

**Virginia Retirement System**  
**Optional Retirement Plan for Higher Education**  
**Plan 1**  
*Choosing Your Retirement Plan*



**Virginia Retirement System  
Choosing Your Retirement Plan  
Guidelines and Provider Information  
Optional Retirement Plan for Higher Education  
PLAN 1**

**This publication is for employees of colleges and universities with service prior to July 1, 2010 and who are eligible to choose between the Virginia Retirement System defined benefit retirement plan and the Optional Retirement Plan for Higher Education, a defined contribution retirement plan.**

**July 2011**



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## Introduction

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This guide is for employees hired prior to July 1, 2010 and those rehired after that date with existing service credit in the Virginia Retirement System defined benefit plan or an existing balance in an Optional Retirement Plan or alternate retirement plan defined in *Code of Virginia* Section 51.1. The existing service credit and/or balance must be from a period of employment prior to July 1, 2010. If you meet one of these criteria you are eligible for Plan 1.

As a new Virginia college or university faculty, engaged in teaching, administration or research, you are allowed to select your retirement plan. (You also have this choice if you have changed from a classified to a faculty position.) You must choose a retirement plan **within 60 days** of your employment date.

Your choices are the Virginia Retirement System (VRS) Plan 1, which is a defined benefit plan, and the Optional Retirement Plan (ORP) Plan 1, which is a defined contribution plan.

If you do not select the ORP within 60 days of employment, you will be covered by the VRS defined benefit plan.

If you have VRS defined benefit plan service credit, it is suggested you look closely at the effect on your retirement income if you select the ORP. As a defined benefit plan, VRS is structured to reward long service. You may request an estimate of your VRS benefit from your employer or by logging on to **myVRS** at [www.varetire.org/myVRS](http://www.varetire.org/myVRS). On myVRS you can:

- View your member information, including service credit and compensation reported to VRS by your employer.
- Check the status of an application for retirement, purchase of prior service or refund.
- Estimate your retirement benefit using current information.
- View and update your personal contact information online.

**Remember: You have 60 days from the date you are employed or you transfer for the first time into a position eligible for the ORP to make your choice and to complete the required forms. If you do not elect the ORP, you will be automatically enrolled in VRS.**

**If you transfer from a faculty position at one public institution in Virginia to another with no break in service you must continue in the Plan you originally chose. If you have a break in service, you must again choose your retirement plan. A break in service is defined as one full calendar month during which you received no compensation, no service credit in VRS, no contributions to an Optional Retirement Plan and no active member benefits. Summer breaks, educational leave and leave without pay do not constitute breaks in service.**

**NOTE: If you are moving from one covered position to another and have not had a break in service, you may not request a refund or distribution from the plan by which you were originally covered. However, if you were covered by VRS and elect the ORP in your new position, you may transfer any VRS contributions in which you are vested to your ORP account.**

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## Choosing your retirement plan

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The choice of a retirement plan is a critical one because of its impact on your financial security. As a college or university employee with academic rank, you have the choice between two retirement plans that are distinctly different.

### Defined Benefit Plan

The Virginia Retirement System (VRS) is a **defined benefit plan**. That means that your retirement benefit is determined by the following: the amount of service you accumulate in VRS-covered positions (including certain types of service that you purchase); your age at retirement; and the average of your 36 consecutive months of highest creditable compensation. **Your employer guarantees this lifetime benefit.** In a defined benefit plan your benefit increases with each year that you work and with your pay increases. In general, a defined benefit plan tends to produce a larger benefit for those who have longer service.

A characteristic of a defined benefit plan is that actuarial reductions are applied to your benefit if you do not qualify for an unreduced retirement. To qualify for unreduced retirement from VRS, you must have 30 years of service and be at least 50 years old, or have at least five years of service at age 65. To receive reduced lifetime monthly payments, you must be vested (have a minimum of five years of service on record with VRS) and be at least age 55 or have 10 years of service and be at least age 50. For VRS purposes, vesting means you are eligible for a lifetime benefit.

More detail on VRS benefits is contained in the VRS Handbook for Members available at [www.varetire.org](http://www.varetire.org) or from your institution's Human Resources office.

### Defined Contribution Plan

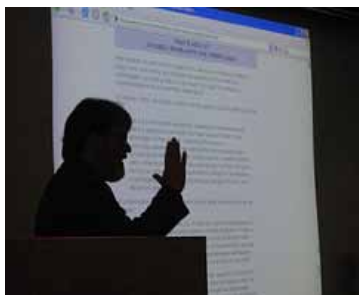
The Optional Retirement Plan (ORP), on the other hand, is a **defined contribution plan** where vesting is immediate. For purposes of the ORP, vesting means the total balance in your account is available to you when you leave employment with the Commonwealth. Your retirement benefit is based on employer contributions and the investment gains and losses on those contributions. **Your employer bears no responsibility for the outcome of your investment choices.** You choose your investments from a range of funds offered under the plan and assume all risks associated with those choices. Your investment choices should be based on long-term goals and risk tolerance. Risk varies by investment.

In general, a defined contribution plan such as the ORP works best for people who have multiple employers during their careers and who prefer the plan's portability.

More detail on ORP benefits is contained in the ORP for Higher Education Participant Handbook available at [www.varetire.org](http://www.varetire.org) under Defined Contribution Plans / Optional Retirement Plan for Higher Education.

**Listing of Funds, Asset Class', and Benchmarks** (page 13) lists the investment choices currently available to Plan participants.

**Comparing VRS to ORP Benefits Illustration** (pages 15 – 18) is an illustration of benefits in the two plans based on stated assumptions.



