

Commonwealth of Virginia

Hybrid Retirement Plan

PLAN FEATURES & HIGHLIGHTS

The Hybrid Retirement Plan combines the features of a defined contribution plan, which provides a retirement benefit based on contributions to the plan and the investment performance of those contributions, and a defined benefit plan, which pays a monthly retirement benefit based on age, total service credit and average final compensation.



Saving for your retirement is simpler than you might think.

We'll show you how in just three easy steps you could be on your way to a more secure future with your VRS Hybrid Retirement Plan, which contains both a defined benefit and defined contribution component.

step 1 **Learn More**
Gather information and identify the steps that will get you to your goals.

step 2 **Make a Plan**
Determine what you want and need, and set your goals.

step 3 **Start Saving!**
Take the actions needed to reach your goals.

STEP 1: LEARN MORE

Who participates in the Hybrid Retirement Plan?

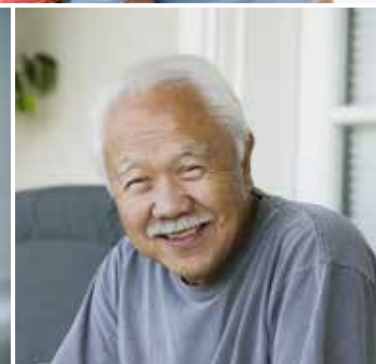
New members with no previous VRS service credit and a membership date on or after January 1, 2014.

Eligible Members

- State employees
- School division employees
- Political subdivision employees
- Judges appointed or elected to an original term on or after January 1, 2014
- New members who are eligible for an optional retirement plan (ORP) must elect an ORP or the Hybrid Retirement Plan

Who is not eligible for the hybrid plan?

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



It's important to understand both components of your hybrid plan. The plan combines the features of a defined benefit and a defined contribution component.

Defined Benefit	Defined Contribution
<ul style="list-style-type: none"> ■ Provides the foundation of your future retirement benefit when you qualify ■ Pays a monthly retirement benefit based on age, total service credit and average final compensation ■ VRS manages the investments and related risk for this component ■ For information about the defined benefit component, visit www.varetire.org/hybrid 	<ul style="list-style-type: none"> ■ Provides a tax-deferred savings plan to build on your benefit from the defined benefit component ■ Pays a retirement benefit based on contributions by you and your employer to the plan and the investment performance of those contributions ■ You manage the investments and related risk for this component ■ View your investment options and find additional information at www.varetire.org/hybrid

Hybrid members make two types of contributions to the defined contribution component: **mandatory contributions**, which all members are required to make; and additional **voluntary contributions**, which the employer matches.

The Defined Contribution Component Offers Two Plans: the Hybrid 401(a) Cash Match Plan and the Hybrid 457 Deferred Compensation Plan.

Hybrid 401(a) Cash Match Plan

- You contribute a mandatory 1 percent of your creditable compensation each month to your 401(a) account.
- Your employer contributes a mandatory 1 percent, plus matching contributions on any voluntary contributions you make.
- **Your employer must match the first 1 percent of your voluntary contribution with a corresponding contribution of 1 percent of your creditable compensation.**
- **Each of your additional 0.5 percent increases will be matched by your employer with a 0.25 percent contribution.**
- Maximum amount for match is 2.5 percent.

Hybrid 457 Deferred Compensation Plan

- Allows you to accumulate additional voluntary contributions on a tax-deferred basis until you leave or withdraw the money from your plan.
- Maximum amount for voluntary contributions is 4 percent (in 0.5 percent increments) of your creditable compensation.

How do you know how much you may contribute?

Defined Benefit (DB) Plan Contributions		
	EMPLOYEE	EMPLOYER
Mandatory Contribution	4.00%	Total employer rate, less employer DC contributions

Defined Contribution (DC) Plan Contributions		
	EMPLOYEE	EMPLOYER
Hybrid 401(a) Mandatory Contributions	1.00%	1.00%
Hybrid 457 Contributions	VOLUNTARY	MATCHING
	0.00%	0.00%
	0.50%	0.50%
	1.00%	1.00%
	1.50%	1.25%
	2.00%	1.50%
	2.50%	1.75%
	3.00%	2.00%
	3.50%	2.25%
4.00%	2.50%	

Benefits of making voluntary contributions to your hybrid account:

- Your employer will match a portion of your contributions (see table above).
- You may select from a variety of available investment options.
- Your investments could generate compounded earnings, and further generate compounded earnings on those compounded earnings.

