

**Handbook for Participants in  
The Commonwealth of Virginia  
Optional Retirement Plan  
For Political Appointees**

# Table of Contents

<b>Introduction</b>	Page 3
<b>About Your Optional Retirement Plan</b>	Page 4
<b>Plan Contributions</b>	Page 5
<b>Your Plan Investments</b>	Page 6
<b>Plan Fees and Expenses</b>	Page 8
<b>No Distributions While Employed</b>	Page 9
<b>Your Retirement Distribution</b>	Page 9
<b>Your Death Benefit</b>	Page 11
<b>Military Service</b>	Page 12
<b>Domestic Relations Orders</b>	Page 13
<b>Amendment or Termination of this Plan</b>	Page 14
<b>About Your Health Insurance</b>	Page 14
<b>About Your Disability Protection</b>	Page 15
<b>About Your Life Insurance</b>	Page 15
<b>Health Benefits after Retirement</b>	Page 21
<b>Retiree Health Insurance Credit</b>	Page 22
<b>Returning to Work/Changing Employers</b>	Page 23
<b>Social Security</b>	Page 24
<b>Glossary</b>	Page 26
<b>Other Information You Should Know</b>	Page 31
<b>What You Should Do When ...</b>	Page 33
<b>Attachment A (Listing of Funds/Asset Class/Benchmarks)</b>	Page 35

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## Introduction

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**As an employee serving in a position designated in subdivision 3, 4, or 20 of Section 2.2-2905 of the Code of Virginia or an officer or employee appointed by the Attorney General or Lieutenant Governor to a position designated as a deputy, counsel, or director, you are allowed to choose your retirement plan. No one else is eligible for this plan. Your retirement plan choices are the Virginia Retirement System (VRS) defined benefit plan and the Optional Retirement Plan for Political Appointees (ORP) defined contribution plan.**

The publication “Choosing Your Retirement Plan” is a comparison guide developed for employees eligible to choose between the VRS defined benefit plan and the ORP defined contribution plan. Review this document carefully prior to selecting your retirement plan. It is available on the VRS Web site at [www.varetire.org](http://www.varetire.org) under Benefit Plans/Defined Contribution Plans/ORP for Political Appointees. This guide was designed to help you in evaluating your choice and determining which option is better for you. The rest of this booklet describes your retirement benefit if you elect to become covered by the ORP.

**If you did not select the ORP within 30 days from the date you were provided election and enrollment materials, you will be covered by the VRS defined benefit plan.**

This handbook provides a summary of the most important provisions of the Optional Retirement Plan of the Commonwealth of Virginia for Political Appointees (“ORP” or “Plan”) established under the authority of Section 51.1-126.5 of the Code of Virginia. It is intended to be a non-technical summary of the rules that govern how this Plan works. Important terms are defined in the section entitled **Glossary**.

This handbook does not explain every provision of the Plan and does not go into detail about Plan provisions. If, after reading this handbook, you have questions or want a copy of the formal legal document that describes all Plan provisions in detail, you should contact your Human Resources office or refer to the Plan Document and other information found on the Web site at [www.vadcp.com](http://www.vadcp.com) under Plan Information/ORP for Political Appointees/Plan Document.

You should understand that the Plan document and the Code of Virginia, and not this handbook, govern if there is any conflict between the information provided in this handbook and the actual Plan provisions.

This handbook also provides a summary of the life insurance benefits, retiree health benefits and health insurance credits available to you if you select the ORP as your retirement plan. The life insurance benefits and retiree health insurance credits described in this booklet are governed by Title 51.1 of the Code of Virginia (Chapters 5 and 14).

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## About Your Optional Retirement Plan

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The Plan is a tax qualified money purchase pension plan regulated by Internal Revenue Code Section 401(a) and is permitted by Section 51.1-126.5 of the Code of Virginia.

### Enrollment

Your appointing authority notifies VRS of your employment in an ORP eligible position. VRS will provide you with information on your choices, a notice indicating the timeframe for selecting your plan, and a form to use if you choose the ORP, along with enrollment and beneficiary designation forms.

### What steps must an eligible employee take to enroll in the ORP?

There are five steps to enrolling in the ORP:

- ❑ Within the timeframe indicated, submit the completed Election to Participate form to VRS. This form must be signed by your agency's payroll representative;
- ❑ Complete the ORPPA Enrollment Form. On this form you will choose the funds in which you want your ORP contributions invested.
- ❑ Complete the ORPPA Beneficiary Designation Form.
- ❑ Return your Election to Participate, Enrollment and Beneficiary Designation forms directly to Virginia Retirement System, Attention: Special Services Unit, P.O. Box 2500, Richmond, VA 23218-2500.
- ❑ Provide a copy of the Election to Participate to your agency's payroll office.

For the investments available to you, go to the Plan's Web site at [www.vadcp.com](http://www.vadcp.com) and choose **Investments** from the top navigation bar. See Attachment A for the "Listing of Funds/Asset Class/Benchmarks."

### Once I select the ORP as my retirement plan, may I later switch to the VRS defined benefit plan?

Generally no. You would be eligible to participate in the VRS defined benefit plan only if you leave the position that makes you eligible for the ORP and become employed in a position that is covered by the defined benefit plan and not eligible for the ORP. You would also be eligible to participate in the VRS defined benefit plan if you terminated employment with the Commonwealth and returned to VRS covered employment after at least a 30-day break in service. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more, based on employer's policy) educational leave, and sabbaticals are not considered breaks in service.

You would continue to be covered by the ORP when moving between positions with the Commonwealth that are eligible for the ORP for Political Appointees if you have no break in service. If you have a 30-day break in service you would again be eligible to choose your plan.

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## **Plan Contributions**

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### **How much does my employer contribute for me?**

Currently, your employer contributes an amount equal to 10.4% of your creditable compensation for each pay period to your Plan account. The contribution is generally made as soon as reasonably possible following the payday for the applicable pay period. You will be 100% vested in each contribution made to the Plan.

### **What is creditable compensation?**

Creditable compensation means your annual salary. Plan contributions are not made on overtime pay, payments of a temporary nature, accumulated leave pay, or other extra pay. For this Plan, your compensation is determined before reduction for contributions to the Commonwealth's 457 Deferred Compensation Plan (DCP) and before reduction for any pre-tax contributions to purchase health insurance or flexible spending accounts, or to pay for qualified transportation benefits. This Plan's definition of compensation is the same as creditable compensation for VRS defined benefit plan purposes.

### **Are there any limits on the amount that may be contributed on my behalf?**

There are several limits of which you should be aware. First, Internal Revenue Code Section 401(a)(17) limits the amount of compensation that can be taken into account in making contributions to a tax qualified plan such as this. If you became a participant in the Optional Retirement Plan on or after July 1, 1996, the compensation limit applicable to you for the plan year beginning July 1, 2005 is \$210,000. If you became a participant in the Optional Retirement Plan before July 1, 1996, the compensation limit applicable to you for the plan year beginning July 1, 2005 is \$315,000. The compensation limits are adjusted for cost of living increases, usually on an annual basis.

In addition to the compensation limit, Internal Revenue Code Section 415 provides that the maximum contributions which may be allocated to your accounts in all tax qualified defined contribution plans maintained by your employer in a calendar year are limited to the lesser of 100% of your total compensation from your employer or \$42,000 for calendar year 2005. For this purpose, your total compensation is determined by including all your taxable compensation plus your before-tax contributions to the Commonwealth's 457 Deferred Compensation Plan (DCP), premium conversion or pre-tax welfare plan, flexible spending account or qualified transportation benefit plan of your employer. The \$42,000 limitation will be increased from time to time for inflation.

Generally, contributions made by you to the Commonwealth's Deferred Compensation Plan do not count toward the \$42,000 limit. However, contributions made on your behalf to the Virginia Cash Match Plan are counted toward this limit.

### **Am I required to make contributions to the Plan?**

No, you are not required to make contributions under this Plan. Your employer makes contributions to the Plan. However, you may roll funds into this Plan from other retirement plans you have including 401(a), 403(b), 457(b) and traditional IRA accounts.

Participating in the ORP does not affect your right to participate in the Commonwealth's Deferred Compensation Plan. If you would like to build up additional retirement savings, ask your Human Resources office about these tax-deferred retirement savings plans. If you participate in the DCP you are also eligible to have contributions made for you to the Virginia Cash Match Plan.

### **Can I roll over amounts distributed from other plans into this Plan?**

Yes, you are permitted to roll over funds from any employer's tax-qualified 401(a) retirement plan (including any 401(k) plan) as well as from a 403(b) plan, a governmental 457(b) plan and a traditional IRA into this Plan. Beginning July 1, 2004, you may also roll over funds that were contributed on an after-tax basis.

