education Plan 2
- VRS Hybrid Retirement Plan

Membership Date: On or after January 1, 2014



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

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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 2 and the Virginia Retirement System (VRS) Hybrid Retirement Plan.

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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 2, 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 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 the VRS Hybrid Retirement Plan.

If your membership date* is on or after January 1, 2014, and you are eligible for ORPHE, you have the option to elect 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. Please refer to the comparison guides for VRS Plan 1/ORPHE Plan 1 and VRS Plan 2/ORPHE Plan 2 for more information.

To see an estimate of your VRS member benefits, create a secure myVRS account at myvrs.varetire.org. Your myVRS account shows your total service, funds in your member contribution account and a projected monthly retirement benefit based on your VRS service.

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 the employee normally would 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 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 creditable service continues.

If you move from a faculty position at an employer authorized by VRS to administer a separate ORP** from 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 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.

* *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; George Mason University; the University of Virginia, including UVA at Wise and the Southwest Virginia Higher Education Center; 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 www.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 percent of your current earnings as a retirement income target. As a new Virginia college or university faculty member engaged in teaching, administration or research, you have the option to choose between two retirement plans.

Defined Contribution Plan: ORPHE Plan 2

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*. For ORPHE Plan 2, your 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 benefit depends on the net investment earnings.

For more information, see the *Optional Retirement Plan for Higher Education Handbook for Participants* available at www.orphe.varetire.org.

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, 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.

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.

Under the defined benefit component, vesting is the minimum length of service needed to qualify for a retirement benefit. Once you are vested, you are eligible for a retirement benefit if you meet the age and service requirements for your plan. You become vested under the defined benefit component when you have at least five years (60 months) of service credit. For more details, please refer to the Vesting section in Comparing Plans.

Under the defined contribution component, vesting is the minimum length of service members need to be eligible to withdraw employer contributions from that component of the plan. You are always 100 percent vested in the contributions that you make. For more details, please refer to the Vesting section in Comparing Plans.

Normal retirement age under the VRS Hybrid Retirement Plan is your normal Social Security retirement age for the purpose of the defined benefit component. You become eligible for an unreduced retirement benefit at your normal Social Security retirement age with at least five years (60 months) of creditable service or when your age and service equal 90. You may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. 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. For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions.

For more information, see the *Virginia Retirement System Hybrid Retirement Plan Handbook for Members* available at www.varetire.org/hybrid 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 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, and to VRS Plan 1 and VRS Plan 2 members who opted into the plan during a special election window.</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 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>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. 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.</p>
Contributions	<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.</p> <p>Defined benefit: By you: 4% of your creditable compensation each month is mandatory. By your employer: total employer contribution rate less any employer contributions to your defined contribution component.</p> <p>Defined contribution: By you: 1% of your creditable compensation each pay period is mandatory, which your employer matches. And, you may choose voluntary contributions up to 4% of your creditable compensation, with partial match by employer.</p>	<p>For ORPHE Plan 2, your benefit is based on employer and employee contributions and investment gains and losses on those contributions.</p> <p>By your employer: 8.5% of your creditable compensation per pay date (some employers: up to an additional 0.4%).</p> <p>By you: an additional 5% per pay date.</p> <p>State general fund money may not be used for this purpose.</p> <p>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.</p>

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 paid. 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 www.varetire.org, select Defined Contribution Plans and search Plan Info for more details.</p>
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 creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan will stay vested in the defined benefit component.</p> <p>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 percent 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.</p> <ul style="list-style-type: none"> • After two years, you are 50 percent vested and may withdraw 50 percent of employer contributions. • After three years, you are 75 percent vested and may withdraw 75 percent of employer contributions. • After four or more years, you are 100 percent vested and may withdraw 100 percent 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>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Leaving Employment	<p>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.</p> <p>Defined Contribution: There are a variety of distribution options available to you upon termination of employment, including partial or lump-sum payments, periodic payments or a combination of both. You also may choose to roll your money to another employer's plan or to an IRA.</p> <p>See Taxation of Retirement Benefit on page 10 for additional information on this topic.</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 on page 10 for additional information on this topic.</p>
Portability	<p>Yes, if the employer is one of the approximately 825 VRS-covered public employers, including all Virginia state government agencies, all Virginia public colleges and universities, all Virginia public schools and most Virginia local governments.</p> <p>Creditable service representing many types of public service and leaves of absence may be purchased to enhance the benefit.</p> <p>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>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>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Consolidating Retirement Savings Plans	<p>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 creditable service.</p> <p>You may roll payouts from other retirement savings plans into the Hybrid 457 Deferred Compensation Plan.</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 percent penalty, plus state and federal income tax withholding.</p>	<p>Distributions from other retirement plans may be rolled into the ORPHE separate rollover account. Funds rolled into ORPHE may not be accessed until you terminate employment and meet the break in service requirements.</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 percent penalty, plus state and federal income tax withholding.</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. You bear the investment risk, and the amount of your benefit depends on the amount you contribute and net investment earnings.</p>	<p>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.</p>
Investment Costs	<p>Defined Benefit: Investment management costs are paid by earnings on contributions to VRS.</p> <p>Defined Contribution: Investment management and record-keeping costs are paid by the employee.</p>	<p>Investment management and record-keeping costs are paid by the employee.</p>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Cost-of-Living Adjustment (COLA)	<p>Defined Benefit: The cost-of-living adjustment (COLA) matches the first 2 percent increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2 percent), for a maximum COLA of 3 percent 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 with this feature unless you purchase an annuity.</p>
Supplemental Retirement Savings Plans	<p>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.</p>	<p>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.</p>
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. 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>
Educational Leave of Absence With Half Pay or More	<p>You will be reported to VRS at the full rate of pay.</p>	<p>Employee and employer contributions will continue to be paid on the salary earned while on educational leave.</p>
Educational Leave of Absence With Less Than Half Pay	<p>No employee or employer contributions are paid. You may purchase up to four years of creditable service for any approved official educational leave of absence from a VRS-covered position when you return to employment.</p>	<p>No contributions are made to ORPHE. No make-up contributions are made when you return to employment.</p>