## Comparing Plans

The following summary gives you a general comparison of the two plans:

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
<b>Type of Plan</b>	<b>Defined Benefit:</b> Benefit at retirement is based on a formula, which uses the consecutive 36 months of highest creditable compensation, amount of service credit (including service credit you purchased) and age at retirement.	<b>Defined Contribution:</b> Benefit at retirement is based on contributions, net investment earnings and age (the length of time your benefit will be paid). Participants may choose between investments offered.
<b>Contributions</b>	You pay pre-tax five percent of your creditable compensation into your member contribution account at VRS. Your member contribution account earns interest at 4% on an annual basis. Your employer also makes a contribution to an employer pool account that is based on a rate established every two years by the VRS actuaries and approved by the General Assembly. Both member and employer contributions and earnings on those contributions fund future lifetime retirement benefits and guaranteed cost-of-living adjustments after retirement. These monies are invested by the VRS Investment Department with VRS Board of Trustees oversight.	The institution makes the total contribution for you. Each pay period 10.4% of your creditable compensation goes into an account on your behalf with the provider you select. This rate is reviewed every 6 years to keep Virginia institutions competitive with others in the region.
<b>Contribution Limits</b>	The Internal Revenue Code Section 401(a)(17) specifies that creditable compensation used to calculate your benefit may not exceed the compensation limit for the plan year in which the compensation was earned. For VRS members the Plan year runs from January 1 to December 31. See your benefits administrator for information on the current year's limit.	The Internal Revenue Code Section 401(a)(17) specifies that the compensation, on which your employer may make contributions not exceed the compensation limit for the plan year in which the compensation is paid. The ORPHE plan year runs from July 1 to June 30. See your benefits administrator for information on the current year's limit.
<b>Vesting</b>	Immediate for member paid contributions and member contributions paid by the employer on behalf of the member prior to July 1, 2010. Five years creditable service or involuntary separation is required for member contributions paid by the employer on or after July 1, 2010. Five years are required for a lifetime benefit when the age requirement is met.	Immediate for account balance

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
<b>Termination before Retirement</b>	<p>Upon termination of employment you may choose to leave your account with VRS or take a refund of your member account balance including accrued interest. If you do not take a refund you retain the service credit and right to any benefit you have earned. If you take a refund you lose the service credit represented by the amount refunded and your right to a lifetime benefit.</p> <p>Refund is subject to federal and state income tax and may be subject to a 10% excise tax if taken before age 59 ½ (unless you separate from service after age 55). Taxation may be deferred if rollover is available.</p>	<p>Account balance may be left with chosen provider, rolled over, taken as a distribution or a combination of these options.</p> <p>Distribution is subject to federal and state income taxes, and may be subject to a 10% excise tax if taken prior to age 59 ½ (unless you separate from service after age 55 or take essentially equal payments over your lifetime). Taxation may be deferred if rollover is available.</p>
<b>Taxation of Retirement Benefit</b>	<p>No tax paid until distribution. Monthly benefit is taxed as ordinary income for both federal and state income tax.</p>	<p>No tax paid until distribution. Distribution is subject to federal and state income taxes, as well as an early distribution penalty if taken prior to age 59 1/2, An exception applies if you separate from service after age 55, receive an annuity or take essentially equal payments over your lifetime. Taxation may be deferred if rollover is available.</p>
<b>Portability</b>	<p>Participation continues if employed by one of approximately 800 Virginia public employers that provide retirement benefits through VRS, including Virginia public colleges and universities, Virginia local governments, all Virginia public schools and Virginia state government agencies. Many types of public service and leave may be purchased to enhance the benefit.</p>	<p>Continued participation if employed at a Virginia public college or university participating in the Plan. ORP participation must continue if you transfer without a break in service to a Virginia public university that sponsors its own ORP.</p> <p>If you leave public employment in Virginia your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.</p>
<b>Employee Retirement Savings Plans</b>	<p>Participation in 403(b) tax sheltered accounts and the Commonwealth's 457 Plan is available regardless of the retirement plan selected.</p> <p>New hires are subject to Automatic Enrollment in the 457 Plan unless they self-enroll, contribute to a 403(b) plan with their institution, or opt-out of 457 Plan participation.</p>	<p>Participation in 403(b) tax sheltered accounts and the Commonwealth's 457 Plan is available regardless of the retirement plan selected.</p> <p>New hires are subject to Automatic Enrollment in the 457 Plan unless they self-enroll, contribute to a 403(b) plan with their institution, or opt-out of 457 Plan participation.</p>
<b>Investment Risks</b>	<p>Benefit is guaranteed as long as the Commonwealth continues to make contributions to the plan.</p>	<p>The investment risk is borne by employee. Benefit is based on contributions and gains and losses on investments. Risk varies according to investments chosen.</p>
<b>Investment Costs</b>	<p>Fund management cost is paid by employer as part of the VRS employer rate.</p>	<p>Fund management costs are borne by employee.</p>

<b>IRS Code Section</b>	<b>VRS IRC Section 401(a)</b>	<b>ORP IRC Section 401(a)</b>
<b>Inflation Risk (Pre-retirement)</b>	Benefit is related to pay and standard of living just prior to retirement; therefore, initial benefit keeps pace with pre-retirement inflationary trends.	Participant may choose from a variety of investments to address inflation risk.
<b>Inflation Risk (Post-Retirement)</b>	Cost-of-living adjustments start on July 1 of the second calendar year after your retirement. Adjustments are tied to the CPI-urban and may not exceed 5% per year under current law.	Cost-of-living adjustments are not available unless you purchase an annuity with this feature. Retirees may also make systematic withdrawals from their Plan account, allowing the remainder to continue to be invested.
<b>Eligibility for Benefit Payout</b>	An unreduced benefit is paid you if you have at least 30 years service and have reached at least age 50 or at age 65 with at least 5 years service. Retirement at age 55 with 5 years of service or at age 50 with 10 years of service produces an actuarially reduced benefit.	You may begin receiving benefits at termination of employment, regardless of age. The amount you receive is determined by contributions, earnings and losses on your account and the length of time the benefit is to be paid.
<b>Disability</b>	You are covered by the Virginia Sickness & Disability Program (VSDP) which provides replacement income ranging between 100% and 60% of salary in the event of short-term or long-term disability. If you were covered by VRS prior to January 1, 1999 and retained the traditional sick leave/disability retirement benefit, you will continue to be covered by the traditional plan.	Disability benefits are generally not available, except through Social Security. Institutions may provide disability coverage or make it available for purchase. Contact your Human Resources office for information on programs that may be available to you. When employment ends as a result of a disability a distribution from the plan may begin.
<b>Group Life Insurance (GLI)</b>  For both VRS and the ORP, Group Life Insurance is lost if you leave employment and take a refund of your VRS member contribution account or full distribution from your Optional Retirement Plan.	For natural death, death benefit is equal to salary rounded to next \$1,000, times two. This amount is doubled for accidental death. Life insurance is retained in retirement provided the member is age 55 with at least 5 years of service, or age 50 with at least 10 years of service. The coverage amount reduces 25% annually until it reaches 25% of the original value. The reduction begins on January 1 of the first full year following the date the member separates from service. Accidental death benefits cease at retirement. Additional Optional Life Insurance is available to employees and dependents.	Life insurance benefit is the same regardless of the retirement plan chosen. OPR participants who take a full distribution of their Plan account, including rollover to another plan, lose their retiree Group Life Insurance benefit.
<b>Group Life Insurance (GLI) – Educational Leave</b>	You are reported for GLI at full salary while on educational leave with ½ pay or more. You are not reported for GLI while on educational leave and less than ½ pay.	Your are reported for GLI at full salary while on educational leave with ½ pay or more. You are not reported for GLI while on educational leave and less than ½ pay.