If you wish to consolidate retirement plans by rolling eligible account balances into this plan, use the Incoming Transfer/Direct Rollover form available on the DC Plans Web site at [www.vadcp.com](http://www.vadcp.com).

If you were a member of the VRS defined benefit plan prior to becoming eligible for this Plan, you may transfer your member contribution account balance from the VRS to this Plan. If you make this plan-to-plan transfer, you will lose your service credit in the VRS defined benefit plan and the associated benefit. However, the period of employment during which the VRS service credit was earned counts toward the service required to qualify for the retiree life insurance and health insurance credit. The form required for this plan-to-plan transfer is the "Request for Transfer of Refund to the Optional Retirement Plan" (VRS-3ORP), which is found on the VRS Web site at [www.varetire.org](http://www.varetire.org) under Benefit Plans/Defined Contribution Plans/ORP for Political Appointees.

The retirement funds that you roll over into this Plan will be maintained in a separate rollover account for you. You may view your account through the Plan's Web site at [www.vadcp.com](http://www.vadcp.com) or access a registered representative at 866-226-6682, option 2.

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## **Your Plan Investments**

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### **What investment options are available under this Plan?**

This Plan offers a wide range of investment options that are organized into four distinct tiers representing different overall investment approaches. Depending on your own preferences, you can mix and match investments within each tier to meet your overall objectives. For more information, including fees and expenses and top holdings, please refer to the fund profile sheets that are located on the DC Plan's Web site at [www.vadcp.com](http://www.vadcp.com) under **Investments**. Remember, by investing in different tiers you are not automatically diversifying your investments, so be sure to review the fund profile sheets to ensure you are getting the diversification you desire.

The Plan has registered representatives available who can answer your questions concerning the investment choices. They may be contacted toll-free at 866-226-6682, option 2.

The following is an overall description of the four tiers followed by a summary of the specific investment options in each tier and their asset class and benchmarks:

### **Tier I: Pre-mixed Asset Allocation Funds**

The Plan offers three distinct passively managed asset allocation funds in this tier, each representing a different potential risk versus return profile designed to track their respective market indices. Investment professionals maintain pre-mixed weightings of these specific asset classes. These asset allocation funds may be most appropriate for those investors who may want to simplify the asset allocation process.

### **Tier II: Passively Managed Funds**

Investors seeking to track the total return performance of the various market indices may want to consider this tier. Index funds are designed to produce similar returns to those that investors would earn if they owned all the securities of a particular market index. They are called “passively managed” because it is the securities included in a particular index that determine how your money is invested – not the research and discretion of a portfolio manager.

### **Tier III: Actively Managed Funds**

Actively managed funds try to produce a higher return than the benchmark index. Typically a professional portfolio management team engages in regular in-depth research on the individual companies within a particular area of focus. For this reason, actively managed funds may have higher fees due to more frequent trading than with a passively managed fund. Investors need to be aware that there is no guarantee the portfolio manager will accomplish this goal of producing higher returns.

### **Tier IV: Self-Directed Brokerage Account option**

The Self-Directed Brokerage Account option allows knowledgeable and experienced investors to select from thousands of mutual funds in addition to the core investment options.

### **Who decides how my money is invested?**

You decide how to invest your Plan money using the investment options available under the Plan. See Attachment A for the “Listing of Funds/Asset Class/Benchmarks.”

### **What are my investment options?**

A number of core investment options are available through the Plan. You should review all Plan investment related materials carefully before investing. They are available on the Web site at [www.vadcp.com](http://www.vadcp.com). You alone will be responsible for your investment direction. VRS, its Board of Trustees, the Investment Advisory Committee, and the Commonwealth are relieved from any liability or responsibility for your investment choices.

Quarterly statements will be mailed to you. You will also have access to your account information on-line at [www.vadcp.com](http://www.vadcp.com) or by phone through KeyTalk at toll-free 1-866-226-6682.

### **Who is the service provider for the Plan?**

Great West Retirement Services is the service provider for the Plan and has a local service center in Richmond, VA. They are responsible for providing recordkeeping and communication services for the Plan. They also conduct informational seminars and individual

counseling on retirement options. Their offices are located at 1108 East Main Street, Suite 1102, Richmond, VA 23219. Office hours are Monday – Friday, 8:00 a.m. to 5:00 p.m. Eastern Time. You may contact them toll-free at 1-866-226-6682, option 2.

Additionally, four registered representatives serve all areas of the State and can be contacted at the number listed above.

### **How do I select the funds in which I wish my Plan contributions invested?**

The materials sent to you included an Enrollment Form for ORP for Political Appointees. Complete this form to select your investment options. Additional information on the investments can be found on the DC Plan's Web site or in the Investment Guide included in your plan information materials.

### **What happens if I don't decide how to invest?**

If you do not specify your investment direction, your money will be invested in the default investment option selected for the Plan. The default is currently the Stable Value Fund. Since the Board of Trustees is unlikely to know all your personal circumstances, the default investment option may not be what you want so you should give your own investment direction.

### **Will I be permitted to change my investment direction?**

You may change your investment direction for current or future contributions at any time. You may also transfer or rebalance your accounts at any time subject to certain transfer restrictions that are outlined on the fund profile sheets. You may change investment options through the Web site at [www.vadcp.com](http://www.vadcp.com) or KeyTalk at toll-free 1-866-226-6682.

### **Where do I go for more information on the investment choices?**

Great West Retirement Services is the service provider for the Plan and has a local service center in Richmond, VA. Their offices are located at 1108 East Main Street, Suite 1102, Richmond, VA 23219. Office hours are Monday – Friday, 8:00 a.m. to 5:00 p.m. Eastern Time. You may contact your registered representative toll-free at 1-866-226-6682, option 2.

You should regularly review your accounts under the Plan with your registered representative or with another financial advisor. Remember that as your circumstances change, you may need to adjust your investment strategy.

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## **Plan Fees and Expenses**

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### **What are the costs for the Plan?**

An annual recordkeeping fee of 30 basis points (0.30%) capped at account balances of \$150,000 will be deducted from your account on a quarterly basis (0.075% per quarter). In addition, each investment option has investment management fees that vary by investment option. You can find your Plan's core investment option fees and performance on the Web site at [www.vadcp.com](http://www.vadcp.com) under **Investments** or by calling KeyTalk toll-free at 1-866-226-6682. For more information on the Self-Directed Brokerage Account option or to obtain a prospectus, please refer to the fund profile sheet for that investment or call HarrisDirect at 1-877-355-7040.

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## No Distributions While Employed

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### **Can I withdraw my money whenever I want?**

The Plan is designed to provide you with retirement income and therefore you are not able to withdraw money until you leave employment with the Commonwealth and do not return to work in a VRS covered position. Loans and hardship withdrawals are not available under the Plan.

If you have a rollover account with monies you rolled in from other plans, you may take a distribution of those funds at any time.

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## Your Retirement Distribution

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### **When may I receive my retirement distribution?**

You may begin to receive distributions from the Plan at any time after your severance from employment, unless you are reemployed with a public employer in Virginia and become an active participant in one of the retirement plans created by the Code of Virginia Title 51.1, Chapter 1, 2, 2.1 or 3. In some cases returning to work for the Commonwealth on a part-time basis will make you ineligible for a distribution from the Plan.

Transferring from an eligible position to one not eligible for the ORP (but in which the Commonwealth or a public employer providing a retirement plan described above is your employer) is not considered a severance from employment.

**Please note that the date you choose to begin your distribution from the Plan may affect your eligibility for the State Retiree Health Benefit and for the retiree health insurance credit.**

When you are preparing to leave employment contact your registered representative to get information about your payout options. You will also need to complete the Termination Certification (Form VRS-65E) available on the VRS Web site at [www.varetire.org](http://www.varetire.org).

### **When must I begin receiving my retirement distribution?**

If you have severed employment, you must begin to receive your retirement distribution no later than April 1 following the calendar year in which you attain age 70 ½. However, if you remain employed after attaining age 70½, you must wait until the date you retire. This required beginning date is imposed by Internal Revenue Code Section 401(a)(9).

### **How will my benefits under the Plan be paid to me?**

Your account balance determines the amount of benefit you will have in retirement. Your account balance is made up of the contributions paid by your employer, adjusted for fees, and gains or losses on your account including funds you may have rolled into the Plan.

There is no requirement that you begin receiving benefits until you reach age 70 ½ or when you sever employment, if later. You can choose to leave your account in the Plan and manage your accounts until you are ready to receive a distribution.

Your benefits may be paid to you in the form of an annuity for your lifetime. The amount of monthly annuity payments is based on the value of your account, your life expectancy, prevailing interest rates at the time you start receiving your life annuity and whether or not you select a survivor option.

