



Virginia Retirement System

VRS ORPHE Plan 1&2

Optional Retirement Plan for Higher Education

Handbook for Participants in ORPHE Plan 1 and ORPHE Plan 2



PROVIDING INFORMATION ABOUT YOUR...

- plan
- benefits
- investments

Optional Retirement Plan for Higher Education

Handbook for Participants

For teaching, research and administrative faculty in the
Optional Retirement Plan for Higher Education (ORPHE) Plan 1 and Plan 2

The Optional Retirement Plan for Higher Education (ORPHE) is sponsored by the Virginia Retirement System (VRS). You are in ORPHE Plan 1 if your retirement plan coverage date is before July 1, 2010. You are in ORPHE Plan 2 if your retirement plan coverage date is July 1, 2010, or later.



VRS Mission

VRS delivers retirement and other benefits to Virginia public employees through sound financial stewardship and superior customer service.

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Christopher Newport University,
James Madison University,
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University of Mary Washington
and Virginia State University.*

Note: 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.



Participant Resources

ORPHE website at www.orphe.varetire.org

- Plan information, forms, publications and other resources, including the Optional Retirement Plan for Higher Education *Handbook for Participants*

ORPHE Plan Providers

Participants may select from the plan providers below.

- DCP (record-kept by ICMA-RC with investments selected by VRS): 1-877-327-5261, option 1; www.orphe.varetire.org/dcp
- Fidelity Investments: 1-800-343-0860 (customer contact and IVR); www.netbenefits.com/orphe
- TIAA: 1-800-842-2252 (customer contact and IVR); www.tiaa.org/vrs

Other Contacts

- American Association of Retired Persons: 1-888-OUR-AARP (1-888-687-2277); www.aarp.org
- Anthem Blue Cross/Blue Shield: 1-800-552-2682; www.anthem.com/health-insurance/home/overview
- Commonwealth of Virginia 457 Deferred Compensation Plan: 1-VRS-DC-PLAN1 (1-877-327-5261); www.varetire.org/457
- Group Life Insurance Program: Minnesota Life, 1-800-441-2258
- Internal Revenue Service: 1-800-829-1040; www.irs.gov
- Medicare: 1-800-MEDICARE (1-800-633-4227); www.medicare.gov
- Social Security Administration: 1-800-772-1213; www.socialsecurity.gov
- Virginia Division for the Aging: 1-800-552-3402; www.vda.virginia.gov
- Virginia Department of Human Resource Management: 804-225-2131; www.dhrm.virginia.gov
- Virginia Department of Taxation: 804-367-8031; www.tax.virginia.gov

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Welcome to the Optional Retirement Plan for Higher Education

1

Preparing for Your Future • Eligible ORPHE Participants • About Your Plan • Choosing Your Plan Provider • Building Your Retirement Income • Changing Employers • What to do if I... • About VRS

Preparing for Your Future

Welcome to the Virginia Retirement System (VRS) Optional Retirement Plan for Higher Education (ORPHE). As a participant in ORPHE, you are laying the foundation to meet your future retirement needs. Your partners are your employer, your plan provider and VRS.

ORPHE provides you with retirement income, and as a participant, you also are eligible for:

- An opportunity to put aside additional savings for retirement on a tax-deferred basis.
- Life insurance coverage.
- Health insurance credit if you qualify.
- Joint and survivor annuity option in retirement if you wish to continue a benefit to a survivor upon your death.

The VRS Optional Retirement Plan for Higher Education *Handbook for Participants* describes the provisions of your retirement benefits and how to qualify for other benefits. You also are eligible to enroll in state health insurance coverage and may elect the State Retiree Health Benefits Program upon retirement, provided you do not defer receiving a distribution from your ORPHE account. State health benefits are administered by the Department of Human Resource Management (DHRM).

ORPHE does not provide disability coverage other than protection provided by the funds in your ORPHE account, which are available to you when you leave employment. Your employer may offer a disability program, or you may wish to purchase your own disability insurance. Contact your human resource office for more information. You also may be eligible for Social Security Disability Insurance (SSDI) benefits. For more information about SSDI, call the Social Security Administration at 1-800-772-1213 or visit www.socialsecurity.gov.



ORPHE Plan Providers

VRS offers three ORPHE platforms: DCP, which provides investments selected by VRS with ICMA-RC as the record keeper, Fidelity and TIAA. See “Choosing Your Plan Provider” in this chapter for more information.

Eligible ORPHE Participants

The following employees are eligible to participate in ORPHE:

- Presidents of participating public institutions of higher education.
- Chancellors and presidents of the Virginia Community College System.
- Full-time and part-time permanent, salaried teaching, research and administrative faculty members of participating public institutions (adjunct faculty members are not eligible for ORPHE).

VRS ORPHE-Participating Institutions

Colleges and Universities

Christopher Newport University
James Madison University
Longwood University
Norfolk State University
Old Dominion University
Radford University
Richard Bland College
University of Mary Washington
Virginia Military Institute
Virginia State University

Virginia Community College System

Blue Ridge Community College
Central Virginia Community College
Dabney S. Lancaster Community College
Danville Community College
Eastern Shore Community College
Germanna Community College
J. Sargeant Reynolds Community College
John Tyler Community College
Lord Fairfax Community College
Mountain Empire Community College
New River Community College
Northern Virginia Community College
Patrick Henry Community College
Paul D. Camp Community College
Piedmont Community College
Rappahannock Community College
Southside Virginia Community College
Southwest Virginia Community College
Tidewater Community College
Thomas Nelson Community College
Virginia Highlands Community College
Virginia Western Community College
Wytheville Community College

Other Institutions

Institute for Advanced Learning
and Research
The New College Institute
Southern Virginia
Higher Education Center

Note: 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 ORPHE plans for their faculty members. These plans are authorized under VRS. Faculty members at these institutions are eligible for the same benefits described in this handbook, except for UVA faculty, who are covered under the institution's life insurance plan.

Electing Your Retirement Plan

When you became employed as a full-time or part-time permanent, salaried faculty member, you were given the option to elect ORPHE or, depending on your membership date, VRS Plan 1, Plan 2 or the Hybrid Retirement Plan and you received the guide *Choosing Your Retirement Plan*. If you are covered under VRS, refer to the VRS *Handbook for Members* for Plan 1 or Plan 2 or the Hybrid Retirement Plan Handbook for Members, for more information about your benefits. The handbooks are available on the VRS websites (www.varetire.org and www.varetire.org/hybrid).

About Your Plan



ORPHE is a defined contribution plan, tax-qualified under Section 401(a) of the Internal Revenue Code and governed by the provisions of Section 51.1.-126 of the *Code of Virginia*. Under a defined contribution plan, the retirement benefit is based on contributions and net investment earnings on contributions. You decide how to invest the money in your ORPHE account from the investment options available through your selected provider and assume all risk associated with your investments.

Plan Features

- Your employer contributes to your plan on your behalf. If you are in ORPHE Plan 2, you also contribute to your plan on a pre-tax salary reduction basis (see “ORPHE Plan 1 and Plan 2 Comparison” on the next page).
- Vesting is immediate. You can request distributions or roll over your plan balance once you are no longer employed in a position that provides retirement benefits through a plan administered or authorized by VRS, regardless of your age or how long you have been covered under ORPHE.
- Your money is tax-deferred until you withdraw it. The Internal Revenue Service (IRS) may impose an additional 10 percent tax penalty if you take a distribution before age 59½. If you leave your ORPHE position after reaching age 55 or you begin an annuity or a periodic distribution of equal amounts over your lifetime, this penalty will be waived. For more information, contact a tax advisor or the IRS at 1-800-829-1040 or www.irs.gov.
- You can consolidate your retirement plans by rolling over money from other retirement plans to your ORPHE account. ORPHE accepts rollovers from 401(a), 457(b), 403(b) and 401(k) plans; a traditional Individual Retirement Account (IRA); and the Federal Thrift Savings Plan. Consolidating your retirement funds may increase the amount of your future distributions.
- When you retire, you can elect to receive a distribution from your ORPHE account or purchase an annuity using all or a portion of your account balance. Required minimum distributions must begin if you have not arranged to receive payments from your account by April 1 following the calendar year in which you turn age 70½, or when you leave an ORPHE-covered position, whichever is later.

Plan 1 and Plan 2

You are covered under ORPHE Plan 1 if your membership date is prior to July 1, 2010.

You are covered under ORPHE 1 if you have an ORP or VRS membership date before July 1, 2010.

You are covered under ORPHE Plan 2 if your membership date is on or after July 1, 2010.

You are covered under ORPHE Plan 2 if you have an ORP or VRS membership date on or after July 1, 2010.

ORPHE Plan 1 and Plan 2 Comparison

	PLAN 1 <i>For participants whose retirement plan coverage date is before July 1, 2010</i>	PLAN 2 <i>For participants whose retirement plan coverage date is on or after July 1, 2010</i>
Contributions	10.4 percent employer contribution.	5 percent pre-tax employee contribution plus 8.5 percent employer contribution. Your institution may increase the employer contribution up to a maximum of 8.9 percent, provided the increase is approved by your institution's governing body and paid from non-state funds.
Vesting	Immediate.	Immediate.
Portability	Participation in ORPHE continues when transferring to another Virginia public institution of higher education, unless there is a break in service of at least one full calendar month from the end of the month in which you were last covered for active employee benefits. If there is a break in service, you are eligible to elect ORPHE or the applicable VRS plan. Note that if you transfer to a faculty position outside Virginia, your new employer's retirement plan may accept a rollover of your ORPHE account balance.	