<b>IRS Code Section</b>	<b>VRS IRC Section 401(a)</b>	<b>ORP IRC Section 401(a)</b>
<b>Life Insurance Conversion</b>	Members leaving employment and not eligible to continue GLI may convert to a private policy without evidence of insurability.	ORP participants leaving employment and not eligible to continue GLI may convert to a private policy without evidence of insurability.
<b>Death in Service</b>	If a member dies in service, any beneficiary may receive a lump sum distribution of the member contribution account. If the member is vested and the beneficiary is the spouse, minor child, mother or father of the deceased, they may choose either a lump-sum payout of the member's account or a monthly benefit.	All contributions and investment earnings are payable to the participant's named beneficiary. Beneficiary may choose the method of payment. No special death in service benefit is available.
<b>Death in Line of Duty</b>	If a member dies in the line of duty, the surviving spouse, minor child, mother or father will receive half the member's average final compensation (AFC) or 1/3 AFC if survivor qualifies for Social Security death benefits (offset by Workers' Compensation) The member contribution account is refunded to the named beneficiary.	All contributions and investment earnings are payable to participant's named beneficiary. Beneficiary may choose the method of payment. No special line-of-duty death benefits is available.
<b>Educational Leave of Absence with ½ Pay or More</b>	You will be reported to VRS at the full rate of pay.	Participants will receive 10.4% of the salary earned while on educational leave.
<b>Educational Leave of Absence with Less Than ½ Pay</b>	You may purchase up to four years of service credit for any approved official educational leave of absence from a VRS-covered position.	Participants will receive 10.4% of the salary earned while on educational leave.
<b>Health Insurance</b>	State employee health insurance is available while employed. State retiree health benefit is available if retirement benefit payment begins immediately upon leaving salaried State employment.	State employee health insurance is available while employed. At retirement you are eligible for the state retiree health benefit if you are receiving an immediate periodic payment from the ORP. This can be accomplished by the purchase of an immediate annuity from a plan provider.
<b>Health Credit - Service Retirement</b>	Eligible with 15 years of service (including eligible ORP covered employment). To qualify you must receive a retirement benefit and incur cost for your own health insurance. Benefit is \$4.00 per year of service not to exceed the out of pocket cost for the individual retiree's premium. The credit ceases at your death.	Eligible with 15 years of VRS and/or ORP service. To qualify you must receive periodic distribution from the ORP and incur cost for your own health insurance. The benefit is \$4.00 per year of service not to exceed the out of pocket cost for your premium. The credit ceases at your death or when you are no longer receiving a distribution from the Plan.
<b>Health Credit – Educational Leave</b>	Educational leave with less than ½ pay does not count toward creditable service for the health insurance credit. Educational leave with ½ pay or more counts as creditable service for the health insurance credit.	Educational leave with less than ½ pay does not count toward creditable service for the health insurance credit. Educational leave with ½ pay or more counts as creditable service for the health insurance credit.

IRS Code Section	VRS IRC Section 401(a)	ORP IRC Section 401(a)
<b>Health Credit – Disability</b>	Receive the higher of \$120 or \$4 per year of service at the time of Disability Retirement or VSDP Long-term Disability. Credit payment may not exceed the out of pocket cost for the individual retiree’s premium.	Receive the higher of \$120 or \$4 per year of service at the time of disability if receiving payment from an institution sponsored long-term disability plan. Otherwise, 15 years of service required to qualify, with credit being \$4 per year of service. Credit payment may not exceed the out of pocket cost for the individual retiree’s premium.
<b>Pay Out Options</b>	<b>Basic Benefit:</b> For lifetime of member only. <b>Survivor Options:</b> Reduced lifetime benefit so that survivor continues to receive benefit after member dies. <b>Partial Lump Sum Option:</b> By working 1-3 years beyond eligibility for unreduced retirement, members may receive portion of lifetime benefit as a lump-sum payment at retirement. The monthly benefit is reduced going forward to provide for the lump sum payment. This option may also be combined with a survivor option. <b>Advanced Pension Option:</b> Larger benefit in early years of retirement with reduced benefit later.	Varies according to the provider(s) chosen. The following are generally available: annuity, including survivor options; systematic withdrawal; total lump sum withdrawal, partial lump sum withdrawal, rollover to another plan or IRA. You may also use a combination of these methods.
<b>Change of Payout Option</b>	Basic Benefit, Partial Lump Sum and Advance Pension Options may not be changed after retirement. Survivor options may be changed if: survivor dies first; survivor is divorced before 20 years of marriage (provided there is no approved court order requiring former spouse to receive survivor benefit); or survivor waives benefit.	Varies according to the provider and option chosen.
<b>Required Minimum Distribution</b>	You must begin a distribution from VRS at the later of age 70 ½ or when you terminate public employment in Virginia.	You must begin a distribution from the plan at the later of age 70 ½ or when you terminate public employment in Virginia.
<b>Forfeiture of Benefit</b>	Your employer may direct that all your VRS administered benefits be forfeited if you are convicted of a felony related to your covered employment.	Your employer may direct that all your VRS administered benefits be forfeited if you are convicted of a felony related to your covered employment.

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## Selecting a Plan

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Your selection of a retirement plan is irrevocable. Because this choice cannot be changed at a later time, it should be made with great care. You have 60 days from the date you are employed in a faculty position to make your choice, notify your Human Resources office and complete the necessary forms. If you do not elect the ORP within 60 days of becoming employed in an eligible position you will be automatically covered by VRS.