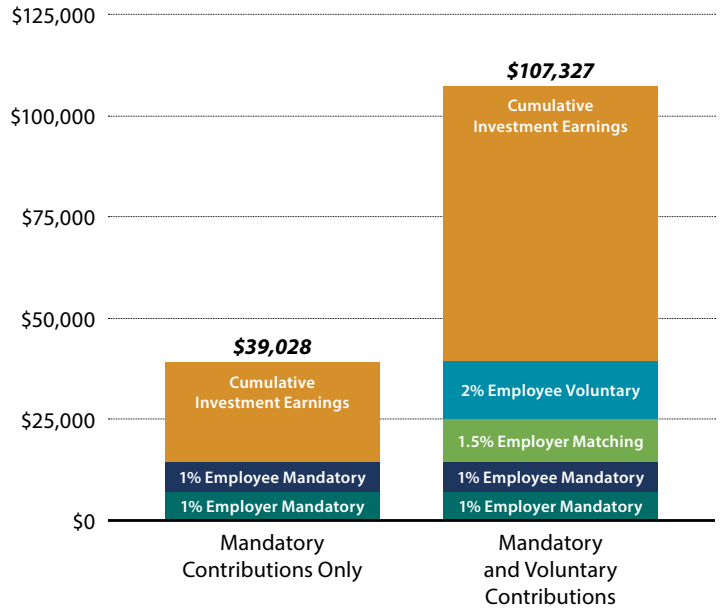


Why Make Voluntary Contributions?

Meet Will: This chart demonstrates how much more he could save by making voluntary contributions to the hybrid retirement plan.

Will could save \$68,299 more by making a 2 percent before-tax voluntary contribution to the Hybrid Retirement Plan.

For illustrative purposes only and based on a monthly income of \$2,000; assumes bi-monthly employee contribution made on 15th and 30th of each month and a 6 percent average annual return after 30 years. The final account balance does not account for plan fees or expenses, which would reflect lower net returns. Investment return and principal value will fluctuate, so when shares are redeemed they may be worth more or less than the original cost.