Keep Your Information Updated

If you move or change your name, notify your human resource office.

If you leave employment but do not retire, submit a Name and Address Declaration for Deferred Members (VRS-3A) to VRS. If you are retired and need to update your information, submit a Name and Address Declaration for Retirees (VRS-58) to VRS, available at www.orphe.varetire.org

ORPHE PLAN 1 AND PLAN 2 COMPARISON, continued



	PLAN 1 <i>For participants whose retirement plan coverage date is before July 1, 2010</i>	PLAN 2 <i>For participants whose retirement plan coverage date is on or after July 1, 2010</i>
	<p>The money in your VRS member contribution account may be transferred to ORPHE. This will cancel membership in VRS. However, the VRS creditable service will count toward eligibility for retiree coverage under the VRS Group Life Insurance Program and the health insurance credit.</p>	
Normal Retirement Age	Age 65.	Normal Social Security retirement age.
Earliest Eligibility for Group Life Insurance in Retirement	Age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.	Age 60 with at least five years of creditable service or when age and service equal 90. <i>Example:</i> Age 58 with 32 years of creditable service.
Eligibility for the Health Insurance Credit	<ul style="list-style-type: none"> • Age 50 and at least 15 years of service at retirement. • Pay health insurance premiums for individual coverage under qualifying health plans. 	<p>Age 60 and at least 15 years of creditable service at retirement.</p> <p>All other requirements are the same as Plan 1.</p>

Choosing Your Plan Provider

Upon notification by your employer that you are eligible to participate in ORPHE, use your myVRS account (myvrs.varetire.org) to elect your retirement plan and provider. When you make your election in myVRS to participate in ORPHE, you will be required to choose a provider to receive your contributions. Three providers are available: DCP (record kept by ICMA-RC with investments selected by VRS), Fidelity and TIAA. Participants should review the information available in myVRS, on the ORPHE website and on the providers' websites before making a selection. Each provider offers a range of diversified and distinct investment options to allow participants to create a portfolio with varied characteristics of risk and return. Additionally, each provider has representatives available to assist you in understanding their available investment options and services.

You may change your provider during an open enrollment period held annually in October; the change will be effective January 1 of the following year. You may continue to maintain your ORPHE account with your previous provider or choose to initiate a plan-to-plan transfer to transfer the account balance to the new provider.

Selecting your provider:

1. The Compare Plans page in myVRS helps you evaluate key features of VRS versus an optional retirement plan. A plan comparison calculator allows you to view retirement income projections under each plan.
2. Enroll with your chosen plan provider using the provider's enrollment process and select from the investments available.
3. Follow next steps on your plan and provider confirmation page in myVRS to create a user name and password or log into your provider account to choose your investment options and designate a beneficiary.
4. Complete the Designation of Beneficiary form (VRS-2) for your VRS Group Life Insurance.

If you elect ORPHE but do not select a plan provider, your money will be directed to DCP and invested in a Target Date Portfolio based on your date of birth.

Plan Providers

DCP (record-kept by ICMA-RC)

877-327-5261, option 1
1-800-669-7471 (TDD)
www.orphe.varetire.org/dcp

Fidelity Investments

1-800-343-0860
www.netbenefits.com/orphe

TIAA

1-800-842-2252
www.tiaa.org/vrs

Note: Upon successfully selecting your plan and provider in myVRS, you will receive a confirmation page that includes provider information and next steps.

Security Best Practice: Claim Your myVRS Account

VRS takes many measures every day to keep your information secure. You can help by registering for myVRS, completing the identity-verification steps and then establishing a password-protected account. Verifying your myVRS account helps prevent someone else from attempting to lay claim to the account fraudulently.

Building Your Retirement Income

For More Information

For more information about the Commonwealth's 457 Plan, including contribution limits, visit www.varetire.org/457 or call 1-VRS-DC-PLAN1 (1-877-327-5261). For more information about the 403(b) plan, contact your human resource office.

What Is a Bona Fide Break in Service?

As required by the Internal Revenue Service (IRS), VRS defines a bona fide break in service as a break of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. If you are on a nine-, 10- or 11-month contract, summer breaks do not count toward this break in service. Other periods of leave with or without pay, including sabbaticals and educational leave, as well as intersession periods also do not count toward satisfying the break in service.

As a participant in ORPHE, you are eligible to supplement your retirement benefits by participating in the Commonwealth of Virginia 457 Deferred Compensation Plan and a 403(b) plan, if offered by your employer. If you enroll in one or both plans, you will receive one employer cash match per pay period equal to 50 percent of your contributions, not to exceed \$20 per pay period. Saving through these tax-deferred plans allows you to maximize your retirement income. The Commonwealth of Virginia 457 Deferred Compensation Plan also offers after-tax Roth deferrals. Check with your human resource office to see if a 403(b) plan offers an after-tax option. Contributions are separate from ORPHE contributions, and you decide how to invest your money from a separate list of investment options.

As a new or rehired state employee participating in ORPHE, you will be enrolled automatically in the 457 Plan, unless you actively contribute to your employer's 403(b) plan. In this case, you will not automatically be enrolled in the 457 Plan, but may voluntarily enroll, if you wish to participate in the 457 Plan along with your 403(b) plan. A pre-tax salary reduction of \$20 per pay period, along with an employer cash match of \$10 per pay period, will begin approximately 90 days from your hire date. You can enroll sooner online at www.varetire.org/457 or call 1-877-327-5261. You can also change your contribution amount at any time.

Changing Employers

Transferring to Another Virginia Public College or University

If you transfer from your current ORPHE position to a faculty position at another Virginia public institution of higher education without a bona fide break in service, you will remain covered under ORPHE, whether your new institution participates in the Commonwealth's ORPHE or administers its own optional retirement plan. If you have a bona fide break in service between positions, you will be eligible to elect ORPHE, the VRS defined benefit plan or the Hybrid Retirement Plan in your new position.

If you transfer from your current ORPHE position at one of the institutions indicated on page 5 that administers a separate ORP plan for faculty members to a faculty position at a Virginia public institution of higher education that administers the Commonwealth's ORPHE, you will need to log into your new myVRS account to make a provider selection, which must be made within 30-days from your employment date. If a provider selection is not made within the 30-day window, your provider will default to DCP until the next open enrollment period.

Transferring to a Position Covered under the VRS Defined Benefit Plan or Hybrid Retirement Plan

If you transfer to a non-faculty position covered under VRS or to the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) or the Judicial Retirement System (JRS), you will be covered under the provisions of the applicable VRS plan in your new position for retirement and other benefits. While you are employed in a position that provides retirement coverage through a plan administered or authorized by VRS, you will not be eligible to take a distribution from your ORPHE account; however, you can continue to manage your investments. If you were covered under ORPHE Plan 2 and transfer to VRS, you may be covered by the Hybrid Retirement Plan if your membership date was on or after January 1, 2014, and you did not have at least five years of creditable defined benefit service or participation in ORPHE. For more information about VRS-covered employment, refer to the current member handbooks for Plan 1, Plan 2 or the Hybrid Retirement Plan, available at www.varetire.org.

Leaving Your Position

If you leave your faculty position for a position with a private employer or a public employer that does not participate in VRS, you may begin distributions from your ORPHE account or roll over your ORPHE account balance to your new employer's plan. If you do not roll over your ORPHE account balance and receive a direct distribution, the distribution will be subject to federal and state income taxes.

For more information, read the IRS 402(f) Special Tax Notice available at www.varetire.org, under leaving employment, or contact a tax advisor or the IRS toll-free at 1-800-829-1040 or www.irs.gov. You have the option of leaving your money in your account and continuing to manage your investments.



Leaving or Retiring From Your Position?

Read about distributions in Chapter 2-Contributions, Investments and Distributions. See also Chapter 4-Leaving or Retiring From Your Position and Chapter 5-Working After Retirement.

Want to change my plan provider?

You can change your plan provider during an open enrollment period held annually in October. Contact your human resource office or the plan providers for more information:

- DCP: 1-877-327-5261, option 1; www.orphe.varetire.org/dcp
- Fidelity Investments: 1-800-343-0860 (customer contact and IVR); www.netbenefits.com/orphe
- TIAA: 1-800-842-2252 (customer contact and IVR); www.tiaa.org/vrs

You cannot have your contributions go to more than one provider at the same time. However, if you wish to switch to another provider during the October open enrollment period, you can continue to maintain your ORPHE account with your previous provider or consolidate your account with the new provider. Changes will be effective for ORPHE contributions sent to the new provider on or after January 1 of the following year.

Chapter 1-Welcome to the Optional Retirement Plan for Higher Education

Have member contributions and creditable service from a position covered under the VRS defined benefit plan?