### If you choose VRS

If, after reviewing the features of VRS and the ORP, you conclude that the VRS defined benefit plan better meets your needs, you should advise your Human Resources office of your decision. There is no enrollment form to complete. However, your employer may require that you complete a form indicating your choice.

To designate the beneficiary, other than the order of precedence, for your VRS Member Contribution Account and Group Life Insurance obtain the Designation of Beneficiary (VRS-2) from your Human Resources office or from the VRS Web site at [www.varetire.org](http://www.varetire.org) under Members/Forms. Refer to the VRS Member Handbook for more details on the Order of Precedence.

You may learn more about VRS by visiting the VRS Web site at [www.varetire.org](http://www.varetire.org). Direct contact information is as follows:

Virginia Retirement System  
P.O. Box 2500  
Richmond, VA 23218-2500  
1-888-VARETIR (1-888-827-3847)

### If you choose the ORP

If you decide a defined contribution plan such as the ORP will serve you better, there are four actions you must take:

1. Complete the Election to Participate in Optional Retirement Plan for Higher Education (VRS-65) and return it to your Human Resources office. The form is available on the VRS Web site.
2. Select the investment provider to which you want your contributions sent. Enroll with that provider using the prescribed method and select from the investments available.
3. Using the chosen provider's form, designate the beneficiaries you wish to receive your account in the event of your death.
4. To designate a beneficiary for your Group Life Insurance obtain the Designation of Beneficiary (VRS-2) from your Human Resources office or from the VRS Web site at [www.varetire.org](http://www.varetire.org) under Members / Forms.

Contributions may go to one provider only. However, you may spread your contributions among the investment options available through that provider. Contributions will be retroactive to your hire date.

You can change your provider during open enrollment, which occurs in October each year. Your changes will become effective the following January.



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## ORPHE Providers

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Investment providers available to plan participants are:

**Fidelity Investments**

**1(800) 343-0860**

**Contact Center & IVR**

[www.fidelity.com/atwork](http://www.fidelity.com/atwork)

**TIAA-CREF**

**1(800) 842-2776 Contact Center**

**1(800) 842-2252 IVR**

[www.tiaa-cref.org/](http://www.tiaa-cref.org/)

*In addition to fund management fees, Fidelity charges a \$12.00 annual participant fee, which is deducted from accounts*

*Fund management fees vary based on the investments chosen.*

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## Benefit Illustrations

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Attachment B provides benefit illustrations between the estimated value of annual benefits provided under VRS versus the ORP for various age and service combinations using different assumptions. Please read the Glossary of Terms and Methodology carefully when reviewing these illustrations.

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## Final Comments

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Please note that provision of an optional plan does not constitute a recommendation for such plan, nor acceptance by the Commonwealth of any responsibility for its financial condition or future benefit payments. The Commonwealth reserves the right to amend or terminate the plan at any time and without the consent of any other party.

The Commonwealth of Virginia reserves the right to change the providers or investments available to plan participants. A change of investment providers or available funds may affect all accounts held under the Plan or may affect only future contributions, depending on the decision made and the circumstances at the time.



# INVESTMENTS AVAILABLE TO ORPHE PARTICIPANTS

## Fidelity Investment Fund Objectives

Fidelity Retirement Government Money Market Portfolio – Seeks a high level of current income as is consistent with the security of principal and liquidity.

Fidelity Spartan U.S. Bond Index Fund – Seeks to provide investment results that correspond to the total return of bonds in the Barclays Capital U.S. Aggregate Bond Index.

Fidelity Inflation-Protected Bond Fund – Seeks a total return that exceeds the rate of inflation over the long term.

Fidelity High Income Fund – Seeks a high level of current income. Growth of capital may also be considered. Normally invests primarily in income-producing debt securities, preferred stocks, and convertible securities, with an emphasis on lower-quality debt securities. Investing in companies in troubled or uncertain financial condition. Potentially investing in non-income producing securities, including defaulted securities and common stocks.

Fidelity Dividend Growth Fund – Seeks capital appreciation by investing primarily in companies that pay dividends or those companies that have the potential to pay dividends in the future.

Fidelity Spartan Extended Market Index Fund – Seeks to provide investment results that correspond to the total return stocks of mid- to small-capitalization United States companies.

Fidelity Low-Priced Stock Fund – Seek capital appreciation by investing in at least 80% of assets in low-priced stocks (those priced at or below \$35 per share) which can lead to investments in small and medium-sized companies.

Fidelity Diversified International Fund - Seeks capital growth by investing primarily in non-U.S. securities. Normally investing primarily in common stocks.

Fidelity Worldwide Fund – Seeks growth of capital by investing in securities issued anywhere in the world. Normally investing primarily in common stocks.

Fidelity Real Estate Investment Portfolio – Seeks above-average income and long-term capital growth, consistent with reasonable investment risk. The fund seeks to provide a yield that exceeds the composite yield of the S&P 500 Index.

Fidelity Managed Income Portfolio – Seeks to preserve principal while earning interest income.

Fidelity Freedom Funds – Seeks high total return until the target date. Thereafter, the funds' objective will be to seek high current income and, as a secondary objective, capital appreciation.

## TIAA-CREF Investment Fund Objectives

CREF Money Market Account –Seeks high current income consistent with maintaining liquidity and preserving capital.

CREF Bond Market Account – Seeks a favorable long-term rate of return, primarily through high current income consistent with preserving capital.

CREF Inflation Protected Bond Account – Seeks a long-term rate of return that outpaces inflation, primarily through investment in inflation-indexed bonds—fixed-income securities whose returns are designed to track a specified inflation index over the life of the bond.

CREF Equity Index Account – Seeks a favorable long-term rate of return from a diversified portfolio selected to track the overall market for common stocks publicly traded in the U.S., as represented by a broad stock market index.

CREF Stock Account – Seeks a favorable long-term rate of return through capital appreciation and investment income by investing primarily in a broadly diversified portfolio of common stocks.

CREF Global Equities Account - Seeks a favorable long-term rate of return through capital appreciation and income from a broadly diversified portfolio that consists primarily of foreign and domestic common stocks

TIAA Real Estate Account –Seeks favorable long-term returns primarily through rental income and appreciation of real estate investments owned by the account.