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 (VSDP) 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>
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 the member’s spouse; • If no spouse, to the member’s children and descendants of the member’s deceased children; • If none of the above, to the member’s parents equally or to the surviving parent; • If none of the above, to the duly appointed executor or administrator of the member’s estate; • If none of the above, to the next of kin under the laws of the state where the member resided at the time of death. 	<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 the member’s spouse; • If no spouse, to the member’s children and descendants of the member’s deceased children; • If none of the above, to the member’s parents equally or to the surviving parent; • If none of the above, to the duly appointed executor or administrator of the member’s estate; • If none of the above, to the next of kin under the laws of the state where the member resided at the time of death.
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 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>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>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
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, 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 $33\frac{1}{3}$ percent 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 percent 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.</p> <p>No work-related, death-in-service benefit is available.</p>
Health Insurance Credit: Service Retirement	<p>Yes, if you retire, are at least 50 years old and have at least 15 years of VRS service or ORPHE participation (or a combination of both). Deferred participants with 15 years of service are eligible for the credit when they turn 50 years old.</p> <p>If you qualify, you will begin receiving your health insurance credit when you begin receiving your 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.</p>	<p>Yes, if you retire, are 60 years old and have at least 15 years of VRS service or ORPHE participation (or a combination of both). Deferred participants with 15 years of service are eligible for the credit when they turn 60 years old.</p> <p>To qualify, you must receive periodic distributions from ORPHE 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.</p>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Health Insurance Credit: Educational Leave	<p>Educational leave with less than half pay does not count toward creditable service for the health insurance credit.</p> <p>Educational leave with half pay or more counts as creditable service for the health insurance credit.</p>	<p>Educational leave with less than half pay does not count toward creditable service for the health insurance credit.</p> <p>Educational leave with half pay or more counts as creditable service for the health insurance credit.</p>
Forfeiture of Benefits	<p>Your VRS-administered benefits may be forfeited if you are convicted of a felony related to your covered employment.</p>	<p>Your VRS-administered benefits may be forfeited if you are convicted of a felony related to your covered employment.</p>
Eligibility for Benefit Payout	<p>Defined Benefit: Normal Social Security retirement age, or when age and service equal 90.</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 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>
Benefit Payout Options	<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 service retirement. The payout option you elect at retirement is irrevocable, with the exception of the Survivor Option (see page 14).</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 payout 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 payout methods.</p>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Change of Payout Option	<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>
Creditable Service	<p>Defined Benefit: 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 also may count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.</p> <p>Defined Contribution: Under the defined contribution component, creditable service 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 count toward eligibility for group life insurance coverage and the health insurance credit in retirement.</p> <p><i>NOTE: Plan determination is based on creditable defined benefit service and years of participation in an eligible optional retirement plan (ORP).</i></p>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
<p>Basic Group Life Insurance</p> <p>IMPORTANT NOTE: <i>For both ORPHE and VRS, group life insurance benefits end if you leave employment and take a refund from the VRS hybrid defined benefit component or full distribution from ORPHE.</i></p>	<p>If an employer participates in the VRS Basic Group Life Insurance Program, members are covered under the basic plan from the first day of employment. Employers may pay your portion of the premiums. 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. Group life insurance coverage will begin to reduce by 25 percent on January 1 following one calendar year of retirement, and will continue to reduce by 25 percent each January 1 until it reaches 25 percent 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>Your group life insurance benefit is the 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 benefits end if you leave employment.</p>
<p>Basic Group Life Insurance: Educational Leave</p>	<p>While on educational leave you are reported for group life insurance at full salary, if you are receiving half pay or more. You are not reported for group life insurance while on educational leave receiving less than half pay.</p>	<p>While on educational leave you are reported for group life insurance at full salary, if you are receiving half pay or more. You are not reported for group life insurance while on educational leave receiving less than half pay.</p>
<p>Required Minimum Distribution</p>	<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 70½, 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 70½ 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 70½ 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>