You can have your VRS member contributions transferred to your ORPHE account by submitting a Request for Transfer of Funds to ORP (VRS-3ORP). The form is available at www.orphe.varetire.org. Doing so will cancel your membership in VRS. However, your VRS creditable service will count toward eligibility for group life insurance coverage and the health insurance credit in retirement.

Chapter 2-Contributions, Investments and Distributions

Transfer to another college or university?

If you transfer from your current ORPHE position to a faculty position at another Virginia public institution of higher education, you will remain in ORPHE or be eligible to elect ORPHE, the applicable VRS defined benefit plan, or the Hybrid Retirement Plan, depending on whether or not you have a bona fide break in service between positions.

Chapter 1-Welcome to the Optional Retirement Plan for Higher Education

Go on educational leave?

If you go on authorized educational leave and receive at least half your compensation, your basic group life insurance coverage will continue for up to 24 months as long as the premiums are paid. If you have optional life insurance, your coverage will continue as long as you continue to pay the premiums and remain covered under the basic group life program. If you receive less than half your compensation, your life insurance coverage will stop, and this period will not count toward eligibility for the health insurance credit.

Chapter 3-Active Employee Benefits

Change my marital status; have or adopt a child?

If your personal or family situation changes, review your beneficiary designation for your ORPHE account, 403(b) and 457 Plan accounts, as applicable, and life insurance benefits as soon as possible. VRS is required by law to pay benefits according to the latest beneficiary designation in your record. If you need to confirm your current designation for life insurance, request this information by writing to Minnesota Life, the insurer for the Group Life Insurance Program, at P.O. Box 1193, Richmond, VA 23218-1193. Neither Minnesota Life nor VRS can provide this information over the phone. If you do not name a beneficiary, your benefit will be paid according to the order of precedence (see Chapter 3-Active Employee Benefits).

Chapter 1-Welcome to the Optional Retirement Plan for Higher Education

Chapter 3-Active Employee Benefits

To update your beneficiary for your ORPHE account, update online or contact your plan provider for a beneficiary designation form. If you have a 403(b) account, contact your human resource office or the plan's recordkeeper for more information. For the Commonwealth of Virginia 457 Deferred

See...

Compensation and Cash Match Plans, log in to your account at www.varetire.org/457 or call 1-877-327-5261. For life insurance benefits, complete the Designation of Beneficiary (VRS-2).

[Chapter 1-Welcome to the Optional Retirement Plan for Higher Education](#)

You are eligible to elect additional coverage for yourself as well as a spouse or dependent children through the Optional Group Life Insurance Program. You pay the premiums through payroll deduction. If you enroll within 31 days of employment, coverage up to a specified amount will be guaranteed.

[Chapter 3-Active Employee Benefits](#)

Become disabled?

Contact your human resource office about disability coverage your employer may offer. If you cannot perform your job duties because of a disability and you leave employment, you can request a distribution from your ORPHE account or defer distributions until a later date. Your human resource office can assist you in deciding the option that will best meet your needs. You also may be eligible for Social Security Disability Insurance (SSDI) benefits.

[Chapter 3-Active Employee Benefits](#)

Leave my job?

If you leave your position and are no longer employed in a position covered for retirement benefits by a plan administered or authorized under VRS, you can request a distribution from your ORPHE account or leave your money in ORPHE and continue to manage your account.

[Chapter 4-Leaving or Retiring From Your Position](#)

Want to plan for retirement or am ready to retire?

It's never too soon to plan for retirement:

- Start saving early in your career through a 403(b) plan or the Commonwealth's 457 Plan. If your employer offers the 403(b) and the 457 Plan, you are eligible to participate in both.
- Contact your plan provider and your human resource office for more information about investments and distribution options when you leave or retire from your position. See also www.varetire.org for publications and other plan resources.

[Chapter 4-Leaving or Retiring From Your Position](#)

Need to arrange my affairs?

If you no longer can take actions on your own behalf, an agent named under a power of attorney can act on your behalf. To name an individual as your agent for VRS matters, submit a VRS Durable Power of Attorney (VRS-901). The form is available at www.orphe.varetire.org.

If you die while you are an active participant, your beneficiary will be eligible for a payment of your ORPHE account balance, your 403(b) and 457 Plan account balances, as applicable, and life insurance benefits. At retirement, you can elect a joint and survivor annuity if you wish to continue a lifetime benefit to a survivor upon your death. Your life insurance coverage includes an accelerated death benefit option if you are diagnosed with a terminal condition and have fewer than 12 months to live. In the event of your death, *Losing a Loved One: Guide for Families* will help your beneficiary or survivor know what to do regarding benefit claims. The publication is available at www.varetire.org.

[Chapter 3-Active Employee Benefits](#)

See...

Want to know more about my benefits as a retiree?

As a retiree under ORPHE, you may be eligible for group life insurance, state retiree health benefits and the health insurance credit.

[Chapter 4- Leaving or Retiring From Your Position](#)

Want to work after I retire?

In some cases, retired participants may be eligible to work in a wage or adjunct position during retirement with no interruption in their ORPHE distributions and other retirement benefits. If you return to a position covered under VRS or an ORP authorized or administered by VRS, your ORPHE benefits will end and you will become an active participant. *Exception:* If you arrange for an annuity from your ORPHE account, these payments will continue.

[Chapter 5-Working After Retirement](#)

If you return to covered employment with a Virginia public college or university following a bona fide break in service of at least one full calendar month from the end of the month in which you were last covered for active employee benefits, you will be eligible to elect ORPHE or the applicable VRS plan in your new position. If there is no break in service, you will continue to be covered under ORPHE.

Have a question about my benefits? This *Handbook for Participants* describes your benefits as a participant in the Optional Retirement Plan for Higher Education (ORPHE). If you have additional questions, contact your human resource office or call VRS at 1-888-827-3847.



About VRS

The Virginia Retirement System (VRS) is an independent state agency. As provided under the Constitution of Virginia, VRS funds are separate from other state funds and can be used only to administer and pay benefits for members, retirees and beneficiaries. The Board of Trustees administers and is trustee of the funds of the Virginia Retirement System Trust, including Plan 1, Plan 2, the defined benefit component of the Hybrid Retirement Plan, and Plan 1 and Plan 2 hazardous duty benefits for political subdivision employees; the State Police Officers' Retirement System Trust, including Plan 1 and Plan 2; the Virginia Law Officers' Retirement System Trust, including Plan 1 and Plan 2; the Judicial Retirement System Trust, including Plan 1 and Plan 2, and the defined benefit component of the Hybrid Retirement Plan for judges; the Virginia Sickness and Disability Program (VSDP) Trust for state employees, including VSDP long-term care; the Virginia Local Disability Program (VLDP) Trust for eligible school division and political subdivision employees, including VLDP long-term care; a disability retirement option for certain members not covered under VSDP or VLDP; the Hybrid 457 Deferred Compensation Plan; the Hybrid 401(a) Cash Match Plan; the Optional Retirement Plan for Political Appointees, the Optional Retirement Plan for School Superintendents and the Optional Retirement Plan for Employees of Higher Education (ORPHE); the Commonwealth of Virginia 457 Deferred Compensation Plan; the Virginia Cash Match Plan; the Virginia Supplemental Retirement Plan; the Group Life Insurance Program; the Retiree Health Insurance Credit Program; and the Line of Duty Death and Health Benefits Trust Fund.

In addition, the Board administers or has substantial oversight responsibilities for the Benefit Restoration Plan, the Commonwealth of Virginia Voluntary Group Long Term Care Insurance Program, and the Volunteer Firefighters' and Rescue Squad Workers' Service Award Fund Program, as well as benefit eligibility determinations under the Line of Duty Act in Title 9.1.

Nine members serve on the VRS Board of Trustees.

Mitchell L. Nason, Chairman	William H. Leighty
Diana F. Cantor, Vice Chairman	O'Kelly E. McWilliams, III
Honorable J. Brandon Bell II	Joseph W. Montgomery
Wallace G. Harris, Ph.D.	Troilen Gainey Seward, Ed.S
W. Brett Hayes	

The Board appoints the director of the Virginia Retirement System, who serves as chief administrative officer, as well as the chief investment officer and the internal audit director.

Investment Policy. The Board establishes the investment policy for the Optional Retirement Plan for Higher Education. The Investment Policy Statement is available online at www.orphe.varetire.org.

Defined Contribution Plans Advisory Committee. The Board has appointed the Defined Contribution Plans Advisory Committee (DCPAC) to provide the Board advice on defined contribution plan administration, plan design and investments. The DCPAC is comprised of nine members, two of whom are members of the Board. Of the remaining seven, one must be a participating faculty member or employee of a state-supported institution of higher education that participates in an optional retirement plan administered or authorized by VRS; two must demonstrate expertise in the management and administration of employee defined contribution plans; two must demonstrate expertise in the management, analysis or supervision of investments; one must be an active employee or retiree of a local government who demonstrates expertise in administration of retirement benefits; and one must be an active employee or retiree of a school division who demonstrates expertise with the administration of retirement benefits.