TIAA Traditional Annuity - A guaranteed annuity backed by TIAA's claims paying ability, TIAA Traditional guarantees your principal and a minimum interest rate, plus it offers the opportunity for additional amounts in excess of the guaranteed rate. These additional amounts, when declared by the TIAA Board of Trustees, remain in effect for the "declaration year" that begins each March 1.

Vanguard Asset Allocation Fund - Seeks to maximize long-term total return (share price plus income) while incurring less stock market risk than a fund made up entirely of stocks.

American Funds EuroPacific Growth Fund – Seeks to provide long-term growth of capital.

DFA International Small Company Portfolio – Seeks to achieve long-term capital appreciation by investing in the small companies of Canada, Europe, Japan, Asia Pacific, and the United Kingdom.

**FIDELITY INVESTMENTS – Funds, Fund Type and Benchmarks as of 6-30-2011**

<b>Fund Name</b>	<b>Fund Type</b>	<b>Benchmark</b>
Fidelity Freedom Funds <a href="#">Fact Sheets</a>	Asset Allocation - Lifecycle	Extended Asset Class Composite Index (based on glide path)
Fidelity Dividend Growth Fund <a href="#">FDGFX</a>	Large Blend Stock	S&P 500 Index
Fidelity Low-Priced Stock Fund <a href="#">FLPSX</a>	Small/Mid-Cap Blend Stock	Russell 2000® Index
Fidelity Spartan Extended Market Index Fund <a href="#">FSEMXX</a>	Mid-Cap Blend Stock	Dow Jones U.S. Completion Total Stock Market Index
Fidelity Worldwide Fund <a href="#">FWWFX</a>	Global Stock	MSCI World Index <sup>SM</sup>
Fidelity Diversified International Fund <a href="#">FDIVX</a>	International Stock	MSCI World ex-U.S. Index
Fidelity Managed Income Portfolio	Stable Value	3-Year Constant Maturity Yield
Fidelity Spartan U.S. Bond Index Fund <a href="#">FBIDX</a>	Intermediate-Term Bond	Barclays Capital Aggregate Bond Index
Fidelity High Income Fund <a href="#">SPHIX</a>	High-Yield Bond	BofA Merrill Lynch U.S. High Yield Master II Constrained Index
Fidelity Inflation-Protected Bond Fund <a href="#">FINPX</a>	Inflation -Indexed Bond	Barclays Capital U.S. Inflation Notes Index
Fidelity Retirement Government Money Market Portfolio <a href="#">FGMXX</a>	Cash Equivalent - Money Market	Barclays Capital 3-Month Treasury Bill Index
Fidelity Real Estate Investment Portfolio <a href="#">FRESX</a>	Real Estate	Dow Jones U.S. Select Real Estate Securities Index

**TIAA-CREF – Funds, Fund Type and Benchmarks as of 6-30-2011**

<b>Fund Name</b>	<b>Fund Type</b>	<b>Benchmark</b>
Vanguard Asset Allocation Fund <a href="#">VAAPX</a>	Asset Allocation	Custom Composite Index (65% S&P 500 Index and 35% Barclays Capital Long U.S. Treasury Index)
CREF Stock Account <a href="#">Fact Sheet</a>	Stock	Custom Composite Index (80% Russell 3000® and 20% MSCI EAFE + Canada Index)
CREF Equity Index Account <a href="#">Fact Sheet</a>	Broad Stock Market	Russell 3000® Index
CREF Global Equities Account <a href="#">Fact Sheet</a>	Global Stock	MSCI World Index <sup>SM</sup>
DFA International Small Company Portfolio (Date Closed: 12/31/2005) <a href="#">DFISX</a>	International Small-Cap Stock	S&P Citigroup Extended Market - EPAC Index
American Funds EuroPacific Growth Fund <a href="#">RERFX</a>	International Stock	MSCI EAFE® Index
TIAA Traditional Annuity <a href="#">Fact Sheet</a>	Fixed Annuity	BofA Merrill Lynch U.S. Corporates AAA 7-10 Years Index
CREF Bond Market Account <a href="#">Fact Sheet</a>	Bond	Barclays Capital Aggregate Bond Index
CREF Inflation-Linked Bond Account <a href="#">Fact Sheet</a>	Inflation-Indexed Bond	Barclays Capital U.S. Inflation Notes Index
CREF Money Market Account <a href="#">Fact Sheet</a>	Cash Equivalent - Money Market	Barclays Capital 3-Month Treasury Bill Index
TIAA Real Estate Account <a href="#">Fact Sheet</a>	Real Estate	Custom Composite Index (75% Russell/NCREIF Property, 20% BC 3- Month Treasury Bill Index, and 5% Dow Jones U.S. Select REIT Indices)

You should read all Plan investment related materials carefully, because you alone will be responsible for your investment direction, and VRS, its Board of Trustees, the Committee, the Commonwealth and your institution are relieved from any liability or responsibility for your investment choices.

The Investment Policy Statement is available for your review at [www.varetire.org](http://www.varetire.org) under Defined Contribution Plans / ORP for Higher Education.



## VRS v. ORP Benefit Illustrations

### Glossary of Terms

#### •Annual Benefit

Amount payable for life to the participant at retirement  
Under ORP it is assumed that:

- § A life annuity is purchased with the account balance.
- § An annual COLA is included in the annuity contract
- § The yield on the annuity contract is equal to the assumed ORP rate of return.

#### •Average Final Compensation

The average of the 36 consecutive months of highest creditable compensation in the member's VRS salary history

Used to calculate benefits under VRS benefit formula

#### •COLA

An increase in the monthly benefit given in the second calendar year after retirement. Increases, if any, are made yearly thereafter. The amount of the COLA is equal to the first 3 percent of the increase in the Consumer Price Index (CPI-Urban), plus half of each percentage increase from 3 percent to 7 percent.

#### •Creditable Compensation

The full compensation payable annually to an employee working full-time in a VRS-covered position. Annual salary does not include overtime pay, extraordinary pay, bonus pay, non-permanent shift differentials or termination pay for annual or sick leave.