You may choose to have your benefit paid as a joint and survivor annuity with a percentage of the annuity payable to you during your lifetime continuing to your named survivor after your death for the rest of that person's life. You may choose a survivor percentage of 50%, 66-2/3% or 100%.

In addition, instead of an annuity payment, the Plan permits you to elect to receive your benefit as a single lump sum payment or in periodic payments of an amount per payment or for a frequency of payment selected by you.

**Please note that if you select a lump sum payment, including a rollover to another plan, you will not be eligible for the State Retiree Health Benefit or for the retiree health insurance credit.**

Other options may be also available. You will have the opportunity to discuss distribution options with your registered representative who will help you understand and select the best option for your circumstances.

### **Will the time and form of payment that I choose have any affect on other benefits available to me in retirement?**

Yes, in order to be eligible for Group Life Insurance (GLI) in retirement you must leave your account balance in the Plan. You may start a distribution (including the purchase of an annuity) or you may defer taking your distribution. This is analogous to a VRS retiree who is eligible for GLI whether or not he starts to receive a benefit but who loses eligibility by taking a refund of the Member Contribution Account.

In order to be eligible for retiree health insurance credit, you must be receiving periodic payments from the Plan when the benefit starts, if otherwise qualified. You can, therefore, defer your retirement payment and later qualify for retiree health insurance credit.

### **Are there any other rules governing the payout option that I may choose?**

Yes. Once you reach age 70 ½ and have severed employment, the Plan requires you to choose a payout option that will satisfy certain minimum distribution rules which are necessary according to Internal Revenue Code Section 401(a)(9).

Under these rules, you must choose a payout option that will pay out your benefit over your life or life expectancy, or over the joint lives or life expectancies of you and your beneficiary.

Your registered representative can help you determine whether your selected payout option will satisfy these rules.

Additionally, the service provider allows you to select an Automated Minimum Distribution under which the correct required minimum is calculated and paid to you.

### **What tax rules apply to the benefits paid under the Plan?**

You are not required to take a distribution from the Plan when you sever employment unless you are at least age 70 ½. You may leave the monies in the Plan and continue to manage your account. If you receive benefit payments under the Plan, they are subject to federal and state income taxes when distributed to you or your beneficiary. Depending upon your age when you begin receiving the benefit, you may also be subject to a 10% early withdrawal penalty. The 10% early withdrawal penalty will not apply if you sever employment after age 55 or take your distribution in the form of periodic payments.

If you select a periodic payment over more than 10 years, there is a required 10% federal and 4% State income tax withholding unless you specify a different amount or no withholding.

You may also roll your account into an Individual Retirement Account (IRA) or other tax qualified plan or governmental 457 Plan. These plans also have a Minimum Required Distribution at age 70 ½. Review the “Special Tax Notice” located with the distribution forms on the DC Plans Web site at [www.vadcp.com](http://www.vadcp.com).

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## **Your Death Benefit**

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### **Who will receive my ORP account in the event of my death?**

When you join the Plan you are asked to complete a Designation of Beneficiary form. You may choose as a beneficiary any natural person or another non-natural entity, such as a trust. You may designate any number of beneficiaries. You can also specify different classes of beneficiaries – for example one or more primary beneficiary(ies), and then one or more contingent beneficiary(ies) who get any remaining benefit if your primary beneficiary(ies) dies before you do. If you name more than one beneficiary, the Plan assumes that all beneficiaries in the same class should get equal shares, unless you specify otherwise.

You may change your beneficiary designation at any time by filing a new beneficiary designation form.

### **What if I do not designate a beneficiary?**

If you die without having a designated beneficiary or your designated beneficiary(ies) predecease you, your beneficiary will be determined by the following order of precedence: your surviving spouse, or if none, your children and descendants of your deceased children, per stirpes, or if none, your parents, equally if both are living, or if none, the duly appointed executor or administrator of your estate, or if none, the next of kin entitled to inherit under the laws of the State of your domicile at the time of your death.

### **What happens if I die before I begin receiving my retirement benefit?**

If you die before you begin your retirement distribution, your full account is payable to your designated beneficiary or according to the order of precedence if no valid beneficiary

designation is on file with the service provider. Your beneficiary may choose any approved Plan payout option, except for a joint and survivor annuity, as long as it meets the minimum distribution rules. If your beneficiary fails to choose a form of payment, he or she will receive a lump sum payment.

### **When must the beneficiary start to receive payments?**

If your beneficiary is your spouse, your spouse must either 1) start to receive payments by the later of: a) December 31 of the year in which you would have reached age 70 ½ or b) December 31 of the 1<sup>st</sup> calendar year following the year in which your death occurs, or 2) be paid all the death benefits no later than the later of: a) December 31 of the year in which you would have reached age 70 ½ or b) December 31 of the 5<sup>th</sup> calendar year following the year in which your death occurs.

If your beneficiary is not your spouse, your beneficiary must either 1) start to receive payments by December 31 of the 1st calendar year following the year in which your death occurs, or 2) be paid all the death benefits no later than December 31 of the 5<sup>th</sup> calendar year following the year of your death.

If your beneficiary elects to begin receiving payments by the end of the calendar year following the year of your death (or, in the case of a spouse beneficiary, if later, by the end of the year in which you would have reached age 70 ½), the death benefit may be paid over the beneficiary's life expectancy.

### **May my beneficiary choose to begin payments sooner?**

Yes. A beneficiary may begin payments at any time after your death.

### **What happens if I die after I begin receiving my retirement benefit?**

If you die after you begin your retirement distribution, your beneficiary will receive further payment according to the terms of the payout option that you selected. Any money remaining in your account will be paid to your designated beneficiary or if none according to the order of precedence. If you used your ORP account balance to purchase an annuity and die after beginning to receive a retirement benefit, your beneficiary will receive further payments (if any) according to the terms of the payout option that you selected.

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## **Military Service**

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### **What if I'm away from work on military service?**

If you perform duty in a uniformed service (defined below) and meet the eligibility requirements outlined below, your employer will make-up contributions for the period during which you were in uniformed service. Creditable compensation used for determining the make-up contribution will be the same compensation, based on rate of pay, you would have received except for your military service. These special rules apply only to the extent required by the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

Under USERRA, an employee who leaves a civilian job for military/uniformed service and is reemployed by the Commonwealth is entitled to certain retirement and other benefits that would have accrued had the employee not been absent due to uniformed service.

For purposes of USERRA, uniformed services include: the Army, Navy, Air Force, Marines, Coast Guard and the reserve component of these services, the commissioned corps of the Public Health Service, as well as the National Guard and any other category of persons designated by the President in a time of war or emergency. Service for purposes of USERRA means active duty, active duty for training, initial active duty for training, inactive duty training, examination to determine fitness for duty, funeral honors, and full-time National Guard duty. Service may be voluntary or involuntary.

The following conditions must be met in order for ORP participants to qualify for USERRA benefits:

- The employee must give the employer advance written or verbal notice of service.
- The employee has no more than 5 years of total absences from the employer for military purposes. However, this limitation is subject to exceptions. Most notably, service resulting from an order to active duty because of war or national emergency declared by the President or Congress does not count against the five-year limit.
- The employee must not have been released from service under dishonorable or other punitive conditions.
- The employee must return to employment with the original employer within the following specified time frames based on the length of his or her service:
  - a. Less than 31 days: The employee must report to work no later than the beginning of the first full work period on the first full calendar day following discharge, allowing reasonable time required to return home safely and an 8 hour rest period.
  - b. More than 30 days but less than 181 days: The employee must return to employment no later than 14 days following discharge.
  - c. More than 180 days: The employee must return to employment no later than 90 days following discharge.

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## **Domestic Relations Orders**

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### **If I divorce or separate, or have to pay child support, can the court order payments to come from my Plan money?**

Yes. With only a few exceptions, your interest in your Plan account may not be sold or given away. Similarly, your creditors normally may not attach or garnish your Plan account. The assignment or alienation of your Plan account is permitted only to the extent that the Code of Virginia allows it. One important exception to this general rule is for an Approved Domestic Relations Order (ADRO).

If you divorce, your Plan balance could be regarded as marital property in a property settlement. The Code of Virginia and the Plan authorize the Plan Administrator to make direct payment to a former spouse if the court awards the spouse part of the Plan benefit. It's important to remember that the law does not require that the court divide Plan benefits. It simply authorizes the Plan Administrator to make direct payments if the court divides the

benefit. The court - not the Plan Administrator - makes the decision whether or not to divide your retirement benefits. Your attorney should work with VRS Member Services Department to determine how this can be done.