Amendment or Cancellation of the Plan. The VRS Board of Trustees can amend the ORPHE at any time, provided the amendment complies with the provisions of the *Code of Virginia* and the Internal Revenue Code and its regulations. The Commonwealth of Virginia also can amend or terminate the plan at any time by action of the General Assembly. In the event of amendment or termination, participants will remain entitled to their full ORPHE account balance.

2 Contributions, Investments and Distributions

Contributions and Incoming Rollovers • Investments •
Investment Options • Distribution Options

Contributions and Incoming Rollovers

What Is Creditable Compensation?

Creditable compensation is your annual salary, not including overtime pay, payment of a temporary nature or payments for extra duties, such as pay for teachers who provide coaching or act as an advisor for special activities.

Contributions to your ORPHE account are based on your creditable compensation before reduction for any pre-tax contributions to purchase health insurance, pay for a qualified transportation benefit plan offered by your employer or participate in a 403(b) plan or the Commonwealth's 457 Plan.

If you are covered under ORPHE Plan 1, your employer contributes 10.4 percent of your creditable compensation each pay period to your plan account. If you are covered under ORPHE Plan 2, your employer contributes 8.5 percent and you contribute 5 percent on a tax-deferred basis, for a total of 13.5 percent of your compensation contributed each pay period to your account. Under Plan 2, your employer may elect to contribute up to a maximum of 8.9 percent, provided the increase is approved by your institution's governing body and paid from non-state funds.

Contribution Limits

Limit based on compensation. Section 401(a)(17) of the Internal Revenue Code limits the amount of compensation that can be used to calculate contributions to tax-qualified plans. The IRS reviews these limits annually and may increase them. For current limits and details, go to www.orphe.varetire.org.

Limit based on contributions to all qualified defined contribution plans. Section 415 of the Internal Revenue Code limits the amount of contributions that can be allocated to all defined contribution plans in the plan year in which they are posted. The limit applies to the total contributions (including both employer and employee contributions) made to all 401(a) qualified defined contribution (DC) plans, which include:

- Optional Retirement Plan.
- Cash match plans.
- Any supplemental tax-qualified DC plan sponsored or participated in by a higher education institution.

Does not include contributions to:

- 403(b) plans.
- 457(b) plans.
- 457(f) plans.
- 415(m) excess plans.

Incoming Rollovers

You may roll over pre-tax or after-tax funds to your ORPHE account from a tax-qualified 401(a), 457(b), 403(b) or 401(k) plan; a traditional Individual Retirement Account (IRA); or the Federal Thrift Savings Plan. Your plan provider maintains rollovers in a separate account. Contact your plan provider for more information. Rollovers are not counted in annual contribution limits; however, the balance in your ORPHE rollover account is counted when determining your eligibility for other benefits.

If you have member contributions under the VRS defined benefit plan, you may transfer your VRS member contributions and interest to your ORPHE account. Submit the Request for Transfer of Funds to ORP (VRS-3ORP); the form is available at www.orphe.varetire.org. This transfer will cancel your membership in the VRS defined benefit plan. However, your VRS creditable service will count toward qualifying for group life insurance coverage and the health insurance credit in retirement. For more information about these retiree benefits, see Chapter 4-Leaving or Retiring From Your Position.

Investments

Investment Basics

The retirement benefit under ORPHE is determined by your account balance and the length of time the benefit is paid. Generally, your account balance is comprised of contributions and investment gains and losses, less fees. Depending on the market environment and how you allocate your contributions, it is possible that your account balance may be lower than the amount you have contributed to your account. You decide how to invest your money and assume all risk associated with your investments.

How you design your investment strategy is closely related to your personal circumstances, including your age, income sources, when you expect to retire and tolerance for risk. Understanding investment basics will help you decide on an investment strategy tailored to your personal circumstances and retirement objectives.

If You Leave Your Position

If you leave your position, your contributions will stop. However, you can continue to manage your investments and roll over money from other qualified plans to your ORPHE account.



Investment Basics: An Overview

Risk Factors

Investing involves risk that can result in the loss of money over short or long periods of time. Risk factors include but are not limited to:

- **Market risk.** This is the risk that the price of securities in a fund will fall, sometimes rapidly or unpredictably, due to factors such as real or perceived adverse economic conditions, political developments or investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value simultaneously.
- **Inflation risk.** This is the risk that your account will lose value because your returns are not outpacing the cost of living.
- **Business risk.** This is the risk that an investment will lose value because of a decline in a specific company or industry.
- **Interest rate risk.** This is the risk that if interest rates rise, your investment may decline in value.
- **Default (credit) risk.** This is the risk that an issuer will fail to pay interest or principal when due or in a timely manner, or that negative perceptions of an issuer's ability to make such payments will cause the price of the security to decline.
- **International risk.** This is the risk that international investments will lose value due to political, economic or currency instability.

Asset Allocation and Diversification

Asset allocation and diversification are strategies that may help optimize the risk/return trade-off consistent with your financial goals:

- **Asset allocation** involves dividing your money among different asset classes, such as stocks, bonds and cash equivalents according to your financial goals, risk tolerance and investment horizon.
- **Diversification** involves spreading your money among different securities, sectors, industries and strategies within a number of asset classes.

Diversified asset allocations do not guarantee a profit or protection against loss. However, both asset allocation and diversification are valuable risk-management strategies for investors.

Investment Options

Before Selecting Your Investments

Be sure to consider the investment objectives, risk, performance, fees and expenses carefully before investing.

DCP, Fidelity Investments and TIAA offer a number of investment options across the various fund types from which you can create your own investment mix. The information in this section offers an overview of these options. For detailed information, contact your plan provider:

- DCP (record-kept by ICMA-RC with investments selected by VRS): 1-877-327-5261, option 1; www.orphe.varetire.org/dcp
- Fidelity Investments: 1-800-343-0860 (customer contact and IVR); www.netbenefits.com/orphe
- TIAA: 1-800-842-2252 (customer contact and IVR); www.tiaa.org/vrs

See also the following resources available at www.orphe.varetire.org:

- Investment Policy Statement
- Provider Comparison Chart

Managing Your ORPHE Account

One of the most important things you can do to ensure sufficient income in retirement is to manage your ORPHE account. That includes reviewing your quarterly statements and regularly reviewing your investments with your provider representative or a financial advisor. As your circumstances change, you may need to adjust your investment strategy.

If You Do Not Select an Investment

If you select a provider but do not select an investment, your money will be automatically invested in the provider's default investment option. Default investment options may change from time to time.

The default option may or may not be the best choice for your future retirement income needs. Make changes to your investments if you determine the default option does not meet your retirement objectives.

For a list of current investments, see the ORPHE website at www.orphe.varetire.org.

Distribution Options

A distribution is a payment from your plan. Distributions are governed by Section 401(a)(9) of the Internal Revenue Code. Distribution options include the following:

You can request a total lump-sum payment or a rollover of your account balance to another qualified plan.

You can elect to receive periodic distributions. You determine the frequency and amount of the distributions.

You can purchase a lifetime monthly annuity with all or a portion of your ORPHE account balance. The amount of the payment is based on your account balance, life expectancy and prevailing interest rates at the time you purchase the annuity.

You may elect a joint and survivor annuity if you would like to continue a benefit to an annuity partner (survivor) upon your death. Your annuity partner is the person you name to receive lifetime income upon your death, such as a spouse. You can name your spouse or any living person as your annuity partner. You have the following options of the amount of your benefit you wish to continue to your annuity partner:

- Full benefit. Your annuity partner continues to receive the full amount after your death. With this option, your initial income is lower than any of the other lifetime annuity options.
- Fifty percent. Your annuity partner receives half the amount you would have received had you lived.
- Seventy-five percent. Your annuity partner receives 75 percent of the amount you would have received had you lived.
- Two-thirds. At the death of either you or your annuity partner, the survivor continues to receive lifetime income, but it is reduced to two-thirds. This arrangement provides the highest income amount while both of you are alive.

Subject to applicable law, you also can add a guaranteed period of 10, 15 or 20 years to any lifetime income choice. A guaranteed period ensures that income will continue to your annuity partner for the remainder of that period if you, and your annuity partner if you choose a two-life annuity, die before the end of the period.

If You Leave or Retire

For more information about preparing for retirement and qualifying for retiree benefits, see Chapter 4- Leaving or Retiring From Your Position.

Felony Conviction

If you are convicted of a felony related to your ORPHE-covered employment, your employer may direct that your ORP employer contributions and related benefits be forfeited. If you have any questions, please contact your human resource office.

Required minimum distributions must begin if you have not arranged to receive payments from your plan by age 70½ or when you leave your position, whichever is later.

You cannot start distributions from your plan while you are an active participant. You must have a bona fide break in service from employment with your ORPHE employer or any employer that provides retirement benefits through a VRS-administered or -authorized retirement plan. You also cannot start distributions without a bona fide break in service from an adjunct or wage position. A bona fide break in service is a break of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. Leave with or without pay, summer breaks, intersession periods, educational leave and sabbaticals do not count toward satisfying this break in service.