#### •ORP Return

Assumed rate of return on employee directed investments in ORP  
Rate of return not guaranteed.

#### •ORP Contribution

Annual percent of pay contributed on behalf of each participant in the ORP

#### •Salary Increases

Assumed annual rate of increase from date of hire until retirement



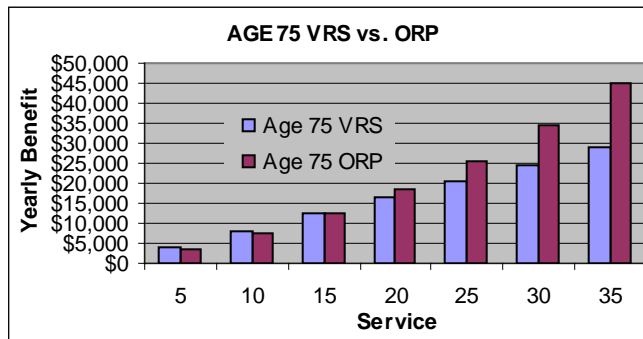
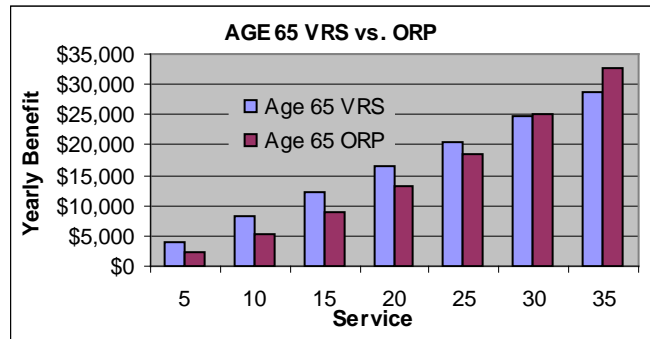
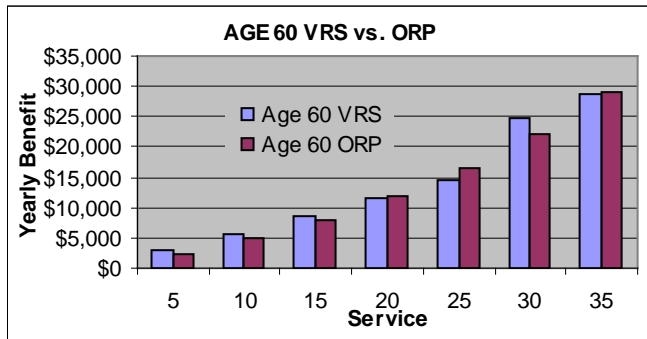
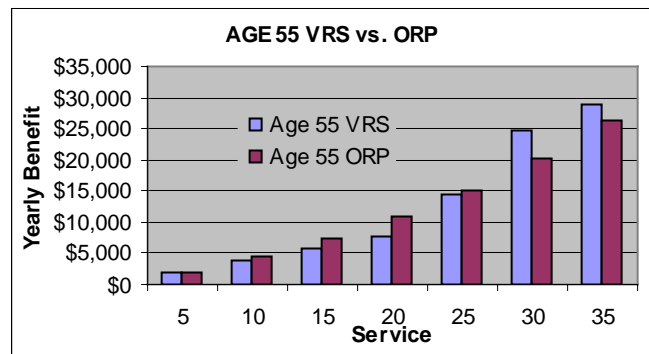
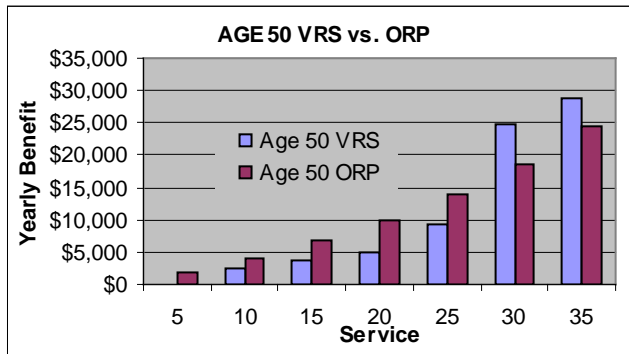
### Methodology

- The following benefit illustrations are intended to provide an estimate of the relative value of the benefits provided under VRS versus ORP for various age and service combinations. They were developed based on current plan provisions and the stated assumptions as to annual salary increases, current salary level, annual return on ORP account balances, and future cost of living adjustments (COLA).
- The estimated annual benefits from VRS are based on a single life annuity form of payment with annual increases based on the COLA assumption.
- The estimated annual benefits from the ORP are based on the single life annuity that could be provided by the account balance with annual increases based on the COLA assumption, the stated annual rate of return, and normal life expectancy.
- Keep in mind that these estimates are for illustrative purposes only. Actual benefits will be based on actual plan provisions, salary history, investment returns, and form of payment elected at retirement and could be higher or lower than the benefits illustrated.

## Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	7.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