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Life Insurance Conversion	<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>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>
Normal Retirement Age	<p>Defined Benefit: Normal Social Security retirement age for the purpose of the defined benefit component.</p> <p>Defined Contribution: 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. The amount of the benefit is determined by contributions to your defined contribution accounts (including money you may have rolled into the plan), adjusted for gains, losses and fees on investments and the length of time the benefit is to be paid. See www.varetire.org/hybrid.</p> <p>See Taxation of Retirement Benefit on page 10 for additional information on this topic.</p>	<p>You may begin receiving benefits at termination of your covered employment with a VRS-participating employer, regardless of age. 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 is to be paid.</p> <p>See Taxation of Retirement Benefit on page 10 for additional information on this topic.</p>
Earliest Unreduced Retirement Eligibility	<p>Defined Benefit: 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. <i>Example: Age 60 with 30 years of creditable service.</i></p> <p>Defined Contribution: For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org/hybrid.</p>	Not applicable (see Normal Retirement Age).

Subject	VRS Hybrid Retirement Plan	ORPHE Plan 2
Earliest Reduced Retirement Eligibility	<p>Defined Benefit: 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.</p> <p>Defined Contribution: For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org/hybrid.</p>	Not applicable (see Normal Retirement Age).
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 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. See the Purchase of Prior Service section at www.varetire.org/hybrid; select Plan Info.</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 with all VRS-covered employers.
Average Final Compensation	Your average final compensation is the average of your 60 consecutive months of highest creditable compensation as a covered employee. It is used in the retirement formula in the defined benefit component of the plan.	Not applicable.
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 percent.	Not applicable.

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 under the applicable VRS defined benefit plan or Hybrid Retirement Plan, based on your hire date.

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?
- 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 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 salary or rate of return.

Elect your plan and select a provider: If you elect the ORPHE plan, you will choose one of three investment providers – DCP (VRS investment options record-kept by ICMA-RC), Fidelity 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 (VRS-2) form for group life insurance.

Investment Options

Members who elect to participate in ORPHE may learn more about investments at www.orphe.varetire.org, or through the following providers:

		
Record-kept by ICMA-RC	Fidelity Investments	TIAA
www.orphe.varetire.org/dcp 1-877-327-5261, option 1 1-800-669-7471 (TDD)	www.netbenefits.com/orphe 1-800-343-0860	www.tiaa.org/vrs 1-800-842-2252

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

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 2 vs. VRS Hybrid Retirement Plan

Benefit illustrations provide comparisons of the estimated value of annual benefits provided under ORPHE Plan 2 versus the VRS Hybrid Retirement Plan for various age and service combinations using different assumptions. Read the Glossary of Terms 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 creditable service at retirement
 - Applicable to the defined benefit component of the Hybrid Retirement 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 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 (COLA)**
 - Applicable to the defined benefit component of the Hybrid Retirement Plan
 - Allows your retirement benefit to keep pace with inflation
 - Based on 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 percent
 - 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

VRS Hybrid Retirement Plan Benefit Calculations

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 Multiplier

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 percent.

Benefit Calculation Example

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

Employee, Age 60, 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 defined benefit amount before taxes and other deductions = \$ 1,250*

**In addition to the monthly defined benefit amount, the member's benefit includes 30 years of defined contributions and net investment earnings in the defined contribution component of the VRS Hybrid Retirement Plan.*

Benefit Illustrations

The examples on pages 22-23 show estimated differences between minimum and maximum contributions at a 6 percent rate of return.