If You Divorce

In the event of a divorce, your ORPHE account balance or distributions may be regarded as marital property in a property settlement. The *Code of Virginia* authorizes VRS to make a direct payment to a former spouse if he or she is awarded part of your account by the court. VRS implements the court decision when it receives a certified copy of a domestic relations order, which meets plan requirements to become a VRS Approved Domestic Relations Order (ADRO). The court, not VRS, decides whether to divide your ORPHE account and how it is to be divided, provided the order is in compliance with the provisions of the *Code of Virginia*. Your attorney should provide VRS a draft of the order before filing it with the court to ensure the language conforms to VRS' requirements. ADRO guidelines are available at www.varetire.org.

The *Code of Virginia* allows other attachments to your ORPHE distributions or account. Examples include IRS tax levies, debt to an employer, child support or other marital rights as stated in an ADRO or divorce decree.

VRS will not release information about your account to anyone other than yourself without your written authorization, unless your information is subpoenaed.

Active Employee Benefits

3

Basic Group, Natural and Accidental Death, Dismemberment and Other Life Insurance Benefits • Designating a Beneficiary for Life Insurance Benefits • Optional Group Life Insurance Program • Health Insurance • If You Go on Educational or Military Leave



Basic Group, Natural and Accidental Death, Dismemberment and Other Life Insurance Benefits

You are covered under the Basic Group Life Insurance Program upon employment. Your employer pays the premiums. Your coverage includes the following benefits:

Natural death benefit. The natural death benefit is equal to your creditable compensation rounded to the next highest thousand and then doubled.

Example: If your creditable compensation is \$41,400, that amount will be rounded to \$42,000 and then doubled for a natural death benefit of \$84,000.

Accidental death benefit. The accidental death benefit is double the natural death benefit. *Example:* If your natural death benefit is \$84,000, that amount will be doubled for an accidental death benefit of \$168,000.

Accidental dismemberment benefit. For the accidental loss of one limb or the sight of one eye, the dismemberment benefit is equal to your creditable compensation rounded to the next highest thousand. For the accidental loss of two or more limbs, total loss of eyesight, or the loss of one limb and the sight of one eye, the benefit is equal to your creditable compensation rounded to the next highest thousand and then doubled.

Safety belt benefit. If you are killed or dismembered in an accident while driving or riding in a private passenger vehicle, your life insurance will pay an amount equal to 10 percent of your accidental death or dismemberment benefit or \$50,000, whichever is less. You must have been using a safety restraint. No benefit is payable if you or another person was driving without a license, under the influence of alcohol or drugs, or otherwise impaired.



More Information

VRS has contracted with Minnesota Life as the insurer for the Group Life Insurance Program. For more information about your coverage, call Minnesota Life at 1-800-441-2258.

Naming a Beneficiary for ORPHE and Tax-Deferred Savings Accounts

To designate a beneficiary for your ORPHE account, contact your plan provider:

- DCP: 1-877-327-5261, option 1; www.orphe.varetire.org
- Fidelity: 1-800-343-0860 (customer contact and IVR); www.netbenefits.com/orphe
- TIAA: 1-800-842-2252 (customer contact and IVR); www.tiaa.org/vrs

If you contribute to the Commonwealth's 457 Plan, use the Beneficiary Designation 457(b)/401(a) Plan form to designate a beneficiary for your account balance. You can also update your 457 Plan beneficiary online; www.varetire.org/457.

For information about designating a beneficiary for a 403(b) plan, contact your human resource office or the plan's record keeper.

Repatriation benefit. If you die in an accident 75 miles or more from your home, your life insurance will pay for the cost of transportation to return your remains, up to \$5,000.

Felonious assault benefit. Your basic group life insurance coverage provides additional benefits if you die or are dismembered as a result of a felonious assault while performing your job duties. The incident must have occurred at your employer's normal place of business or while you were on work-related travel. The assaulter must have used force with intent to cause harm and be charged with a misdemeanor or felony. No benefit is payable if the assaulter is an immediate family member. Felonious assault benefits include:

- \$50,000 or 25 percent of your accidental death or dismemberment benefit, whichever is less.
- Virginia Education Savings Trust account for each dependent child if you die as a result of the assault. The amount is approximately equal to tuition and mandatory fees to attend a public college or university in Virginia. Your child may attend any accredited college or university in the United States that participates in federal student financial aid programs.

Accelerated death benefit option. If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.

Designating a Beneficiary for Life Insurance Benefits

You can designate or change your beneficiary for life insurance benefits while you are an active or eligible deferred ORPHE participant, or after you retire. Submit a Designation of Beneficiary (VRS-2) to VRS. The form is available at www.orphe.varetire.org. Be sure to keep a copy for your records. You will not receive a copy or confirmation of receipt.

Who Can Be a Beneficiary?

You can name any living person or an entity, such as an eligible trust or charity, as your beneficiary.

Primary and Contingent Beneficiaries

- You can name more than one primary beneficiary to share in life insurance benefits.
- You can name a contingent beneficiary or beneficiaries. If your primary beneficiary or beneficiaries are deceased at the time of your death, your contingent beneficiary or beneficiaries will receive benefit payments according to your designation.

Changing Your Beneficiary

VRS is required by law to pay benefits according to the latest beneficiary designation in your VRS record. Review your beneficiary designation after a life event such as a change in marital status, the birth or adoption of a child, your beneficiary's death, or as you near retirement. To change your beneficiary for life insurance benefits, submit a new Designation of Beneficiary (VRS-2) to VRS as soon as possible. If you cannot remember your designation, submit a new VRS-2 or write to Minnesota Life, P.O. Box 1193, Richmond, VA 23218-1193. Neither Minnesota Life nor VRS can provide your designation over the phone.

If There is No Beneficiary Designation

If there is no valid beneficiary designation on file, or your primary beneficiary or beneficiaries are deceased at the time of your death and there is no contingent beneficiary or beneficiaries, VRS will pay benefits according to the following order of precedence, as required by law:

Order of Precedence

- First, to your spouse.
- If no spouse, to your natural or legally adopted children or descendants of your deceased natural or legally adopted children.
- If none of the above, to your parents equally or to the surviving parent.
- If none of the above, to the duly appointed executor or administrator of your estate.
- If none of the above, to your next of kin under the laws of the state where you resided at the time of your death.

Note: This order of precedence also applies to payment of your ORPHE account balance if there is no current beneficiary designation on file with your plan provider upon your death.

Naming Multiple Beneficiaries

The Designation of Beneficiary (VRS-2) allows you to name up to three individuals as your beneficiaries. If you wish to name more than three, list the additional beneficiaries on the Designation of Beneficiary-Continuation (VRS-2A) and submit this form with the VRS-2.

Optional Group Life Insurance Program



You may purchase additional coverage for yourself through the Optional Group Life Insurance Program. You will pay the premiums through payroll deduction. If you elect this coverage, you also may cover a spouse or dependent children. Optional group life insurance provides benefits for natural and accidental death or dismemberment.

Coverage Options

Yourself. You can select one of the four coverage options shown below to cover yourself, up to a maximum of \$750,000.

Your spouse. You can cover your spouse for up to half the maximum amount of the coverage you select for yourself, not to exceed \$375,000. Coverage for your spouse ends when your coverage ends or if you and your spouse divorce. If both you and your spouse are eligible to participate in the Optional Group Life Insurance Program, neither of you can buy additional coverage for the other.

Your dependent children. You can cover each dependent child who is at least 15 days old for \$10,000, \$20,000 or \$30,000, depending on the coverage option you select for yourself. Coverage for dependent children ends when your coverage ends or your child marries, becomes self-supporting, reaches age 21 or reaches age 25 as a dependent attending college full time. Coverage continues for dependent unmarried children who are disabled.

Optional Group Life Insurance Coverage Options

Option <i>Select one of the following</i>	Your Insurance Amount <i>Not to exceed \$750,000</i>	Spouse Insurance Amount <i>Not to exceed \$375,000</i>	Insurance Amount per Dependent Child <i>At age 15 days</i>
1	1 x your compensation	½ x your compensation	\$10,000
2	2 x your compensation	1 x your compensation	\$10,000
3	3 x your compensation	1½ x your compensation	\$20,000
4	4 x your compensation	2 x your compensation	\$30,000

Proof of Good Health

Proof of good health (evidence of insurability) is not required if you enroll in the Optional Group Life Insurance Program within 31 days of your employment date. If you participate in the optional plan, you may add dependents within 31 days of a qualifying event, such as marriage or the birth or adoption of a child, without proof of good health.

Proof of good health (evidence of insurability) is required if:

- You apply after 31 days from your employment date.
- You wish to add your spouse or dependent child to your coverage after 31 days from your employment date or a qualifying event.
- You wish to purchase more than \$375,000 for yourself.
- You wish to increase your optional life insurance coverage for yourself or your spouse.
- Your spouse's insurance amount is more than half your salary.

Benefit Coverage in Retirement

See Chapter 4-Leaving or
Retiring From Your Position.

Additional Information About Your Life Insurance

Coverage while on leave without pay. If you go on leave without pay or go on military leave, your basic group life insurance coverage will continue for up to 24 months or for as long as you are on military leave, provided the premiums are paid. If you have optional group life insurance, your coverage will continue as long as you pay the premiums and remain covered under the basic group life program.