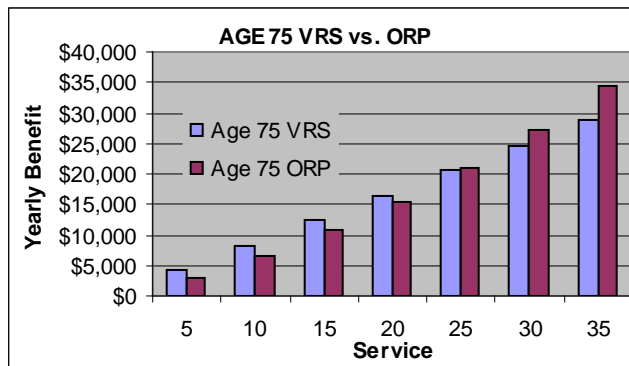
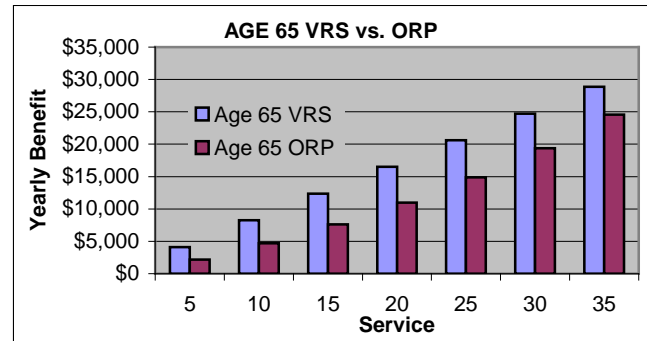
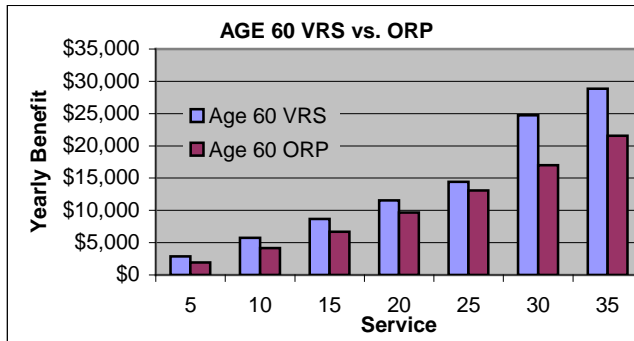
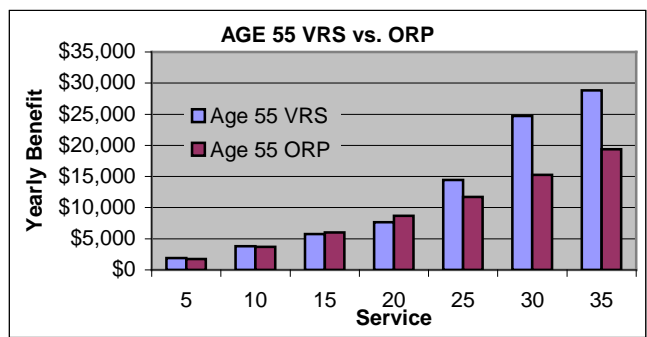
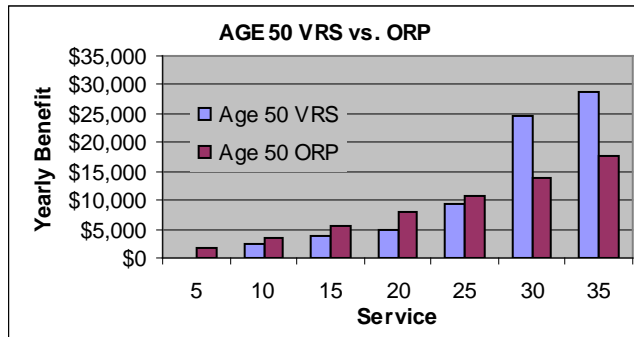
Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50 Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,837	4,059	6,747	10,000	13,935	18,695	24,455
<i>Difference</i>	<i>(1,837)</i>	<i>(1,588)</i>	<i>(3,040)</i>	<i>(5,057)</i>	<i>(4,614)</i>	<i>6,040</i>	<i>4,403</i>	<i>1,837</i>	<i>1,588</i>	<i>3,040</i>	<i>5,057</i>	<i>4,614</i>	<i>(6,040)</i>	<i>(4,403)</i>
Age 55 Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,982	4,380	7,281	10,791	15,037	20,175	26,391
<i>Difference</i>	<i>(69)</i>	<i>(554)</i>	<i>(1,542)</i>	<i>(3,140)</i>	<i>(608)</i>	<i>4,560</i>	<i>2,467</i>	<i>69</i>	<i>554</i>	<i>1,542</i>	<i>3,140</i>	<i>608</i>	<i>(4,560)</i>	<i>(2,467)</i>
Age 60 Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	2,182	4,822	8,017	11,881	16,557	22,214	29,057
<i>Difference</i>	<i>704</i>	<i>950</i>	<i>640</i>	<i>(338)</i>	<i>(2,128)</i>	<i>2,521</i>	<i>(199)</i>	<i>(704)</i>	<i>(950)</i>	<i>(640)</i>	<i>338</i>	<i>2,128</i>	<i>(2,521)</i>	<i>199</i>
Age 65 Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,455	5,424	9,017	13,364	18,623	24,985	32,683
<i>Difference</i>	<i>1,668</i>	<i>2,821</i>	<i>3,351</i>	<i>3,126</i>	<i>1,990</i>	<i>(250)</i>	<i>(3,825)</i>	<i>(1,668)</i>	<i>(2,821)</i>	<i>(3,351)</i>	<i>(3,126)</i>	<i>(1,990)</i>	<i>250</i>	<i>3,825</i>
Age 75 Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	3,374	7,456	12,395	18,370	25,599	34,346	44,927
<i>Difference</i>	<i>749</i>	<i>789</i>	<i>(27)</i>	<i>(1,880)</i>	<i>(4,986)</i>	<i>(9,611)</i>	<i>(16,069)</i>	<i>(749)</i>	<i>(789)</i>	<i>27</i>	<i>1,880</i>	<i>4,986</i>	<i>9,611</i>	<i>16,069</i>



