



Plan Comparison Guide

The Virginia Retirement System Plan Comparison Guide provides a quick look at some of the similarities and differences among VRS Plan 1, VRS Plan 2 and the Hybrid Retirement Plan. The Hybrid Retirement Plan applies to most VRS members hired on or after January 1, 2014. This guide is designed to help you understand and compare the plan provisions for these three VRS retirement plans. For more detailed information, visit varetire.org and varetire.org/hybrid.

VRS PLAN 1	VRS PLAN 2	HYBRID RETIREMENT PLAN
<p>About VRS Plan 1</p> <p>VRS Plan 1 is a defined benefit plan. The retirement benefit is based on your age, service credit and average final compensation at retirement using a formula. You are covered under Plan 1 if your membership date is prior to July 1, 2010, and you were vested before January 1, 2013, and have not taken a refund.</p>	<p>About VRS Plan 2</p> <p>VRS Plan 2 is a defined benefit plan. The retirement benefit is based on your age, service credit and average final compensation at retirement using a formula. You are covered under Plan 2 if your membership date is from July 1, 2010, to December 31, 2013, and you have not taken a refund. Additionally, you are covered under Plan 2 if you have a membership date prior to July 1, 2010, but you were not vested before January 1, 2013.</p>	<p>About the Hybrid Retirement Plan</p> <p>The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The plan applies to most members whose membership date is on or after January 1, 2014, and to VRS Plan 1 and VRS Plan 2 members who were eligible to opt into the plan during the special election window in 2014.</p> <ul style="list-style-type: none"> • The defined benefit is based on your age, service credit and average final compensation at retirement using a formula. • The benefit from the defined contribution plan depends on the contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, you may start receiving distributions from the balance in your defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Retirement Contributions</p> <p>You contribute up to 5% of your compensation each month to your member contribution account through a pretax salary reduction. Your contributions are tax-deferred until you withdraw them as part of your retirement benefit or as a refund. Your employer makes a separate contribution to VRS for all covered employees. VRS invests contributions to provide for your future benefit payment. The <i>Code of Virginia</i> does not allow VRS members to borrow or withdraw funds from their member contribution accounts. You can take a refund of your member contribution account when you leave covered employment.</p>	<p>Retirement Contributions</p> <p>Same as VRS Plan 1.</p>	<p>Retirement Contributions</p> <p>Your retirement benefit is funded through mandatory and voluntary contributions made by you and your employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of your creditable compensation and are required from both you and your employer. Additionally, you may choose to make voluntary contributions of more than the mandatory amount to the defined contribution component of the plan, and your employer is required to match those voluntary contributions according to specified percentages.</p>

The information contained in this document is governed by Title 51.1 of the *Code of Virginia*. This information is intended to be general. It cannot be complete in all details and cannot supersede or restrict the authority granted by the *Code of Virginia*, which may be amended from time to time.

NOTE: Judges should contact their benefits administrator for plan provision information.

VRS PLAN 1

Eligible Members

You are covered under Plan 1 if your membership date is prior to July 1, 2010, and you were vested before January 1, 2013, and have not taken a refund.

Members who are eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 1 are not eligible to elect the Hybrid Retirement Plan and will select VRS Plan 1 or ORP.

VRS PLAN 2

Eligible Members

You are covered under Plan 2 if your membership date is from July 1, 2010, to December 31, 2013, and you have not taken a refund. Additionally, you are covered under Plan 2 if you have a membership date prior to July 1, 2010, but you were not vested before January 1, 2013.

Members who are eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 are not eligible to elect the Hybrid Retirement Plan and will select VRS Plan 2 or ORP.

HYBRID RETIREMENT PLAN

Eligible Members

You are in the Hybrid Retirement Plan if your membership date is on or after January 1, 2014:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the special election window in 2014

* Non-Eligible Members

Some members are not eligible to participate in the Hybrid Retirement Plan:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and will select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

Service Credit

Service credit includes active service. You earn service credit for each month you are employed in a covered position. It may also include credit for prior service you may have purchased or additional service credit you were granted. Your total service credit is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit. It may also count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.

Service Credit

Same as VRS Plan 1.

Service Credit

Under the defined benefit component of the plan, service credit includes active service. You earn service credit for each month you are employed in a covered position. It may also include credit for prior service you may have purchased or additional service credit you were granted. Your total service credit is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit. It may also count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.

Under the defined contribution component, service credit is used to determine vesting for the employer contribution portion of the plan.