The Plan Administrator implements the court decision only if a certified copy of an Approved Domestic Relations Order (ADRO) is received and the order does not require the Plan to make a distribution contrary to the terms of the Plan or the Code of Virginia regarding the distribution of your account.

The language of the ADRO must conform to the requirements of the Plan Administrator. Your attorney should provide the VRS Member Services Department with a draft of the ADRO before filing it with the court to ensure that the language of the order is acceptable.

Contact the VRS Member Services Department for information on ADRO requirements.

The Plan requires that distribution to an alternate payee be made in a lump sum as soon as practicable after a domestic relations order has been accepted or approved by the Plan.

Neither the service provider nor the Plan Administrator will release information about your benefit to anyone other than yourself without your written authorization. However, information may be secured by a subpoena without your authorization.

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## **Amendment or Termination of this Plan**

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### **Can this Plan be amended or terminated?**

The Board of Trustees of the Virginia Retirement System can amend this Plan at any time. However, the Board cannot make an amendment contrary to the Virginia statute that governs this Plan.

The Commonwealth of Virginia can amend or terminate this Plan at any time by action of the General Assembly.

### **What happens if the Plan is amended or terminated?**

Any amendment or termination of the Plan cannot reduce the amount credited to your account before the date of the amendment or termination. You remain entitled to your total account.

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## **About Your Health Insurance**

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Health insurance for active ORP participants is the same as for active VRS participants. For information about your health insurance benefits contact your Human Resources office.

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## About Your Disability Protection

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### **As an ORP participant am I covered by the Virginia Sickness and Disability Program (VSDP) or the VRS disability retirement benefit?**

No. ORP participants are not covered by VSDP or the VRS disability retirement benefit. If you sever employment due to a disability, your ORP account balance is available to you.

You should also be aware that unless you qualify based on service, your eligibility to receive up to the full amount of the health insurance credit should you become disabled is dependent upon your receiving a benefit from your employer's long term disability program.

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## About Your Life Insurance

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### **As an ORP participant, am I covered by the VRS life insurance?**

State employees participating in the ORP have the same life insurance coverage as those who elected to be covered by the Virginia Retirement System defined benefit plan. That coverage includes basic group life, accidental death and dismemberment coverage and optional coverage for you and your dependents as described below.

#### **Basic Group Life Insurance**

If your employer provides VRS Basic Group Life Insurance, coverage is automatic. Your basic group life insurance provides you with basic life insurance and accidental death and dismemberment insurance during active employment. Your life insurance benefits are:

- group life insurance without a medical examination,
- natural death benefits,
- double the natural death benefit for an accidental death,
- dismemberment payments for accidental loss of one or more limbs or the loss of sight in one or both eyes, and
- accelerated death benefit for a terminal medical condition,
- a safety belt benefit,
- repatriation benefit,
- felonious assault benefits.

The VRS group life insurance provider is Minnesota Life. Questions about your life insurance coverage can be directed to:

Minnesota Life  
P.O. Box 1193  
Richmond, VA 23218-1193  
Toll free: 1-800-441-2258

#### **Amount of Benefit**

For natural death, the amount of basic group life insurance is equal to your annual salary rounded to the next highest thousand, and then doubled. For example, if your annual salary is \$65,200, it is rounded up to the next highest thousand - \$66,000. When doubled it is \$132,000

for natural death. If death is accidental, the amount is doubled again, so in this example, the benefit amount is \$264,000 (\$132,000 natural death benefit and \$132,000 for accidental death).

### **Dismemberment Benefit**

You receive a payment equal to your salary rounded to the next highest thousand for the accidental loss of one limb or the sight of one eye. You receive a payment equal to your salary rounded to the next highest thousand and doubled, for the loss of two or more limbs, the total loss of eyesight, or the loss of one limb and the sight of one eye.

### **Felonious Assault Benefits**

The life insurance benefit pays an amount equal to the lesser of \$50,000 or 25 percent of the accidental death or dismemberment benefit amount, if you die or suffer dismemberment because of a felonious assault.

A felonious assault is a physical assault by another person resulting in bodily harm. The assault must take place while you are performing your customary duties at your employer's normal place of business or while you are on work-related travel, and must involve the use of force with intent to cause harm and must be either a felony or a misdemeanor. No benefit is payable if the assault is committed by an immediate family member.

If the assault causes your death and you have an eligible child or children, the benefit will provide a Virginia Education Savings Trust account to be used for college tuition and mandatory fees at any accredited college or university in the country that is eligible to participate in federal student financial aid programs. The amount will be approximately equal to the current cost of a pre-paid tuition contract for tuition and mandatory fees for a public four-year institution of higher education in Virginia.

### **Repatriation Benefit**

If you die in an accident at least 75 miles from home, this benefit pays an additional accidental death benefit for returning your remains. The amount paid will be either the cost of transportation or \$5,000 whichever is less.

### **Safety Belt Benefit**

If you die or suffer dismemberment in an accident while driving or riding in a private passenger vehicle, your life insurance benefit will pay an additional amount equal to 10 percent of the accidental death or dismemberment amount, provided the private passenger car was equipped with a safety restraint system that was in proper use at the time of the accident, and the driver of the vehicle was a licensed driver and was not intoxicated, impaired, or under the influence of alcohol or drugs. The maximum benefit payable is \$50,000. A safety restraint system means a properly installed seatbelt, lap and shoulder restraint or other restraint system approved by the National Highway Safety Administration. An air bag system is not required.

### **Accelerated Death Benefit**

If you are diagnosed with a terminal condition and have fewer than 12 months to live, you can withdraw any amount of your life insurance coverage (up to the total amount of your natural death benefit) for any purpose. Any amount left in the plan is paid to your beneficiary. If you

withdraw the entire amount of your life insurance coverage, no payment remains for your beneficiary.

### **Voluntary Irrevocable Assignment**

You may make an irrevocable assignment of your ownership rights to the insurance provided by the basic group life insurance benefit by completing a form provided by Minnesota Life. Anyone considering such an assignment should seek the advice of legal counsel.

An irrevocable assignment does not automatically change the beneficiary designation made before the date the assignment is made; however, the new owner may change the beneficiary. Using the life insurance as collateral to secure a loan is prohibited.

### **Taxes**

Basic group life insurance is subject to imputed income and FICA taxes. This means that if your coverage exceeds \$50,000, the value of the coverage in excess of \$50,000 will be subject to FICA and federal and state income taxes if the premiums are paid by your employer. The value used to determine imputed income is based on a table provided by the Internal Revenue Service, not by VRS or Minnesota Life.

### **Cost of Coverage**

As a State employee, your employer pays the premium for coverage.

### **Coverage While On Leave Without Pay**

You can continue coverage while on leave without pay for up to a total of 24 months.

### **Termination of Employment**

Your basic group life insurance benefit ends when you terminate ORP or VRS-covered employment before you are eligible for retirement. In order to retain your group life insurance benefit in retirement you must be age 55 with at least 5 years of service or age 50 with at least 10 years of service at the time you terminate employment with the Commonwealth.

If you meet the age and service requirements at the time you terminate employment, whether you take a distribution from the Plan or defer your retirement payout, your basic group life insurance remains in effect at no cost. A 25 percent reduction in the amount of your coverage begins on January 1 of the first full calendar year after you terminate employment and continues each January 1 until the amount of your coverage is 25 percent of the value of the natural death coverage at termination of employment. If you met the age and service eligibility and terminated ORP or VRS-covered service before July 1, 2001, the reduction is 2 percent of the original natural death benefit each month, commencing with the month of retirement, until the benefit reaches 25 percent of the original amount.

To be eligible to continue basic group life insurance, you must have had at least five years of service when you leave employment. Your employer must certify to VRS your eligibility to continue group life insurance.

### **Conversion of Basic Group Life Insurance Benefits**

As noted above, your Basic Group Life Insurance benefit ends when you leave ORP or VRS-covered employment. If you do not meet the age and service requirement to continue the benefit, you may convert to an individual whole-life policy at non-group rates by completing an Enrollment Form for Conversion of Group Life Insurance (VRS-35). The conversion must take place within 31 days of the last day of the month in which you terminate employment. If you die within 31 days of the last day of the month in which you terminate employment, the natural death benefit is payable. Accidental death and dismemberment coverage ends at termination of employment.

The conversion privilege is not available to ORP participants who meet age and service requirements to continue coverage at the time they terminate employment with the Commonwealth.

### **Life Insurance After Retirement**

When you terminate employment, your basic group life insurance coverage continues at no cost to you provided you are at least 50 years of age and have at least 10 years of service or you are age 55 with at least 5 years of service. This service includes ORP service plus service in a salaried position with other employers for which no refund of defined benefit contributions has been made (excluding rollovers of VRS account balances to the ORP). After retirement, the amount of your insurance reduces by 25 percent annually starting January 1 following your first full year of retirement and each January 1 thereafter, until your coverage reaches 25 percent of its value at your retirement.