# Comparing VRS to ORP Annual Benefits Illustration

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

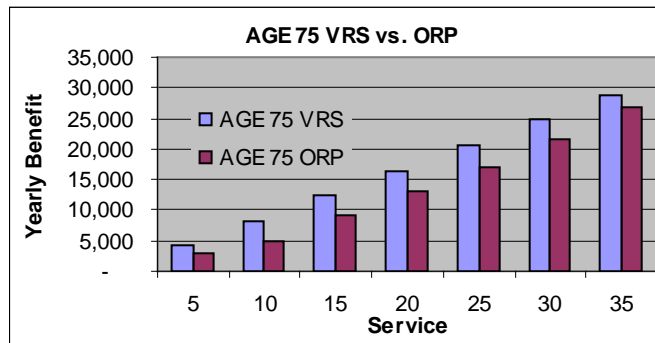
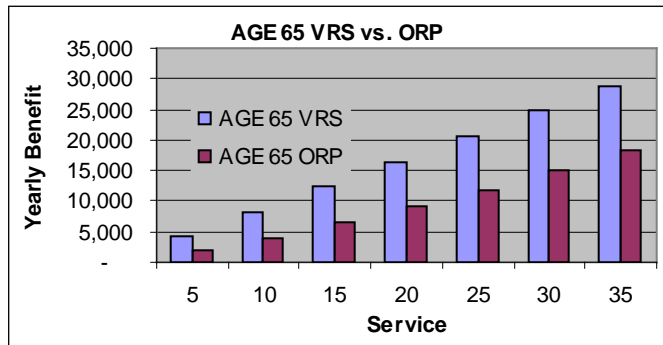
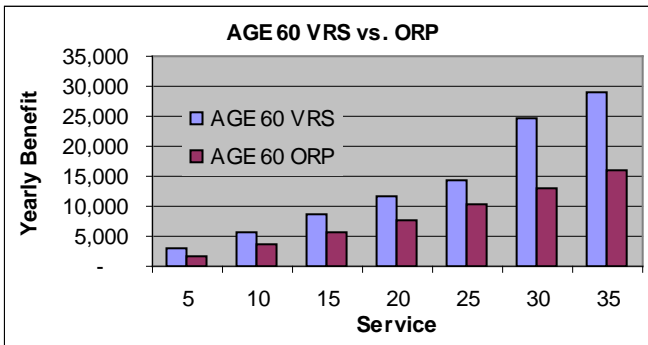
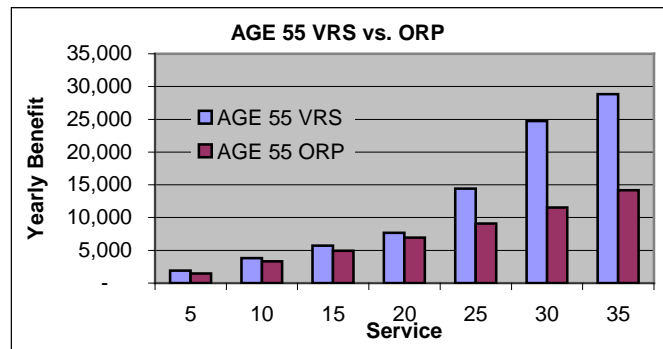
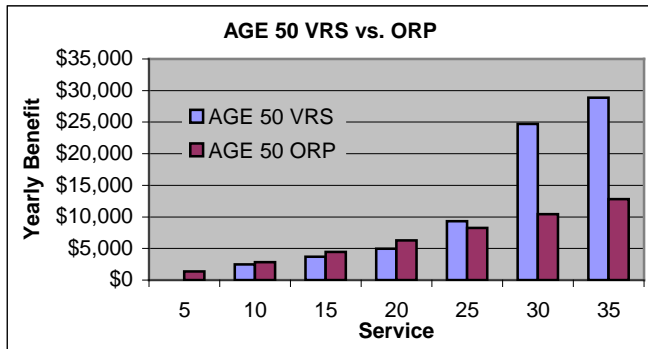
Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50														
Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,581	3,407	5,514	7,947	10,755	13,996	17,738
Difference	(1,581)	(936)	(1,807)	(3,004)	(1,434)	10,739	11,120	1,581	936	1,807	3,004	1,434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



# Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	5.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50														
Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,347	2,830	4,463	6,261	8,240	10,419	12,818
Difference	(1,347)	(359)	(756)	(1,318)	1,081	14,316	16,040	1,347	359	756	1,318	(1,081)	(14,316)	(16,040)
Age 55														
Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,490	3,310	4,935	6,923	9,111	11,520	14,173
Difference	423	516	804	728	5,318	13,215	14,685	(423)	(516)	(804)	(728)	(5,318)	(13,215)	(14,685)
Age 60														
Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	1,682	3,533	5,572	7,816	10,286	13,006	16,001
Difference	1,204	2,239	3,085	3,727	4,143	11,729	12,857	(1,204)	(2,239)	(3,085)	(3,727)	(4,143)	(11,729)	(12,857)
Age 65														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	1,940	4,076	6,428	9,017	11,897	15,005	18,460
Difference	2,183	4,169	5,940	7,473	8,716	9,730	10,398	(2,183)	(4,169)	(5,940)	(7,473)	(8,716)	(9,730)	(10,398)
Age 75														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,806	4,895	9,296	13,041	17,163	21,701	26,698
Difference	1,317	3,350	3,072	3,449	3,450	3,034	2,160	(1,317)	(3,350)	(3,072)	(3,449)	(3,450)	(3,034)	(2,160)



# Comparing VRS to ORP Annual Benefits Illustration

Assumptions			
Salary Increases	3.00%	COLA	2.00%
ORP Annual Rate of Return	4.00%	Final Salary	\$50,000
ORP Contribution	10.40%	Average Final Compensation	\$48,500

Age at Retirement	VRS Service							ORP Service						
	5	10	15	20	25	30	35	5	10	15	20	25	30	35
Age 50														
Yr. Benefit	*	2,471	3,707	4,943	9,321	24,735	28,858	1,134	2,325	3,574	4,886	6,262	7,706	9,222
Difference	(1,134)	146	133	57	3,059	17,029	19,636	1,134	(146)	(133)	(57)	(3,059)	(17,029)	(19,636)
Age 55														
Yr. Benefit	1,913	3,826	5,739	7,651	14,429	24,735	28,858	1,274	2,610	4,013	5,485	7,030	8,651	10,353
Difference	639	1,216	1,726	2,166	7,399	16,084	18,505	(639)	(1,216)	(1,726)	(2,166)	(7,399)	(16,084)	(18,505)
Age 60														
Yr. Benefit	2,886	5,772	8,657	11,543	14,429	24,735	28,858	1,460	2,992	4,600	6,288	8,059	9,917	11,868
Difference	1,426	2,780	4,057	5,255	6,370	14,818	16,990	(1,426)	(2,780)	(4,057)	(5,255)	(6,370)	(14,818)	(16,990)
Age 65														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	1,710	3,504	5,388	7,364	9,439	11,616	13,901
Difference	2,413	4,741	6,980	9,126	11,174	13,119	14,957	(2,413)	(4,741)	(6,980)	(9,126)	(11,174)	(13,119)	(14,957)
Age 75														
Yr. Benefit	4,123	8,245	12,368	16,490	20,613	24,735	28,858	2,546	5,218	8,023	10,966	14,055	17,297	20,700
Difference	1,577	3,027	4,345	5,524	6,558	7,438	8,158	(1,577)	(3,027)	(4,345)	(5,524)	(6,558)	(7,438)	(8,158)