Irrevocable assignment. You own your rights in your group life insurance coverage. You may transfer your ownership rights to another living person or entity. However, **this is an irrevocable assignment**; you cannot change it once it is made. Before making an irrevocable assignment, contact a legal advisor or Minnesota Life at 1-800-441-2258 for assistance. Depending on your circumstances, you may want to consider the Accelerated Death Benefit.

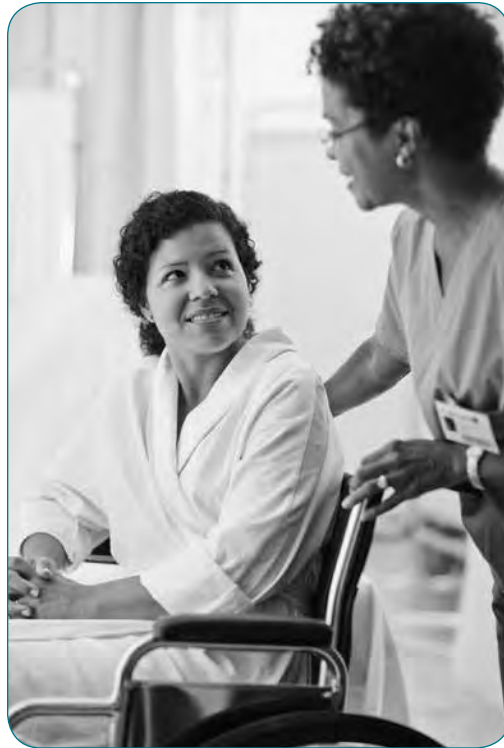
Loans prohibited. You may not borrow from or use your group life insurance coverage to secure a loan.

Imputed income taxes. Imputed income is the cost of life insurance in excess of \$50,000, as determined by the Internal Revenue Service (IRS). It is subject to FICA and income taxes and is reflected in the W-2 you receive from your employer. When you retire, your employer will deduct FICA taxes and report taxable or imputed income for as long as your group life insurance coverage exceeds \$50,000.

Child support liens. The Department of Social Services may file child support liens against proceeds payable under the Group Life Insurance Program. VRS is required to pay life insurance proceeds to the Department of Social Services to satisfy any outstanding child support obligations at your death.

Health Insurance

You are eligible to enroll in the state health insurance program upon employment. The program is administered by the Department of Human Resource Management (DHRM) and offers several plan options for you and select family members. You pay the employee portion of the premiums through a pre-tax salary reduction; your employer pays the remainder of the cost. For more information about the program, contact your human resource office or visit www.dhrm.virginia.gov.



If You Go On Educational or Military Leave

Educational Leave

If you go on an authorized educational leave of absence receiving at least half your compensation, contributions to your ORPHE account will continue based on the salary you receive during the period of leave. The period of time you are on leave also will count toward eligibility for the health insurance credit in retirement. If you are receiving less than half your compensation, contributions to your ORPHE account will stop, and the period of time you are on leave will not count toward eligibility for the health insurance credit.

Military Leave

If you volunteer for or are called to active duty military service, your employer will make up contributions for the period during which you are on military leave when you return to your position, as provided under the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

Uniformed services under USERRA include:

- U.S. Army, Navy, Air Force, Marines, Coast Guard and the reserve component of these services.
- Commissioned Corps of the Public Health Service.
- National Guard.
- Other categories designated by the U.S. President in a time of war or emergency.

USERRA defines active duty military service as active duty, active duty or initial active duty for training, inactive duty for training, examination to determine fitness for duty, funeral honors and full-time National Guard duty. To qualify for USERRA benefits, you must:

- Give your employer advance written or verbal notice of service.
- Have no more than five years of total absences from the employer for military service (the exception is service resulting from an order to active duty because of war or a national emergency declared by the U.S. President or the U.S. Congress).
- Not have been dishonorably discharged or released from service under other punitive conditions.
- Return to your position according to the following schedule.
 - If you serve fewer than 31 days, by the first full work period on the first full calendar day following discharge.

- If you serve between 31 and 180 days, by no later than 14 days following discharge.
- If you serve 181 or more days, by no later than 90 days following discharge.

Do You Have a Power of Attorney?

The VRS Durable Power of Attorney (VRS-901) allows you to name a person as your agent to take actions on your behalf and in accordance with your wishes in the event you no longer can handle your own affairs. The VRS-901 is for VRS matters only. The form and more information are available at www.orphe.varetire.org.

If You Become Disabled

Most ORPHE-participating colleges and universities offer a plan of income protection or replacement during periods of disability. You may be required to pay a portion of the premiums. Contact your human resource office about disability coverage your employer may offer. As an ORPHE participant, you are not eligible for the Virginia Sickness and Disability Program (VSDP) or disability retirement under VRS.

If you cannot perform your job duties because of a disability and you leave employment, you can elect to begin receiving distributions from your ORPHE account or receive distributions at a later date. Your human resource office can assist you in deciding the option that will best meet your needs. You also may be eligible for Social Security Disability Insurance (SSDI) benefits. For more information, call the Social Security Administration at 1-800-772-1213 or visit www.socialsecurity.gov.

4

Leaving or Retiring From Your Position

Taxes • Social Security • Group Life Insurance • State Retiree Health Benefits Program • Health Insurance Credit • Preparing to Leave Employment: A Checklist

Taxes

Distributions from your ORPHE account paid directly to you, your survivor or your beneficiary are subject to federal and state income taxes. The Internal Revenue Service (IRS) also may impose an additional 10 percent tax penalty if you take a distribution before age 59½. If you leave your ORPHE position after reaching age 55 or you begin an annuity or a periodic distribution of equal amounts over your lifetime, this penalty will be waived. For more information, contact a tax advisor or the IRS at 1-800-829-1040 or www.irs.gov.

Social Security

You will be eligible for a full Social Security retirement benefit when you reach your normal Social Security retirement age (see chart at right). You may qualify for a reduced benefit as early as age 62. For more information, call the Social Security Administration at 1-800-772-1213, visit www.socialsecurity.gov or contact your local Social Security Administration office.

Group Life Insurance

Basic Group Life Insurance Program

Some basic benefits under the VRS Group Life Insurance Program will continue into retirement, provided you are:

- Age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service, if you are in ORPHE Plan 1; or
- Age 60 with at least five years of creditable service or when age and service equal 90, if you are in ORPHE Plan 2 or the Hybrid Retirement Plan.

The creditable service may be a combination of ORPHE, VRS defined benefit plan service and Hybrid Retirement Plan service. Creditable service from an

Social Security Retirement Ages for Full Benefits

Year of Birth	Normal Retirement Age
1937 or earlier	65 years
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months
1941	65 + 8 months
1942	65 + 10 months
1943-54	66 years
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 or later	67 years

If You Are Not Eligible to Continue Your Coverage

If you are not eligible to continue your basic group life insurance coverage when you leave or retire, you can convert your coverage to an individual policy. Proof of good health will not be required; you will be billed for the premiums. Submit a Conversion of Group Life Insurance Enrollment (VRS-35E) to Minnesota Life within 31 days of the last day of the month in which you leave your position. The form is available at www.orphe.varetire.org. This option is not available after 31 days.

institution of higher education that does not participate in the VRS Group Life Insurance Program does not count toward qualifying for continued basic group life insurance coverage.

Benefits include:

- Death benefit equal to your creditable compensation at retirement, rounded to the next highest thousand and then doubled. If you retire with 20 or more years of creditable service, the death benefit will be based on your highest creditable compensation as a covered participant, even if your salary at retirement is lower.
- Accelerated death benefit option. If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw some or all of your life insurance proceeds to use for any purpose. Your beneficiary or survivor will receive any remaining amount upon your death.

The provisions that allow for double the natural death benefit for accidental death and dismemberment end upon retirement.

Life Insurance Coverage in Retirement. Your coverage begins to reduce on January 1 following one calendar year after your employment ends. The reduction rate is 25 percent each January 1 until it reaches 25 percent of the total life insurance benefit

Life Insurance Reduction in Retirement	
The Value of Your Life Insurance	Example
When you retire or defer retirement, your life insurance benefit is equal to your creditable compensation, rounded to the next highest thousand and then doubled.	You retire on July 1, 2018. Your compensation at retirement is \$49,780; for your life insurance coverage, that amount is rounded to \$50,000 then doubled to equal \$100,000.
On January 1 following one calendar year after your employment ends (January through December), your life insurance coverage reduces 25 percent.	On January 1, 2020, your life insurance coverage reduces to \$75,000.
On January 1 following two calendar years after your employment ends (January through December), your life insurance coverage reduces another 25 percent.	On January 1, 2021, your life insurance coverage reduces to \$50,000.
On January 1 following three calendar years after your employment ends (January through December), your life insurance coverage reduces a final 25 percent and remains at that value for the rest of your retirement.	Your final reduction will be on January 1, 2022, and your coverage will remain at \$25,000* for the rest of your retirement.

**The final amount of insurance will vary according to your creditable compensation when leaving employment.*

value at retirement. If you have at least 30 years of creditable service, your coverage cannot reduce below an \$8,000 minimum established in 2015. This minimum will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. You may end employment and defer retirement until a later date; however, the group life insurance will begin reducing based on the last month of employment.