Your life insurance also continues if you terminate employment because of a disability. If you terminate because of disability and you are receiving a payout from an employer-sponsored long-term disability plan, your basic group life insurance does not begin to reduce until you reach age 65. Beginning January 1 following the date you reach age 65 and each January 1 thereafter, your insurance begins to reduce at the rate of 25 percent annually until your coverage reaches 25 percent of its value at the time of termination of employment due to disability.

Retirees are not required to pay premiums. Accidental death and dismemberment coverage ceases when you leave employment. This includes coverage for felonious assault, the repatriation benefit and the safety belt coverage. The accelerated death benefit and the right to voluntary irrevocable assignment continue into retirement.

At the time you terminate employment, your employer must certify your eligibility for continued group life insurance coverage.

### **Returning to Work after Retirement**

If you return to employment covered by the VRS group life insurance, you also resume your group life insurance coverage. If you retired with 20 or more years of service and left State employment after July 1, 1999, the value of your life insurance is based on your highest career salary in covered employment.

## **Beneficiary Designations**

VRS pays life insurance benefits according to the order of precedence:

- Spouse
- If no surviving spouse, children and descendants of deceased children, per stirpes
- If none of the above, to the parents
- If none of the above, to the duly appointed executor or administrator of the estate
- If no executor is named, to the next of kin under the laws of the state where the member resided at the time of death

You should complete a Designation of Beneficiary (VRS-2) only if you wish to designate a beneficiary other than in the order of precedence, or if your beneficiary form on file is incorrect.

If a valid designation form is on file with VRS, it will be followed at the time of your death. You may obtain information on your current beneficiary designation by contacting Minnesota Life. Minnesota Life can be reached at:

Minnesota Life  
P.O. Box 1193  
Richmond, VA 23218-1193  
Toll free: 1-800-441-2258

## **Optional Group Life Insurance**

The Optional Group Life Insurance Program is a voluntary program that allows you to purchase additional protection for yourself and your family. Minnesota Life, the administrator of the Group Life Insurance Program also administers the Optional Group Life Insurance Program.

### **Amount of Insurance**

You can purchase the optional group life insurance coverage for one, two, three, or four times your salary, not to exceed \$600,000. You are responsible for paying the premiums through payroll deduction.

If you purchase optional group life insurance within 31 days of becoming covered by the VRS basic group life insurance (this is generally your first day of state employment), you may purchase the optional insurance without providing evidence of insurability. If you apply for optional life insurance program after your first 31 days of covered employment, if you request more than \$300,000 of coverage, or if you later request an increase in the amount of coverage, you must provide evidence of insurability.

### **Dependent Coverage**

If you are an active employee, participating in the Optional Group Life Insurance plan, optional group life insurance is also available to your spouse and dependent children. Your spouse is eligible for up to 50 percent of the maximum amount of your optional group life insurance coverage. You can purchase optional group life coverage for your minor children.

	<b>Employee</b>	<b>Spouse</b>	<b>Children</b>	
<b>Option</b>	<b>Insurance Amount</b>	<b>Insurance Amount</b>	<b>15 Days to Maximum</b>	
1	1 x salary	1/2 x salary	\$10,000	
2	2 x salary	1 x salary	\$10,000	
3	3 x salary	1.5 x salary	\$20,000	
4	4 x salary	2 x salary	\$30,000	

If both you and your spouse are covered under VRS-sponsored group life insurance, you can both purchase optional life coverage for yourselves, but neither one of you can choose spousal coverage. If you have dependent children, you or your spouse, but not both, may elect coverage for your children.

Your spouse's coverage ends when your coverage ends. Your spouse's coverage also ends if there is a final divorce decree between you and your spouse.

Optional life coverage for minor children ends when a child turns age 21, or age 25, if he or she is a full-time student. Optional life coverage also ends when a child marries or becomes self-supporting. If a minor dependent has a physical or mental disability, coverage may continue until three months after he or she is no longer disabled.

Proof of good health is required for all coverage if not elected within 31 days of your first day of coverage under basic group life insurance or qualifying event (e.g., marriage or birth or adoption of a child). Proof of good health is also required for amounts in excess of \$300,000 for you and for more than one-half of your salary for your spouse's coverage.

After you have had insurance coverage for two years from your effective date of coverage, the insurance provider cannot contest your coverage, except in cases of fraud or non-payment of premiums.

### **Optional Life Insurance After Retirement**

You may continue a portion of optional life insurance coverage for yourself, your spouse and dependents, into retirement. If you want to continue coverage, you and your dependents must have been covered continuously under optional life insurance during the 60 months immediately preceding retirement. You must elect the coverage within 31 days of terminating employment. Insurance amounts begin to reduce when you reach age 65 and all optional insurance ends when you reach age 80.

For more details on optional life insurance benefits, visit the publications area of the VRS Web site at [www.varetire.org](http://www.varetire.org) and select Optional Life Insurance.

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# Health Benefits After Retirement

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## Retiree Health Benefits

### **As a Participant in the ORP, am I eligible for the State Retiree Health Benefits Program?**

If you are a state employee, you have 31 days from your retirement date to enroll in the State Retiree Health Benefits Program provided you are receiving (not deferring) an immediate periodic benefit from your ORP account and you were eligible for coverage as an active employee immediately prior to your retirement (not including Extended Coverage). The Department of Human Resource Management (DHRM) is the plan administrator for the program, but ORP retirees continue to use their pre-retirement agency Benefits Administrator as primary contact for health plan eligibility matters. Retirees pay the full cost of coverage (no agency contribution), and premiums are direct billed by the carrier (see next section regarding the Health Insurance Credit Program). Your Human Resources office can provide enrollment materials to you.

If you are enrolled in the COVA Care program, you are not required to select a primary care physician. If you have not elected the out-of-network optional benefit, you must seek care from providers that are in the appropriate administrator's network (Anthem or Blue Card PPO, ValueOptions, Delta Dental or Medco, as appropriate). If you need assistance in identifying a participating provider, please contact the customer service number listed on the back of one of your benefit-specific ID cards. COVA Care members who elect the out-of-network option may seek services from non-participating providers, but their benefit will be reduced.

If you are enrolled in Kaiser Permanente, the Health Maintenance Organization (HMO) offered in Northern Virginia, you must select a primary care physician (PCP) in order to receive benefits from the plan. If you do not select a PCP, you may be ineligible for benefits.

If you are eligible for Medicare when you retire and you enroll in the state program, you must secure both Hospital Part A and Medical Part B of Medicare and must select a health plan that coordinates with your Medicare benefits. Contact your local Social Security Administration before your retirement to enroll in Medicare. Remember that Hospital Part A and Medical Part B of Medicare are required for primary coverage, and the state's Advantage 65 plan, if enrolled, will pay secondary to Medicare. Advantage 65 does, however, currently have a prescription drug benefit and an optional dental and vision benefit. Since Medicare does not currently cover most prescription drugs or routine dental and vision, this benefit does not coordinate with Medicare. Advantage 65 does not pay for services that would have been paid by Medicare had the participant been properly enrolled. (Medicare will introduce Part D coverage for prescription drugs on January 1, 2006. DHRM will provide additional information about the coordination of Part D and the state program at a later date.)

Member handbooks are available for all plans (Medicare and non-Medicare) on the DHRM web site at [www.dhrm.virginia.gov](http://www.dhrm.virginia.gov).

Upon the death of a retiree, dependents who are covered under the program at the time of death may continue coverage as survivors if they enroll within 60 days of the date of death and may remain in the program based on eligibility limitations.

You may cancel your coverage at any time after you retire by either completing the “cancel/decline” portion of the DHRM State Health Benefits Program Enrollment Form for Retirees, Survivors and VSDP/LTD Participants, or by sending a cancellation request in writing to your Benefits Administrator. Include your name and identification number in the written cancellation request. Coverage will be canceled prospectively; that is, the first of the month after notification is received. Once you cancel your coverage you will not have another opportunity to re-enroll in the State Retiree Health Benefits Program unless you become eligible for active employee coverage and, as a result, become eligible again as a new retiree.

Your request to cancel your coverage will also cancel coverage for your covered dependents.

**If you terminate employment and defer retirement (do not take an immediate periodic benefit from your ORP account), you are not eligible to enroll in the State Retiree Health Benefits Program when you do start a payout from the Plan.**

For more information refer to the DHRM Retiree Fact Sheets available from your Benefits Administrator or from the Web site at [www.dhrm.virginia.gov/hbenefits/retirees/factsheet.html](http://www.dhrm.virginia.gov/hbenefits/retirees/factsheet.html).