VRS PLAN 1

VRS PLAN 2

HYBRID RETIREMENT PLAN

Vesting

Vesting is the minimum length of service you need to qualify for a future retirement benefit. You become vested when you have at least five years (60 months) of service credit. Vesting means you are eligible to qualify for retirement if you meet the age and service requirements for your plan. You also must be vested to receive a full refund of your member contribution account balance if you leave employment and request a refund.

You are always 100% vested in the contributions that you make.

Vesting

Same as VRS Plan 1.

Vesting

Defined Benefit Vesting is the minimum length of service you need to qualify for a future retirement benefit. You are vested under the defined benefit component of the Hybrid Retirement Plan when you reach five years (60 months) of service credit.

Defined Contribution Vesting is the minimum length of service members need to be eligible to withdraw employer contributions from the defined contribution component of the plan. You are always 100% vested in the contributions that you make.

Upon retirement or leaving covered employment, you are eligible to withdraw a percentage of employer contributions. Distribution is not required by law until age 73.

- After two years, you are 50% vested and may withdraw 50% of employer contributions.
- After three years, you are 75% vested and may withdraw 75% of employer contributions.
- After four or more years, you are 100% vested and may withdraw 100% of employer contributions.

Disability Coverage

If you are eligible to be considered for disability retirement and retire on disability, the retirement multiplier will be 1.7% on all service credit, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP).

Members covered under VSDP will be subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Disability Coverage

If you are eligible to be considered for disability retirement and retire on disability, the retirement multiplier will be 1.65% on all service credit, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP).

Members covered under VSDP will be subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.

Disability Coverage

Eligible political subdivision and school division members participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable plan for members.

State employees (including opt-ins) in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP). State employees participating in the Hybrid Retirement Plan are not eligible for disability retirement.

VRS PLAN 1**VRS PLAN 2****HYBRID RETIREMENT PLAN****Normal Retirement Age**

Age 65.

Normal Retirement Age

Normal Social Security retirement age.

Normal Retirement Age

Same as VRS Plan 2 for the purpose of the defined benefit component.

For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. Distribution is not required by law until age 73. See varetire.org/hybrid.

Earliest Unreduced Retirement Eligibility

You become eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of service credit or at age 50 with at least 30 years of service credit.

Earliest Unreduced Retirement Eligibility

You become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of service credit or when your age and service equal 90. *Example:* Age 60 with 30 years of service credit.

Unreduced Retirement Eligibility

Under the defined benefit component of the plan, you become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of service credit, or when your age and service equal 90. *Example:* Age 60 with 30 years of service credit.

For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See varetire.org/hybrid.

Earliest Reduced Retirement Eligibility

You may retire with a reduced benefit as early as age 55 with at least five years (60 months) of service credit or age 50 with at least 10 years of service credit.

Earliest Reduced Retirement Eligibility

You may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit.

Reduced Retirement Eligibility

Under the defined benefit component of the plan, you may retire with a reduced benefit as early as age 60 with at least five years (60 months) of service credit.

For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See varetire.org/hybrid.

Average Final Compensation

Your average final compensation is the average of your 36 consecutive months of highest creditable compensation as a covered employee.

Average Final Compensation

Your average final compensation is the average of your 60 consecutive months of highest creditable compensation as a covered employee.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula in the defined benefit component of the plan.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility: If you retire with an unreduced benefit or with a reduced benefit with at least 20 years of service credit, the COLA will go into effect on July 1 after one full calendar year from your retirement date. If you retire with a reduced benefit with less than 20 years of service credit, the COLA will go into effect on July 1 after one calendar year following your unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) if you are in any of the following circumstances:

- You retire on disability.
- You retire directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- You are involuntarily separated from employment for causes other than job performance or misconduct and are eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- You die in service and your survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility: Same as VRS Plan 1.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1.

Cost-of-Living Adjustment (COLA) in Retirement

Same as VRS Plan 2 for the defined benefit component.

The COLA is not applicable to the defined contribution component.

Eligibility: Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2.

Purchase of Prior Service

You may be able to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as service credit in your plan. Prior service credit counts toward the five years needed to become vested, eligibility for retirement and the health insurance credit.

To be eligible to purchase prior service, you must be an active VRS member. You are not eligible to purchase prior service if you are employed in a non-covered position, on a leave of absence without pay, a deferred member or retiree.

For more information about purchasing prior service, visit varetire.org/pps.

Purchase of Prior Service

Same as VRS Plan 1.

Purchase of Prior Service

See the Purchase of Prior Service section at varetire.org/hybrid; select Plan Info.

Service Retirement Multiplier

Your retirement multiplier is 1.7% and is used in the formula to determine your retirement benefit amount.