Optional Group Life Insurance Program

If you are enrolled in the Optional Group Life Insurance Program and meet the qualifications for retirement, you may continue a portion of your coverage for yourself, your spouse and dependent children upon leaving employment. You, as well as your spouse and dependent children, must have been continuously covered during the 60 months before you leave employment. If you are not eligible to continue coverage, you can convert your coverage to an individual policy within 31 days of the last day of the month in which you leave your position.

Accidental death and dismemberment coverage ends upon retirement. Optional life insurance amounts will reduce by 25 percent based on your age, beginning with your normal retirement age under ORPHE; coverage ends at age 80. The maximum amount of optional group life insurance coverage in retirement is \$275,000. You must elect to continue your coverage within 31 days of your retirement date. This option is not available after 31 days.

State Retiree Health Benefits Program

You are eligible to enroll in the State Retiree Health Benefits Program upon retirement. You must be eligible for coverage in the State Employee Health Benefits Program for active employees at the time of your separation. If you elect this coverage, you will pay the premiums directly to the health insurance carrier. You also can enroll your survivors (a spouse or dependent children).

Submit the State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD Participants (T-20879) at retirement or within 31 days of your retirement date. The form is available from www.orphe.varetire.org. You must meet the age and service requirements for an immediate retirement benefit under the VRS plan that you would have been eligible for on your date of hire had you not elected ORPHE. For more information about the program, visit the Department of Human Resource Management website at www.dhrm.virginia.gov.

Cancelling coverage. You can cancel your coverage at any time after you retire by submitting the State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD Participants (T-20879). Cancelling your coverage also cancels coverage for your spouse and dependent children, if enrolled. Once you cancel



In the Event of Your Death After You Retire

Your beneficiary or survivor should call your plan provider and Minnesota Life at 1-800-441-2258. For more information, see *Losing a Loved One: Guide for Families* available at www.varetire.org.

If You Are on Disability

If you are receiving disability benefits under a program administered by your institution and had less than 30 years of creditable service when your disability claim was approved, you are eligible for a health insurance credit of up to \$120 per month. If you had 30 or more years of creditable service, you are eligible for \$120 per month or \$4 per year of creditable service per month, whichever is higher. In each case, the health insurance credit cannot exceed the amount of the individual premiums.

If you retire from being on disability, you must have at least 15 years of creditable service and satisfy the other provisions of the program to qualify for the health insurance credit as a retiree.

coverage, you are not eligible to re-enroll in the program. However, you can be covered as a dependent of an active or retired state employee covered under VRS or an optional retirement plan who enrolls you in the program, or if you return to work and retire again as a state employee or ORP state participant. In the latter case, you will have 31 days from your subsequent retirement date to elect coverage.

Medicare Benefits

Medicare is a federal government-sponsored health insurance program. You become eligible for Medicare when you reach age 65. Medicare includes coverage for hospital care (Part A) at no cost to you and medical care (Part B), for which you pay a monthly premium. You also may elect coverage under the prescription drug plan (Part D). You should apply for Medicare at least three months before your 65th birthday.

If you elect the State Retiree Health Benefits Program, you will be eligible for Advantage 65, the state's Medicare supplement plan, when you apply for Medicare. The Advantage 65 plan includes Medicare Part D prescription drug coverage; there also is a Medical Only option that excludes prescription drug coverage.

Health Insurance Credit

You are eligible for the health insurance credit if you:

- Retire with at least 15 years of creditable service.
- Have reached the minimum age for service retirement under the corresponding VRS defined benefit plan.

This is a tax-free benefit paid directly to you that assists with health insurance premiums you pay for single coverage, excluding any portion of the premiums covering a spouse or dependents. As set by the General Assembly, eligible ORPHE retirees receive \$4 per year of creditable service per month, not to exceed the individual premium amount. Direct deposit of the health insurance credit is not available.

The 15 years of creditable service may be a combination of ORPHE and applicable service in a VRS plan or the Hybrid Retirement Plan. The health insurance credit ends upon a retiree's death.

If you go on an educational leave of absence receiving at least half your compensation, this period of leave will count toward the 15 years of creditable service needed to qualify for the health insurance credit.

Qualifying Health Plans

- Individual health plans.
- Coverage as a dependent on a spouse's plan.
- Employer-sponsored health plans, including the State Retiree Health Benefits Program.
- Medicare Part B.
- Dental and vision plans.
- Prescription drug plans, including Medicare Part D.



The following are examples of plans not eligible for the health insurance credit:

- Coverage for specific diseases or procedures to treat a specific illness, such as cancer insurance.
- Hospital or other indemnity policies.
- Limited benefit plans, which offer coverage for only particular health care conditions or diseases, and do not replace traditional health insurance.
- Plans covering home health care.
- Long-term care insurance.
- Long-term disability insurance.
- Life insurance.
- Network discount programs or policies, such as pharmacy discount programs.
- Policies that include non-healthcare coverage, such as an auto club membership that includes a prescription discount program.

Annual Health Insurance Credit Notice. If you are eligible for the health insurance credit, you will receive an annual Health Insurance Credit Notice from VRS reminding you to verify and update your health insurance information, if necessary. This will ensure you are receiving the proper credit amount in a timely manner and are not at risk for overpayments. To report a change or cancellation of your coverage, you will submit a Request for Health Insurance Credit (VRS-45) to VRS. The form is available at www.orphe.varetire.org.

Health insurance credit overpayments. If you do not report changes in your health insurance that would decrease the amount of the credit, you will be required to reimburse VRS for the overpayment. If you do not repay this amount, your health insurance credit will stop. VRS also may be required to pursue repayment by attaching any state tax refunds you receive or deducting the overpayment from your life insurance coverage.



Preparing to Leave Employment: A Checklist

Meet with your plan provider's representative to review your investment selections and discuss your distribution options. Also contact your human resource office or a VRS counselor at 1-888-827-3847 to discuss qualifying for benefits after you leave or retire.

- Submit a distribution form to your provider. Check and, if necessary, update your beneficiary designation for your ORPHE account. For more information, contact:
 - ✓ DCP: 1-877-327-5261, option 1; www.orphe.varetire.org/dcp
 - ✓ Fidelity Investments: 1-800-343-0860 (customer contact and IVR); www.netbenefits.com/orphe
 - ✓ TIAA: 1-800-842-2252 (customer contact and IVR); www.tiaa.org/vrs
- Submit the following forms to your human resource office:
 - ✓ Termination Certification Form-Optional Retirement Plan for Higher Education (VRS-65D)
 - ✓ Name and Address Declaration for Deferred Members (VRS-3A)
 - ✓ State Health Benefits Program Enrollment Form for Retirees, Survivors and LTD Participants (T-20879) if you wish to enroll in the State Retiree Health Benefits Program.
 - ✓ Optional Retirement Plan Health Insurance Credit Employer Certification of Service (VRS-75) if you have at least 15 years of creditable service (ORPHE service or a combination of ORPHE and VRS service).
- Check and, if necessary, update your beneficiary designations for life insurance and your 403(b) plan or the Commonwealth's 457 Plan, if you participate in these plans. For more information, see Chapter 1-Welcome to the Optional Retirement Plan for Higher Education and Chapter 3-Active Employee Benefits.



5

Working After Retirement

Non-Covered Employment • K-12 Critical Shortage Positions • If You Want to Work While Retired

After you retire, you can work for any employer that does not participate in VRS or an optional retirement plan administered or authorized by VRS and continue to receive distributions from your ORPHE account and other retiree benefits. If you return to covered employment that provides retirement benefits through a VRS-administered or VRS-authorized retirement plan, your ORPHE distributions and benefits will stop. *Exception:* If you elect to purchase an annuity with your ORPHE account balance, your annuity payments will continue even if you return to VRS- or ORP-covered employment.

If you return to covered employment, your human resource office will submit the Notice of Return to Covered Employment Optional Retirement Plan Retiree (VRS-7ORP) to notify your plan provider to stop your distributions.

What Is Non-Covered Employment?

Non-covered employment is a part-time hourly or wage position, such as an adjunct faculty position, with a VRS- or ORP-participating employer, which does not provide eligibility for benefits. Part-time positions typically require 80 percent or less of the hours of a comparable full-time, permanent position. Some full-time positions may be considered non-covered if they are temporary and paid on an hourly basis.

Non-Covered Employment

In some cases, you can work in a non-covered position with a VRS- or ORP-participating employer and continue to receive your distributions and retirement benefits, provided you have a bona fide break in service of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. Periods of leave with or without pay, summer breaks, intersession periods, educational leave or sabbaticals do not count toward satisfying this break in service. If you do not take the break in service, your retirement is void and any benefit payments received will have to be repaid.

The Commonwealth of Virginia, including all state agencies and public colleges and universities, is considered one employer. Public school divisions and political subdivisions are considered separate employers. Your employer can make no verbal or written offer of reemployment before you leave your position.