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## **Retiree Health Insurance Credit**

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### **As an ORP participant, am I eligible for the Retiree Health Insurance Credit?**

You will qualify for the retiree health insurance credit if all of the following criteria are met:

- You terminate employment with the Commonwealth and do not become reemployed in a position that would provide participation in any of the retirement benefit plans authorized by Title 51.1, Chapter 1,2, 2.1 or 3 of the Code of Virginia.
- You are receiving a periodic distribution or annuity from your ORP account.
- You are enrolled and paying premiums for an individual or employer-sponsored health insurance plan or Part B of Medicare.
- The agency’s Human Resources office certifies that you have a minimum of 15 years of coverage under the ORP or a combination of VRS service credit and ORP coverage that equals 15 years. Use VRS-75 “Employer Certification of ORP Health Insurance Credit.

The health credit, which is set by the General Assembly, is a dollar amount for each year of service up to a maximum of 30 years of service. It applies to the retiree portion of the premium only and cannot exceed the amount of your insurance premium.

Currently the credit is \$4.00 per month per year of service up to a maximum of \$120.00 per month.

### **How do I get the credit if I am not receiving a VRS pension?**

Your employer completes the VRS-75 “Employer Certification of ORP Health Insurance Credit” to certify eligibility for the credit. This form is located on the VRS Web site at [www.varetire.org](http://www.varetire.org) under Benefit Plans/Defined Contribution Plans/ORP for Political

Appointees. The form is completed and submitted to VRS when you terminate employment and elect a periodic payment from the ORP. A check in the amount of the health credit for which you qualify is sent directly to you at your home address. Direct deposit is not available. This is a tax-free benefit.

### **How do I get more information on the Retiree Health Insurance Credit?**

For more information, see the Retiree Health Insurance Credit Questions and Answers on the Member Section of the VRS Web site at [www.varetire.org](http://www.varetire.org), under Frequently Asked Questions/Health Insurance Credit. Contact your Human Resources office to determine if you are eligible for the health insurance credit.

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## **Returning to Work/ Changing Employers**

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The Internal Revenue Service (IRS) requires that you have a severance from service with the employer who provides your Plan in order to be eligible for a distribution from the Plan. All agencies and institutions of the State are considered to be a single employer, the Commonwealth of Virginia. Virginia public school divisions and political subdivisions are considered to be separate employers.

The Code of Virginia also requires that certain conditions be met for you receive a benefit from the retirement plans created by Title 51.1, Chapters 1,2, 2.1 or 3 of the Code. If you are receiving a benefit from the Virginia Retirement System (VRS) defined benefit plan, the Judicial Retirement System (JRS), State Police Officers' Retirement System (SPORS), Virginia Law Officers' Retirement System (VaLORS) or any other Optional Retirement Plan or Alternate Retirement Plan (ARP) established under Title 51.1 of the Code and are reemployed in a position eligible to elect the ORP, your benefit payout must stop whether you choose VRS or the ORP as your retirement plan.

### **If I retire under the ORP (defined as receiving periodic payments from my ORP account) can I accept a full time position with another public employer in Virginia?**

If you retire from an ORP covered position and begin receiving a benefit from your ORP account and later return to work in a position in which you are provided a retirement plan authorized by Title 51.1, Chapters 1, 2, 2.1 or 3 of the Code of Virginia (VRS, JRS, VaLORS, SPORS, ARP or another ORP), you must suspend your distribution from the Plan, other than a payout from an annuity purchased with your ORP account.

### **What are the IRS rules that apply to accepting part-time employment with an agency or institution of the Commonwealth?**

If you terminate employment under the ORP and later return to part-time or non-salaried employment with an agency or institution of the Commonwealth, you must meet the following criteria to be eligible to receive a payout from the ORP:

- Have a break in service of no less than 30 days [summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more based on employer's policy),

- educational leave, and sabbaticals do not count toward the 30 days required for a break-in-service],
- You and you employer had no pre-determined date that you return to employment, and
- The work you do does not have the same duties or hours that you worked prior to leaving your ORP-covered position.

**What other restrictions apply to my employment with a public employer in Virginia?**

You may not be an active participant in this Plan (meaning that contributions are being paid on your behalf) and at the same time be an active member in another plan created by the Title 51.1, Chapters 1, 2, 2.1 or 3 of the Code of Virginia. If you have dual public employment, making you eligible for more than one retirement plan, you must choose the plan under which you wish to be covered.

**If I leave my current position and immediately become employed in another position covered by the ORP for Political Appointees, may I select VRS rather than the ORP as my retirement plan?**

If you move from one ORPPA eligible position to another and do not have a *bona fide* break-in-service, you will continue to participate in the ORP.

Likewise, ORP eligible employees who chose VRS as their retirement plan and who became employed in another ORP eligible position with no *bona fide* break-in-service would continue to be covered by VRS.

A *bona fide* break-in-service is at least 30 days during which you were not an employee of the Commonwealth of Virginia. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more based on employer’s policy), educational leave, and sabbaticals do not count toward the 30 days required for a break-in-service.

**Social Security**

**As a Participant in the ORP, am I also covered by Social Security?**

Yes, the Commonwealth of Virginia participates in Social Security. This means that in addition to your ORP benefits, you also qualify for Social Security benefits. Social Security benefits include disability, survivor and retirement benefits. The following chart shows the ages at which you qualify for full Social Security retirement benefits. For additional information, or to request an estimate of your Social Security benefits, contact the Social Security Administration at [www.ssa.gov](http://www.ssa.gov) or 1-800-772-1213.

**Social Security Full Retirement Benefits**

<b>Birth Year</b>	<b>Full Retirement Benefits At Age</b>
1937 or earlier	65
1938	65 + 2 months
1939	65 + 4 months
1940	65 + 6 months

1941	65 + 8 months
1942	65 + 10 months
1943 - 54	66
1955	66 + 2 months
1956	66 + 4 months
1957	66 + 6 months
1958	66 + 8 months
1959	66 + 10 months
1960 and later	67

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## GLOSSARY

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**Absolute Assignment** -- An irrevocable decision to transfer ownership of member or retiree life insurance coverage to an individual or organization. An absolute assignment does not transfer ownership of the dependent's insurance or change a beneficiary.

**Accelerated Death Benefit** -- The payment of the value of life insurance to a participant or covered dependent who is diagnosed as having a terminal medical condition that directly results in a life expectancy of 12 months or less. The terminal medical condition may be caused by sickness or accident.

**Accidental Death** -- A death that is caused directly by an unintended and unexpected injury. Death must occur within 90 days after the date of the injury while the employee's coverage is still in effect for the beneficiary to receive double the natural death benefit for accidental death.

**Administrator or Plan Administrator** -- The Board of Trustees of the Virginia Retirement System is the official Plan Administrator. The Board has appointed the Director of the Virginia Retirement System as the chief administrative officer. The day-to-day duties of the Administrator have been delegated to the VRS Defined Contribution Product Administrator. Certain duties have been further delegated to the service provider.

**Alternate Payee** -- The person to whom Plan benefits have been assigned under an ADRO (as defined under Internal Revenue Code section 414(p)).

**Alternative Retirement Plan (ARP)** -- A defined contribution retirement plan authorized by Section 51.1 of the Code of Virginia other than the defined contribution plans administered by VRS.

**Appointing Authority** -- Office of the Secretary of the Commonwealth, Office of the Attorney General, Office of the Lieutenant Governor.

**Approved Domestic Relations Order (ADRO)** -- An order issued by a court of competent jurisdiction that relates to child support, alimony payments or marital property rights of a spouse, former spouse, child or other dependent. An ADRO gives the person concerned rights to receive a portion of the benefits payable to a member or retiree and cannot alter the amount of those benefits. The language of the ADRO must conform to VRS requirements.

**Assignee** -- The person to whom the right of a member's group life insurance is legally transferred when an absolute assignment is made.

**Basic Group Life Insurance** -- The group life insurance plan that is provided to ORP participating employees.

**Beneficiary** -- The individual designated to receive the employee's account, as well as any person named to receive group life insurance proceeds upon the member's death.

**Board of Trustees** -- The nine-member Virginia Retirement System Board which is appointed by the governor and General Assembly, consisting of one faculty member or employee of a State-supported institution of higher education; one State employee; one public school teacher; one employee from a political subdivision; four investment experts; and one expert in employee benefit plans.

**Break-in-Service** -- A period of time of at least 30 days during which an individual was not an employee of the Commonwealth of Virginia. Summer breaks, annual leave, sick leave, FMLA leave of less than 12 weeks (or more based on the employer's policy), educational leave and sabbaticals do not count toward the 30 days required for a break-in-service.