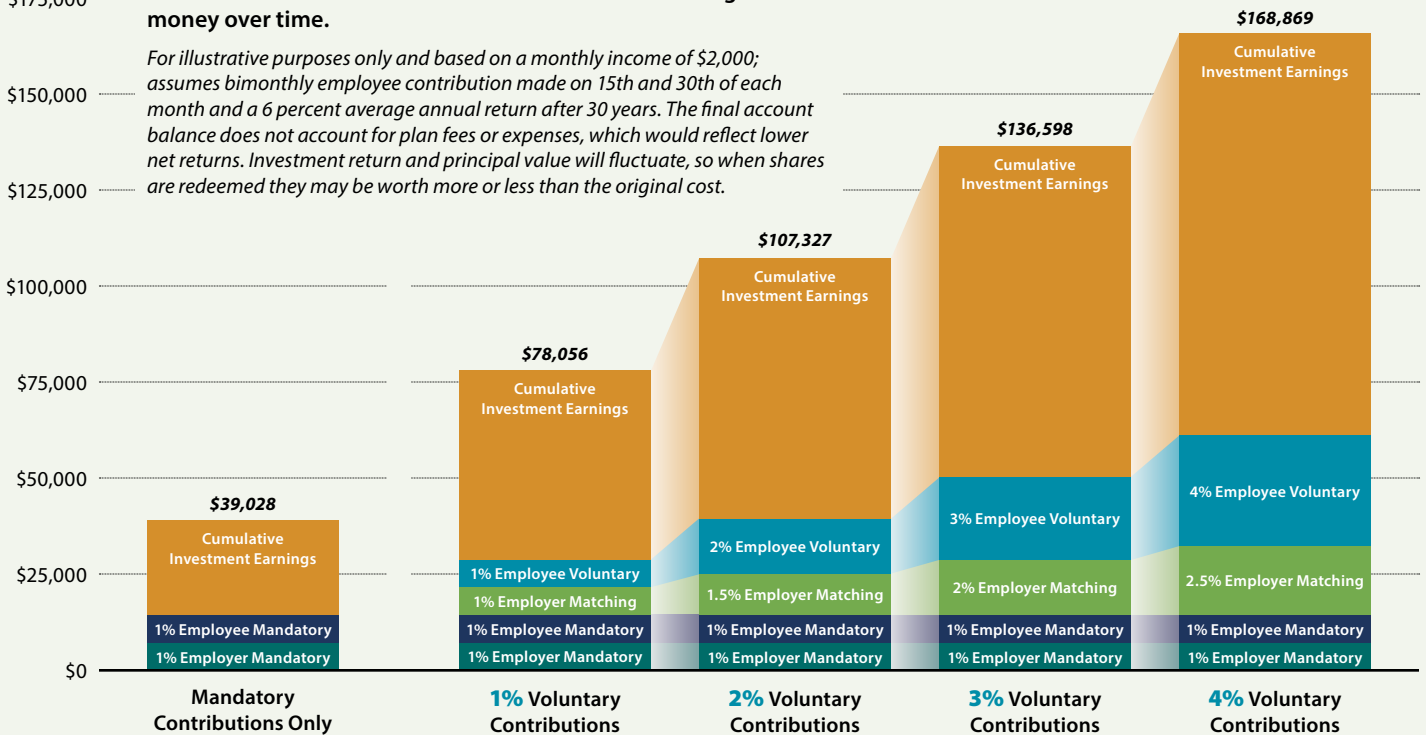


The Value of Contributing More Money Over Time

Members may voluntarily contribute up to an additional 4 percent in 0.5 percent increments to the Hybrid 457 Deferred Compensation Plan each month and receive an employer match.

This chart demonstrates the added value of contributing more money over time.

For illustrative purposes only and based on a monthly income of \$2,000; assumes bimonthly employee contribution made on 15th and 30th of each month and a 6 percent average annual return after 30 years. The final account balance does not account for plan fees or expenses, which would reflect lower net returns. Investment return and principal value will fluctuate, so when shares are redeemed they may be worth more or less than the original cost.



Hybrid Retirement Plan Resources



Hybrid Retirement Plan Website

Website for additional information and to log into your account:

www.varetire.org/hybrid

No password is required to access general plan and investment information online. You will need your password to access your plan account online or by phone.



Hybrid Retirement Plan Handbook

An overview of the Hybrid Retirement Plan. Download a copy at www.varetire.org/hybrid (click *Publications*).

Additional Defined Contribution component resources



Live and Recorded Webinars, Videos

Visit the Hybrid Retirement Plan's website to register for an upcoming live webinar or to view a recorded webinar or video: www.varetire.org/hybrid (click *Education*).

Regional seminars

Register to attend an overview seminar near you: www.varetirement.org/hybrid (click *Education*).

One-on-one sessions

Make an appointment with your local Defined Contribution Plans Retirement Specialist: www.varetire.org/hybrid (click on *Education*, then *Contact a Defined Contribution Plans Retirement Specialist*).

Contact VRS for questions about the defined benefit component

PHONE: 1-855-291-2285

TDD: 1-804-280-5919

EMAIL: vrshybridsupport@varetire.org
(Do not send personal or confidential information such as your Social Security number by email. VRS will send only non-confidential replies.)

VRS Retirement Counseling Center

1111 East Main Street, Richmond, VA 23219
Meet with a counselor; sessions are offered on a first-come, first-served basis on weekdays between 8:30 a.m. and 4:00 p.m.

VRS Administrative Offices

1200 East Main Street, Richmond, VA 23219
MAILING ADDRESS: P.O. Box 2500
Richmond, VA 23218-2500

Contact ICMA-RC for questions about the defined contribution component

PHONE: 1-VRS-DC-PLAN1 (1-877-327-5261)

- **Press 1** to speak with an Investor Services Representative, weekdays 8:30 a.m. – 9:00 p.m.
- **Press 2** to speak with a Defined Contribution Plans Retirement Specialist or reach the Virginia Service Center, weekdays 8:30 a.m. – 5:00 p.m.

TDD: 1-800-669-7471

EMAIL: InvestorServicesCommonwealthofVA@icmarc.org

Virginia Service Center

919 East Main Street (SunTrust Building)
Suite 1604, Richmond, VA 23219
Monday – Friday | 8:30 a.m. – 5:00 p.m.
Walk-ins and scheduled appointments are available between 8:30 a.m. and 5:00 p.m.