Service Retirement Multiplier

Your retirement multiplier is 1.65% on service credit earned, purchased or granted on or after January 1, 2013, and 1.7% on service credit earned, purchased or granted before January 1, 2013.

Service Retirement Multiplier

Your retirement multiplier is 1.0%. For members who opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, service you earned, purchased or were granted prior to January 1, 2014, will be based on different retirement multipliers.

The Role of Investments

Your contributions are invested by the Virginia Retirement System, and your benefit is calculated using a formula. See "How Your Benefit Is Calculated" on page 7.

The Role of Investments

Same as VRS Plan 1. See "How Your Benefit Is Calculated" on page 7.

The Role of Investments

Defined Benefit: Your contributions are invested by the Virginia Retirement System, and your benefit is calculated using a formula. See "How Your Benefit Is Calculated" on page 7.

Defined Contribution: You choose how the contributions will be invested from a range of options. You bear the investment risk, and the amount of your benefit depends on the amount you contribute and net investment earnings.

VRS PLAN 1

How Your Benefit Is Calculated

Your unreduced Basic Benefit is calculated using the following formula:

Average final compensation × retirement multiplier × total years of service credit at retirement = Annual benefit amount ÷ 12 = Monthly benefit amount before taxes and other deductions

An early retirement reduction factor is applied to your monthly benefit amount if you retire with a reduced retirement benefit or a benefit payout option other than the Basic Benefit.

See a benefit calculation example on the next page.

VRS PLAN 2

How Your Benefit Is Calculated

Same formula as VRS Plan 1.

For VRS Plan 2 members, a retirement multiplier of 1.65% is applied to service earned, purchased or granted on or after January 1, 2013; and a multiplier of 1.7% is applied to service earned, purchased or granted before January 1, 2013.

The benefit is calculated using the following formula:

Average final compensation × retirement multiplier(s) for the plan × total years of service credit at retirement = Annual benefit amount ÷ 12 = Monthly benefit amount before taxes and other deductions

See a benefit calculation example on the next page.

HYBRID RETIREMENT PLAN

How Your Benefit Is Calculated

You will receive a benefit from the defined benefit component that is based on a formula plus the contributions, and from the defined contribution component that is based on contributions made by you and any matching contributions made by your employer, plus net investment earnings on those contributions.

Defined Benefit

The benefit is calculated using the following formula:

Average final compensation × retirement multiplier for the plan × total years of service credit at retirement = Annual benefit amount ÷ 12 = Monthly benefit amount before taxes and other deductions

Defined Contribution

Your contributions + net investment earnings = defined contribution benefit

Distribution options are flexible and may be changed over time. Distributions are subject to taxes.

Retirement Multipliers

Under the defined benefit component of the Hybrid Retirement Plan, the retirement multiplier to be used on service earned, purchased or granted on or after January 1, 2014, is 1.0%.

See a benefit calculation example on the next page.

VRS PLAN 1**VRS PLAN 2****HYBRID RETIREMENT PLAN****Benefit Calculation Example**

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

30 years in VRS Plan 1 (1.7%)

Average final compensation	\$ 50,000
Retirement multiplier (1.7%)	× .017
Service credit	× 30
Annual benefit amount	\$ 25,500
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$ 2,125

Benefit Calculation Example

In this example, the member is retiring at age 60 with 30 years of service credit, 27 years of which were earned after January 1, 2013. The member's average final compensation is \$50,000.

**3 years in VRS Plan 1 (1.7%);
27 years in VRS Plan 2 (1.65%)**

Average final compensation	\$ 50,000
Retirement multiplier (1.65%)	× .0165
Service credit earned after 1/1/2013	× 27

Annual benefit amount based on 1.65% = \$ 22,275

Average final compensation	\$ 50,000
Retirement multiplier (1.7%)	× .017

Service credit earned before 1/1/2013 × 3

Annual benefit amount based on 1.7% = \$ 2,550

1.65% calculation	\$ 22,275
+	+
1.7% calculation	\$ 2,550

Total annual benefit amount = \$ 24,825
÷ 12 months ÷ 12

Monthly benefit amount before taxes and other deductions = \$ 2,068.75

Benefit Calculation Example

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

30 years in the Hybrid Retirement Plan (1%)

Average final compensation	\$ 50,000
Retirement multiplier	× .01
Service credit earned after 1/1/2014	× 30
Annual benefit amount based on 1.0%	\$ 15,000
÷ 12 months	÷ 12

Monthly benefit amount before taxes and other deductions = \$ 1,250

+ 30 years of defined contributions