**Commonwealth of Virginia Deferred Compensation Plan** -- This is an employer-sponsored, tax deferred retirement savings plan established under Section 457(b) of the Internal Revenue Code that is available to all State employees and employees of participating political subdivisions.

**Conversion Privilege** -- The right of a participant, retiree or dependent who is no longer eligible to continue to be insured under basic group life insurance, to buy an individual non-term policy without evidence of insurability. Conversion coverage is at non-group rates.

**Creditable Compensation** -- Annual salary not including overtime pay, payments of a temporary nature, or payments for extra duties, such as pay for teachers who provide coaching or act as advisor for special activities. This is also the amount on which the group life insurance benefit is based.

**Dependents** -- An employee's spouse, any unmarried children and others who can be claimed on the member's federal tax return.

**Dismemberment** -- The accidental permanent and irrecoverable loss of sight in one or both eyes or loss of one or more limbs. Permanent and irrecoverable loss of sight means that sight cannot be corrected by medical, surgical, or artificial means. The loss of a limb is defined as a complete severance at or above the wrist or ankle joint. Dismemberment coverage is available under the VRS Group Life Insurance Plan.

**Early Retirement Date** -- A participant who either 1) has attained the age of 55 years with at least five years of service, or 2) has attained the age of 50 years with at least ten years of service may retire prior to his normal retirement date, and his early retirement date shall be the first day of the calendar month coinciding with or next following the date on which he ceases to be employed.

**Eligible Position** -- A position designated in subdivision 3, 4, or 20 of Section 2.2-2905 of the Code of Virginia or an officer or employee appointed by the Attorney General or Lieutenant Governor to a position designated as a deputy, counsel, or director.

**Employer** -- The entity with which a person maintains a common law employee-employer relationship. Public colleges and universities in Virginia are considered State agencies. The employer may also be defined as the Commonwealth of Virginia and its agencies.

**Employer Contribution** -- This is the amount the employer shall contribute, on behalf of the participant, to the Plan each payroll period. This amount is 10.4 percent of each participant's compensation for such period or such other amount as may be provided in the enabling statute, as amended.

**Enabling Statute** – Section 51.1-126.5 of the Code of Virginia (1950) as amended.

**Great West Retirement Services (GWRS)** – The service provider/third party administrator that provides recordkeeping, enrollment and education services to the Plan. GWRS has a local service center in Richmond, VA at 1108 East Main Street, Suite 1102, Richmond, VA 23219 with office hours from 8:00 a.m. to 5:00 p.m. Eastern time. You can reach the service center by calling toll-free 1-866-226-6682, option 2.

**Group Life Insurance Evidence of Insurability (EOI)** -- The form on which members demonstrate satisfactory health status allowing an employee to secure optional group life insurance coverage after an initial waiver of coverage. Minnesota Life, the group life insurance provider, must approve this form for coverage to become effective. It is also used to allow a member to purchase optional group life insurance beyond guaranteed issue.

**Guaranteed Issue** -- The 31-day period after a member or dependent first becomes eligible for optional group life insurance during which time coverage is guaranteed for certain insurance amounts without demonstrating evidence of insurability.

**Health Insurance Credit** --A dollar amount, based on years of service, to help retirees with the cost of their individual health insurance premiums. Retirees must have 15 or more years of service. Service may be a combination of ORP and VRS covered employment as long as no refund of the VRS service has been taken (other than a transfer of the member contribution account to the ORP.)

**Imputed Income** -- The value of life insurance coverage in excess of \$50,000 that may be subject to FICA tax and federal and state income taxes.

**Investment Options** -- The funds selected by the VRS Board of Trustees and Investment Advisory Committee as outlined in the Investment Policy Statement. Investment options are monitored and reviewed on an ongoing basis and may be replaced or added to from time to time.

**Irrevocable Assignment** -- A voluntary assignment of a member's ownership rights to group life insurance.

**Lump Sum Payment** -- A payout option in which all or part of the account is paid directly to the participant.

**Minnesota Life Insurance Company** -- The carrier for VRS Basic Group Life Insurance and Optional Group Life Insurance programs.

**Natural Death** -- Under basic group life insurance, a death that results from natural causes and not from an accident is considered a natural death. Natural death benefits are paid to the designated beneficiary.

**Normal Retirement Age** -- Age 65

**Optional Group Life Insurance** -- A supplemental group life insurance plan that allows employees of participating employers to purchase additional insurance at group rates for themselves, their spouse, and their dependents.

**Optional Retirement Plan (ORP)** -- A defined contribution pension plan offered to certain eligible positions.

**Order of Precedence** -- If the participant dies without having designated a beneficiary or if the beneficiary so designated has predeceased him, the participant's beneficiary shall be deemed to be:

- The participant's surviving spouse, or
- If none, his children and descendants of his deceased children, per stirpes or,
- If none, his parents, equally if both living, or
- If none, the duly appointed executor or administrator of his estate, or
- If none, the next of kin entitled to inherit under the laws of the state of his domicile at the time of his death.

**Per Stirpes** -- When the share of an estate that would have gone to a deceased beneficiary is divided among that person's children in equal shares.

**Primary Beneficiary** - The individual a member designates on the Designation of Beneficiary (VRS-2) as the first to receive life insurance benefits, if the member chooses to designate beneficiaries rather than follow the order of precedence. There can be more than one primary beneficiary. Unless otherwise designated, all primary beneficiaries receive an equal share of the insurance benefits.

**Qualifying Event (Life Insurance)** --An event such as marriage, birth or adoption of a child, or retirement of a spouse when both are covered under optional life insurance (except for disability retirement), which qualifies a member to add optional group life insurance for a dependent without submitting an Evidence of Insurability form. The member has 31 days from the qualifying event to add coverage.

**Registered Representative** – A representative of the service provider (Great West Retirement Services) who is available to discuss your investment and payout options under the Plan. Registered representatives are not Registered Investment Advisors and cannot offer legal, tax or financial planning advise. Please consult with your financial planner, attorney and/or tax advisor as needed.

**Repatriation Benefit** -- A basic group life insurance benefit that pays for transport and additional costs of returning a member's remains if the member dies in an accident at least 75 miles away from the principal place of residence.

**Required Beginning Date** -- The date by which a Required Minimum Distribution must begin which is no later than April 1 following the calendar year in which the Participant attains age 70 ½, or the date the Participant retires or separates from service, if later. If the Participant has not begun payments by this date, payments will automatically commence at that time.

**Required Minimum Distribution** -- A payout option that will satisfy Internal Revenue Code Section 401(a)(9). Under these rules, you must choose a payout option that will pay out your benefit over your life or life expectancy, or over the joint lives or life expectancies of you and your beneficiary.

**Rollover** -- A non-taxable transfer of funds between a qualified plan and an IRA or other qualified plan.

**Service Provider** -- The Company selected to provide certain administrative and recordkeeping functions on behalf of the Plan.

**State** -- The Commonwealth of Virginia

**Terminate** -- To cease employment with the State.

**Vested** -- Eligible to begin receiving benefits from the plan upon termination of employment.

**Virginia Cash Match Plan** -- This is an employer-paid incentive for eligible employees who participate in their employer-sponsored tax-deferred savings plan.

**Virginia Retirement System (VRS)** -- The independent State agency of the Commonwealth of Virginia, separate from the executive, legislative or judicial branches of State government with the authority pursuant to the Enabling Statute to establish and administer, in accordance with State law and federal tax law, certain retirement plans and programs, including the ORP. VRS also refers to the defined benefit plan that is available to most public employees in Virginia.

**Virginia Worker's Compensation Act** -- The Act that provides comprehensive benefits including wage loss benefits and reimbursement for medical expenses for injured employees deemed to have a compensable injury under the Act. The Virginia Worker's Compensation Commission administers the provisions of the Act.

**Work-Related Death** -- The death of a member while in service from a cause compensable under the Virginia Worker's Compensation Act.

## Other Information You Should Know

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### Administration

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A Board of Trustees of the Virginia Retirement System administers the Optional Retirement Plan and the group life insurance programs along with a number of benefits provided to State employees and employees of other participating public employers.

The Virginia Retirement System is an independent agency, separate from the executive, legislative or judicial branches of State government. VRS' funds are separate from other State funds and can be used only to pay administrative costs and benefits to retirees and beneficiaries of the retirement system.