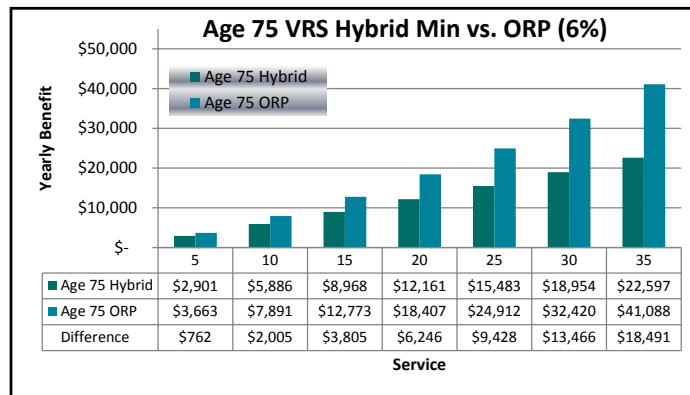
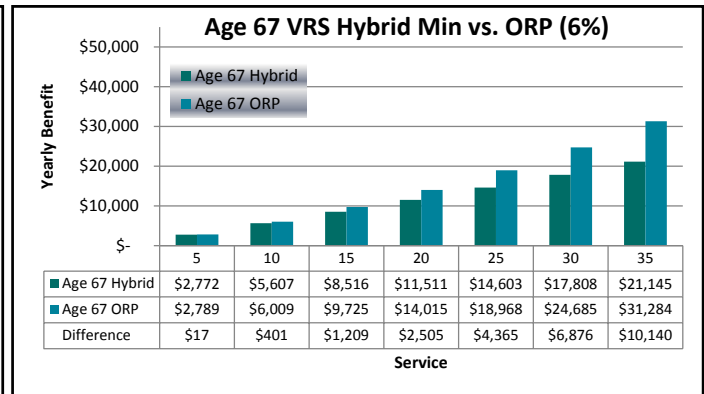
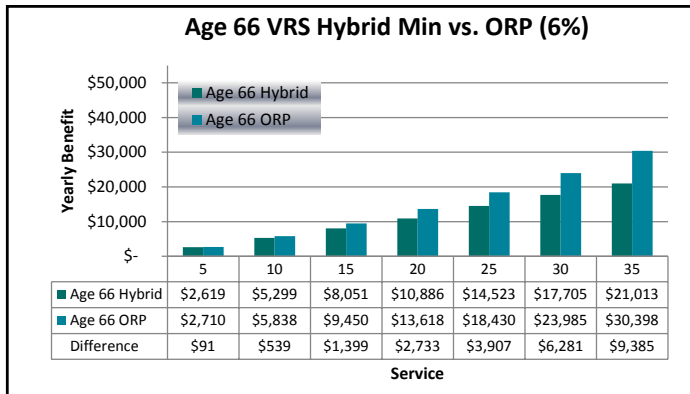
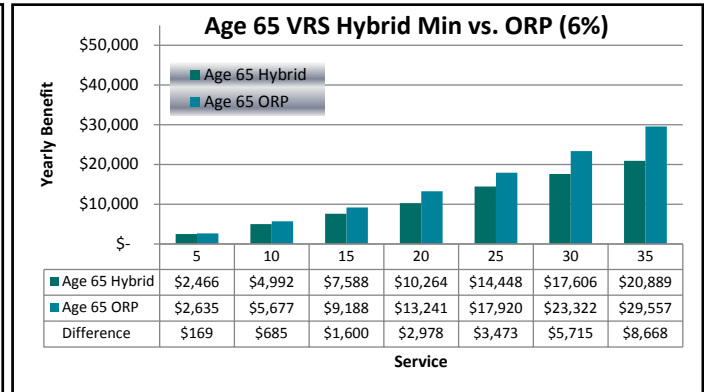
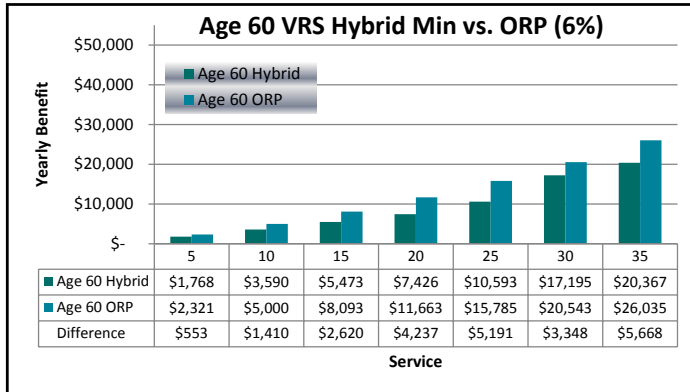
These estimates are for illustrative purposes only.

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.

Actual balances will vary based on contributions to your account (including money you rolled into the plan), adjusted for gains, losses and fees on investments and the length of time the benefit is to be paid.

ORPHE Plan 2 vs. VRS Hybrid Annual Benefits Illustrations

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	\$50,000
ORPHE Plan 2 Contribution	13.50%	Average Final Compensation	\$47,171
VRS Hybrid Employee Contribution	1.00%	VRS Hybrid Employer Contribution	1.00%



ORPHE Plan 2 vs. VRS Hybrid Annual Benefits Illustrations

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	\$50,000
ORPHE Plan 2 Contribution	13.50%	Average Final Compensation	\$47,171
VRS Hybrid Employee Contribution	5.00%	VRS Hybrid Employer Contribution	3.50%