K-12 Critical Shortage Positions

If you would like to work in Virginia's public schools after you retire and become certified by the Virginia Board of Education, you may be eligible to teach or serve as a principal or assistant principal in a designated K-12 critical shortage position. Positions are full time and temporary (non-covered) for the current school year; and if you qualify, you will continue to receive your retirement benefits but you will not earn additional service credit.

To be considered for a K-12 critical shortage position, you must:

- Work in a designated critical shortage position.
- Hold a Virginia Board of Education license for the position.
- Have a break in service of at least 12 consecutive months between your retirement date and the date you wish to work in a critical shortage position. This break in service means not working in any full-time, part-time or temporary position, including coaching and substitute teaching, with any VRS- or ORP- participating employer, or working for a contractor for any VRS-participating employer.
- Not have retired with a reduced VRS benefit under an early retirement incentive program (ERIP) or with any incentive program that enabled you to retire with a reduced or unreduced benefit.
- Not be on VRS disability retirement.
- Be retired from a VRS-covered position. If you took a refund of your member contributions and interest or deferred retirement, you are not eligible to work in a critical shortage position.
- Not have a pre-arranged commitment, either verbal or written, with the school division before your retirement date.

For more information on critical shortage designations and how to apply, visit the Department of Education website at www.doe.virginia.gov or contact the school system where you would like to work.

If You Want to Work While Retired

If you want to work while retired, contact your plan provider or previous employer to determine the impact of employment on your retirement benefits. Also contact the Social Security Administration at 1-800-772-1213 or visit www.socialsecurity.gov for information on the effect of earnings during retirement on your eligibility for Social Security benefits.



6

Frequently Used Terms

Active Participant	You are an active participant if you are working in a covered position with an employer that participates in the Virginia Retirement System (VRS) for retirement under the defined benefit plan or an optional retirement plan administered or authorized by VRS.
Approved Domestic Relations Order (ADRO)	An Approved Domestic Relations Order (ADRO) is a court order related to marital property rights and other attachments to your distributions or account balance, such as child support, at the time of divorce. If you divorce, your ORPHE account may be regarded as marital property in a property settlement. The order must meet plan requirements and be approved by VRS.
Asset Allocation	Asset allocation is an investment strategy that involves dividing your money among different asset classes.
Asset Classes	Asset classes refer to the categories of financial securities, such as stocks, bonds and cash equivalents.
Beneficiary	A beneficiary is someone you designate to receive a payment of your ORPHE account balance, 403(b) account balance or 457 Plan account balance and life insurance benefits upon your death.
Bona Fide Break in Service	A bona fide break in service is a break of at least one full calendar month from your last day of employment. This break must occur over a period you normally would work. Periods of leave with or without pay, summer breaks, intersession periods, educational leave or sabbaticals do not count toward satisfying this break in service.
Capital	Capital is money available for investment.
Capital Gain or Loss	A capital gain or loss is an increase or decrease in the value of a capital asset. A capital gain or loss is realized when the asset is sold.
Child Support Liens	The Department of Social Services may file child support liens against proceeds payable under the VRS Group Life Insurance Program. VRS is required to pay life insurance proceeds to the Department of Social Services to satisfy any outstanding child support obligations at your death.

Covered Employment	Covered employment is a full-time permanent, salaried position with an employer that participates in VRS or provides an optional retirement plan administered or authorized by VRS. Some part-time permanent, salaried state positions, excluding adjunct faculty positions, also are covered under VRS or the ORPHE.
Creditable Compensation	Creditable compensation is your annual salary not including overtime pay, payment of a temporary nature or payments for extra duties, such as pay for teachers who provide coaching or act as an advisor for special activities.
Creditable Service	Creditable service includes active service for each month you are working in a covered position as well as credit for prior service you may purchase or additional service you may be granted. Creditable service counts toward vesting and is used to determine your eligibility for retirement and to calculate your retirement benefit. Creditable service and ORPHE participation also count toward qualifying for group life insurance and the retiree health insurance credit if offered by your employer.
Defined Benefit Plan	A defined benefit plan provides a monthly benefit during retirement based on age, total creditable service and average final compensation.
Defined Contribution Plan	The defined contribution plans administered or authorized by VRS include the Commonwealth of Virginia 457 Deferred Compensation and Cash Match Plans; the Hybrid 457 Deferred Compensation Plan and Hybrid 401(a) Cash Match Plan; the Optional Retirement Plan for Political Appointees, Optional Retirement Plan for School Superintendents and Optional Retirement Plan for Higher Education; and the Virginia Supplemental Retirement Plan for certain school employees. The benefit under a defined contribution plan is based on contributions and net investment gains on contributions.
Distribution	A distribution is a lump-sum payment, a periodic payment or an annuity from your ORPHE account. If you participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, you can request a lump-sum payment, a periodic distribution or a combination of these methods upon retiring or leaving employment.
Diversification	Diversification is an investment strategy that involves spreading your dollars among different securities, sectors, industries and strategies within a number of asset classes.
Earnings	Earnings are a company's or fund's profit after paying all costs, expenses and taxes.
Full-Time Employment	Full-time employment is typically 40 hours a week. Thirty-two hours a week is considered the minimum number for full-time employment. Employers, not VRS, classify positions as full time or part time and define the hours applicable to each classification.
Hybrid Retirement Plan	A hybrid retirement plan is a combination of two types of plans: a defined benefit plan and a defined contribution plan. Contributions are made to both the defined benefit and defined contribution components of the retirement plan. At retirement, members receive a monthly benefit that is paid from the defined benefit component of the plan and are eligible to receive distributions from the defined contribution component.

Imputed Income	Imputed income is the cost of life insurance in excess of \$50,000, as determined by the Internal Revenue Service (IRS). It is subject to FICA (Medicare and Social Security) taxes and income taxes, and reflected in your W-2 you receive from your employer. When you retire, your employer will deduct FICA taxes and report taxable or imputed income for as long as your group life insurance exceeds \$50,000.
Index	An index is an unmanaged group of securities whose overall performance is used as a benchmark against which financial or economic performance can be measured.
Interest	Interest is the money a borrower pays to a lender as the cost of using its money, expressed as a percent per period of time. The period of time is usually one year, in which case it is called an annual rate of interest.
Investment Income	Investment income is interest, dividends or capital gains earned from an investment. Investment income is automatically reinvested in your plan account.
Irrevocable Assignment	Irrevocable assignment means assigning your ownership rights in your life insurance coverage to another person or an entity such as an eligible trust or charity. You cannot change this assignment once it is made.
Liquidity	A market is liquid when it has a high level of trading activity, allowing buying and selling with a minimum of price disturbance. A liquid asset is easily turned into cash.
Market Capitalization (Market Cap)	Market capitalization refers to the current value or price of a stock multiplied by the number of shares outstanding. For example, if a company has 10 million shares available and the price is \$50 per share, the market cap is \$500 million.
Membership Date	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 is the date you return to covered employment.
Non-Covered Employment	Non-covered employment is a part-time hourly or wage position, such as an adjunct faculty position, with a VRS- or ORP-participating employer. Non-covered positions do not provide eligibility for benefits. A part-time position typically requires 80 percent or less of the hours of a comparable full-time, permanent position. Some full-time positions may be considered non-covered if they are temporary and paid on an hourly basis.
Normal Retirement Age	Under ORPHE Plan 1, normal retirement age is age 65. Under ORPHE Plan 2, normal retirement age is your normal Social Security retirement age.
Order of Precedence	If there is no valid beneficiary designation on file or your beneficiary is deceased at the time of your death, VRS is required by law to pay benefits according to an order of precedence (see Chapter 3-Active Employee Benefits).
Part-Time Employment	Part-time employment is typically less than 80 percent of full-time employment. Employers, not VRS, classify positions as full time or part time and define the hours applicable to each classification.

Plan 1	You are covered under ORPHE 1 if you have an ORP or VRS membership date before July 1, 2010.
Plan 2	You are covered under ORPHE Plan 2 if you have an ORP or VRS membership date after July 1, 2010.
Plan Providers	The plan providers under ORPHE are DCP (record-kept by ICMA-RC with investments selected by VRS), Fidelity Investments and TIAA.
Plan Provisions	Plan provisions are the requirements that govern the plans or programs under which you are covered based on your current position of employment. ORPHE plan provisions are stated in the plan document.
Plan-to-Plan Transfer	If you were covered under the VRS defined benefit plan and have member contributions in your VRS member account, you may transfer these contributions to your ORPHE account. This is a plan-to-plan transfer.
Power of Attorney	Under a power of attorney, you can name an individual as your agent to take actions on your behalf and in accordance with your wishes if you no longer can take care of your own affairs. To name an agent for VRS matters, submit a VRS Durable Power of Attorney (VRS-901).
Principal	Principal is the original amount invested, not including interest or dividends on that amount.
Required Minimum Distribution	Required minimum distributions must begin if you have not arranged to receive payments from your ORPHE account, your 457 Plan account or a 403(b) account by age 70½ or when you leave a position with an employer providing the plan, whichever is later.
Rollover	A rollover is a contribution of a pre-tax lump-sum payment from or to an Individual Retirement Account (IRA) or another qualified plan. A rollover allows you to defer income taxes until you withdraw the money from your plan.

VRS ORPHE
Plan 1&2



Virginia
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