The board is composed of nine members appointed by the governor and General Assembly. The board includes:

- One faculty member or employee of a State-supported institution of higher education;
- One State employee;
- One public school teacher;
- One employee from a political subdivision;
- Four investment experts; and
- One expert in employee benefit plans

The following members currently serve on the Board of Trustees:

Paul W. Timmreck, Chair  
John M. Albertine, Ph.D.  
Edwin T. Burton, III, Ph.D.  
J. Douglas Conway, Jr.  
Judith Ewell, Ph.D.  
Palmer P. Garson  
Vernard W. Henley  
Alfonso I. Samper, Vice-Chair  
Raymond B. Wallace, Jr.

The board appoints the director of the Virginia Retirement System, who is the chief administrative officer. The director serves as secretary to the board. The name and address of the director is:

Robert P. Schultze, Director  
Virginia Retirement System  
P.O. Box 2500  
Richmond, VA 23218-2500

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## **Mission**

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Our mission is to provide superior service in the administration of pension benefits and related services on behalf of participating Virginia public employers and their employees, and to serve as stewards of the funds in our care.

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## **Provisions of Law**

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The Board of Trustees of the Virginia Retirement System is governed by the provisions of Title 51.1 of the Code of Virginia Chapters 1-7, 10, 11, 13 and 14. Changes to the law can be made only by an act of the General Assembly. The ORP is governed by 51.1-126, Life Insurance by 51.1-500 - 51.1-514, Health Credit by 51.1-1400 – 51.1-1405. The ORP is a defined contribution plan qualified under section 401(a) of the Internal Revenue Code.

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## **Funding**

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Contributions made to the ORP are held in trust, separate from other State or institution funds.

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## **Plan Year**

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Records are kept on a fiscal year basis. The plan year is July 1 through June 30.

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## **Relationship with Agencies**

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The Virginia Retirement System administers the benefits described in this handbook on behalf of the agencies that have participating employees in the plan. However, these agencies are not agents of the Virginia Retirement System, nor do they act at the direction of the Virginia Retirement System.

## What You need to do When...

<b>When</b>	<b>What</b>	<b>How</b>
<b>You are hired</b>	Understand your benefits	Read the comparison guide entitled “Choosing Your Retirement Plan” and the Handbook for Members to learn about the defined benefit plan. Read the Handbook for ORP Participants to learn about the ORP defined contribution plan or visit the VRS Web site at <a href="http://www.varetire.org">www.varetire.org</a> under Benefit Plans/Defined Contribution Plans/ORP for Political Appointees.
	Select a retirement plan	Complete form VRS-65C to enroll in the ORP within 30 days of receiving your plan information and election forms. Otherwise you will be enrolled in the VRS defined benefit plan.
	Enroll in tax-deferred savings plan	Logon to <a href="http://www.vadcp.com">www.vadcp.com</a> for information on enrolling in the 457 Deferred Compensation Plan and becoming eligible for the Virginia Cash Match Plan.
	Select optional life insurance	Contact your Human Resources office or Minnesota Life.
<b>You marry or divorce</b>	Change your beneficiary for the Optional Retirement Plan	Complete a Designation of Beneficiary form with the service provider.
	Change your beneficiary for group and optional life insurance benefits	Complete the Designation of Beneficiary (VRS-2) and have it notarized.
	Change your name and/or marital status on VRS records	Your benefits administrator will assist you in completing the proper forms.
	Change your spousal coverage under optional life insurance.	Submit a Request for Change Under Optional Group Life Plan.
<b>You have or adopt a child</b>	Add your child to optional life insurance	Submit a Request for Change Under Optional Group Life Plan.
	Review your beneficiary designations; select a guardian	Contact your Human Resources office for assistance.
<b>You go on leave without pay</b>	Continue group life insurance coverage	Ask your benefits administrator about the procedures for advance payment of premiums.
<b>You terminate employment</b>	Take a distribution or leave the money in your account	Complete the Termination Certification form (VRS 65-E) and send it to VRS. If you are eligible and wish to take a distribution from your ORP, complete the distribution forms available on the Plan Web site at <a href="http://www.vadcp.com">www.vadcp.com</a> under Plan Information/ORP for Political Appointees/ Forms.

<b>You terminate employment (continued)</b>	Convert your group life insurance and optional life insurance to individual policies	Contact Minnesota Life for information about your conversion to an individual policy and your rights and responsibilities.
<b>You need to start planning for retirement</b>	Check on retirement counseling	Visit the VRS Web site for Retirement Education Seminars
<b>You become injured on the job, or you become disabled</b>	Contact your benefits office immediately to find out about eligibility for benefits	Ask your benefits administrator to assist you in completing the proper forms to access disability benefits, if eligible.
<b>You die while employed by the Commonwealth</b>	Your employer reports your death to VRS	A family member should contact your employer for assistance in filing a death claim and to get information about life insurance benefits that may be payable.
<b>You want to retire</b>	Take a distribution or leave the money in your account	Complete the Termination Certification form (VRS 65-E) and send it to VRS. To consult with your registered representative on your distribution options, contact the service provider at 1-866-226-6682 (option 2). To request a distribution from your ORP, complete the distribution forms available on the Plan Web site at <a href="http://www.vadcp.com">www.vadcp.com</a> under Plan Information /ORP for Political Appointees/ Forms.
<b>After you retire...</b>		
<b>You change your address</b>	Notify VRS immediately in writing or by phone or from the VRS Web site.	Ask for a Name/Address Declaration for Retirees (VRS-58).
	Notify the service provider	You may logon to their Web site or notify them in writing of this change.
<b>You marry, divorce or your beneficiary dies</b>	Change your beneficiary for the Optional Retirement Plan	Complete a Designation of Beneficiary form.
	Change your beneficiary for group and optional life insurance benefits	Complete the Designation of Beneficiary (VRS-2) and have it notarized.
	Change your name and/or marital status on VRS records.	Your benefits administrator will assist you in completing the proper forms.
	Change your spousal coverage under optional life insurance.	Submit a Request for Change Under Optional Group Life Plan.
<b>You die</b>	A family member reports your death to Minnesota Life for life insurance purposes.	Your beneficiary should contact Minnesota Life about eligibility for survivor benefits.
	A family member reports your death for ORP purposes.	Your beneficiary should contact your HR office and the service provider at 1-866-226-6682, option 2.

# Attachment A

## VRS Defined Contribution Plans Listing of Funds/Asset Class/Benchmarks

<b>Tier</b>	<b>Fund</b>	<b>Asset Class</b>	<b>Benchmark</b>
Tier I – Asset Allocation Funds	Fixed Account & Income & Growth Fund	Asset Allocation	75% Lehman Bros. Aggregate Bond Index, 22% Russell 3000, 3% MSCI EAFE
	Balanced Growth Fund	Asset Allocation	50% Lehman Bros. Aggregate Bond Index, 43% Russell 3000, 7% MSCI EAFE
	Long-Term Growth Fund	Asset Allocation	25% Lehman Bros. Aggregate Bond Index, 64% Russell 3000, 11% MSCI EAFE
Tier II – Passively Managed Funds	Bond Index Fund	Bond	Lehman Bros. Aggregate Bond Index
	S&P 500 Index Fund	Large Cap Stock (Blend)	S&P 500 Index
	Russell 1000 Value Index Fund	Large Cap Stock (Value)	Russell 1000 Value Index
	Russell 1000 Growth Index Fund	Large Cap Stock (Growth)	Russell 1000 Growth Index
	Russell 3000 Index Fund	Broad Stock Market	Russell 3000 Index
	Real Estate Investment Trust Index Fund	REITs (Real Estate Investment Trusts)	Dow Jones Wilshire REIT Index
	Small/Mid Cap Equity Index Fund	Small/Mid Cap Stock (Blend)	Russell Small Cap Completeness Index
	International Equity Index Fund	International Stock	MSCI EAFE Index
Tier III – Actively Managed Funds	Money Market Fund	Cash Equivalent	91-Day Treasury Bill Average
	Active Inflation-Protected Bond Fund	Inflation-Indexed Bond	Lehman Bros. US Treas. Inflation Notes Index
	Active Bond Fund	Bond	Lehman Bros. Aggregate Bond Index
	Active High-Yield Bond Fund	High Yield Bond	95% Lehman Bros. High-Yield ex-CCC, 5% Lehman Bros. 1-3 Year Treasury Index
	Active Small/Mid Cap Equity Fund	Small/Mid Cap Stock (Blend)	Russell Small Cap Completeness Index
	Active Global Equity Fund	Global Stock	MSCI World Index
	Stable Value	Stable Value	3 Year Constant Maturity Treasury (CMT) Yield plus 0.50%

**Tier IV - A Self-Directed Brokerage Account for publicly traded mutual funds is also available through Harrisdirect for experienced and knowledgeable investors who understand the risks and costs involved with this type of investing.**

\*Mutual Funds

(Revised 6/28/05)