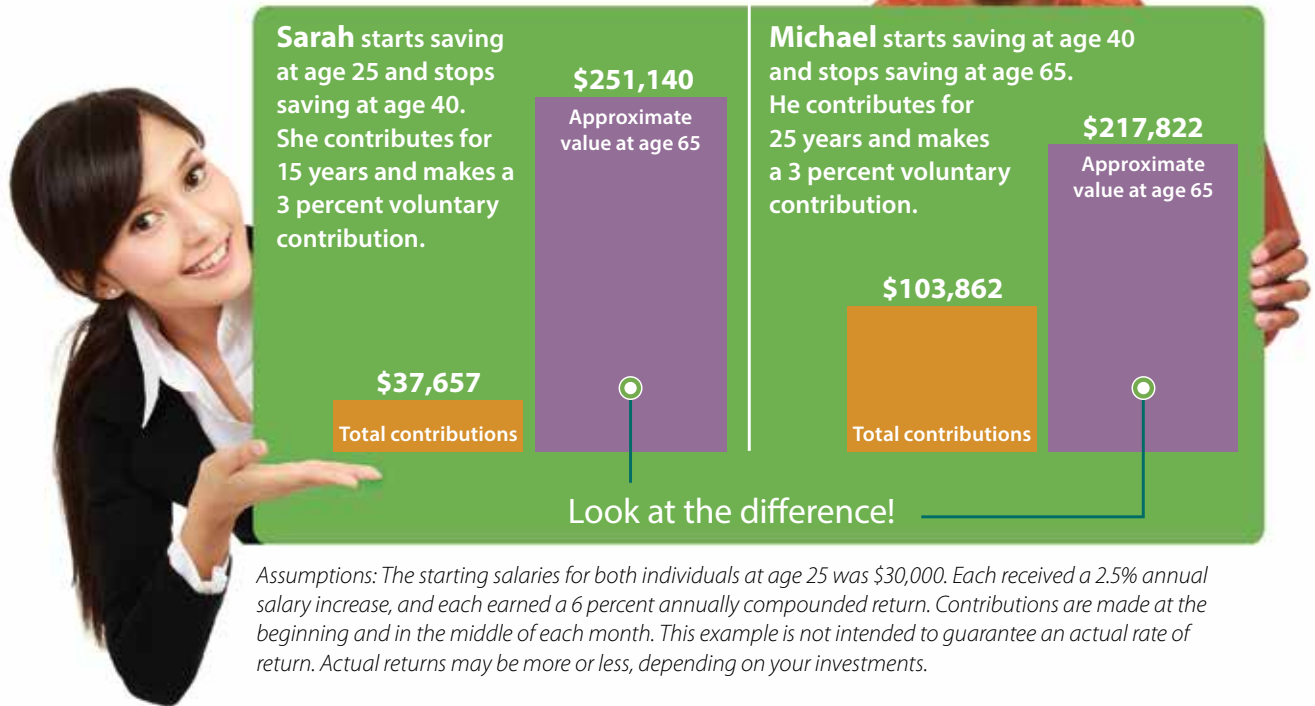
(To speak with a representative during the 12:00 to 1:00 p.m. lunch hour, please schedule an appointment.)



STEP 2:

MAKE A PLAN

Now that you've done your research, it's time to plan. What's best for you depends on a variety of factors, such as whether you're just starting out in your career or are closer to retirement. In addition to your mandatory contributions into the Hybrid 401(a) Cash Match Plan, you can choose how much from each paycheck to set aside for voluntary contributions into the Hybrid 457 Deferred Compensation Plan, which funds to invest in and whether to take advantage of a tax credit that might apply to you.



STEP 3:

START SAVING!

Now you're ready to begin building your retirement security! Here are answers to some commonly asked questions about participating in the plan and managing your retirement account.

Who contributes to the Hybrid Retirement Plan?

DEFINED BENEFIT PLAN

You and your employer.

HYBRID 457 DEFERRED COMPENSATION PLAN

You.

HYBRID 401(a) CASH MATCH PLAN

You and your employer.

Compensation Plan each month. Members can increase or decrease their voluntary contributions on a quarterly basis.

Through mandatory and voluntary contributions to the defined contribution component of the plan, members can contribute a maximum of 5 percent with a 3.5 percent match from the employer. Members invest in various investment options that best fit their needs.

What is the contribution amount?

Hybrid plan members contribute 4 percent of creditable compensation to the defined benefit plan and 1 percent to the Hybrid 401(a) Cash Match Plan each month. Members may voluntarily contribute up to an additional 4 percent in 0.5 percent increments to the Hybrid 457 Deferred

How do I elect to make voluntary contributions?

You can request to make voluntary contributions by accessing your account online by visiting www.varetire.org/hybrid and selecting Account Log-In, or by calling Investor Services at 1-877-327-5261 and selecting option 1. The cut-off for the change is the 15th of the month prior to the next quarter. If the 15th is not a business day, the deadline will be the next business day after the 15th.

Learn more, register and manage your account:

Online — Go to www.varetire.org/hybrid

Phone — For questions about the defined benefit plan component, call 1-855-291-2285.

For questions about the defined contribution plan component, call 1-VRS-DC-PLAN1 (1-877-327-5261).

What are my investment options?

Your investment options are organized into three pathways. The path approach is designed to make it easier for you to implement your investment decisions. It's also flexible — you don't need to choose just one path or investment option. You can mix and match options among paths to suit your objectives, risk tolerance and overall investing style.

Do-It-For-Me Path

Includes target-date funds for participants who would like a portfolio that's already diversified. Select funds based on your projected retirement date and individual needs.

- Retirement Portfolio
- Target Date 2015 Portfolio
- Target Date 2020 Portfolio
- Target Date 2025 Portfolio
- Target Date 2030 Portfolio
- Target Date 2035 Portfolio
- Target Date 2040 Portfolio
- Target Date 2045 Portfolio
- Target Date 2050 Portfolio
- Target Date 2055 Portfolio

Help-Me-Do-It Path

Offers a carefully selected menu of funds for those who prefer to take a slightly more active role in investing.

- Money Market Fund
- Stable Value Fund
- Bond Fund
- Inflation-Protected Bond Fund
- High-Yield Bond Fund
- Stock Fund
- Small/Mid-Cap Stock Fund
- International Stock Fund
- Emerging Markets Stock Fund
- Global Real Estate Fund
- Virginia Retirement System Investment Portfolio (VRSIP)

Do-It-Myself Path

Features a self-directed brokerage account (SDBA) for those who wish to manage investments without assistance. Options include exchange-traded funds, individual securities and other funds. You must have \$2,500 in the core investments before investing in the SDBA.



For more information about the plan's investment options, go to www.varetire.org/hybrid or call the Plan Information Line toll-free at **1-VRS-DC-PLAN1** (1-877-327-5261). For information about the SDBA, contact TD Ameritrade¹ at 1-866-766-4015. Please consider the investment objectives, risks,

fees and expenses carefully before investing.

¹ ICMA-RC and TD Ameritrade are separate, unaffiliated companies and not responsible for each other's services or policies. Brokerage services are provided by TD Ameritrade, Inc., a registered broker-dealer and member of FINRA/SIPC/NFA. TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and the Toronto-Dominion Bank. Used with permission.

How do I make investment option changes?

You can make changes to your account online or by phone (see page 5 for hybrid plan resources):

- Move all or a portion of your existing balances among investment options (subject to plan rules)
- Change how your future contributions are invested

When can I withdraw from my account?

You may withdraw when you terminate employment from the employer that offers the plan. Also, in-service withdrawals are available from rollover funds within the Hybrid 457 Plan.

For more information about withdrawals, please refer to the Hybrid Retirement Plan Handbook, which can be found at: www.varetire.org/hybrid under Publications.

How do I keep track of my account?

DEFINED CONTRIBUTION COMPONENT

You'll receive a quarterly account statement showing your account balance and activity for the defined contribution component of your account. You can check your account balance online by visiting www.varetire.org/hybrid and logging into the secure **Account Access** site.



You also may elect to receive your statement electronically via e-Delivery:

1. Log into your account and click **My Profile**.
2. Go to **Email Address**, select **Edit** and add your email address.
3. Under **My Profile**, select **Services** then **e-Delivery Options**. Click **Sign Up**.

DEFINED BENEFIT COMPONENT

As a member of VRS, you have access to **myVRS**, a secure, online system that allows you to view your account balance and total creditable service and other account information.

Log into **myVRS** at www.varetire.org/myVRS and follow the simple step-by-step registration instructions.

Are there fees to participate in the plan?

DEFINED CONTRIBUTION COMPONENT

Yes. A monthly record keeping fee of \$2.54 will be deducted from your account (\$30.50 per year). If you participate in more than one Commonwealth of Virginia Defined Contribution Plan, only one annual fee of \$30.50 will be deducted from your account. In addition, each investment option has investment management and other fund costs that vary. Investment option fees and performance are available on the plan website, by calling the Plan Information Line or within the Investment Option Performance report included with your quarterly statement. For more information about fees associated with the Self-Directed Brokerage Account, refer to the fund profile online or call the Plan Information Line.

DEFINED BENEFIT COMPONENT

No.

Where can I find information about the distribution process and my options associated with it?

This document focuses on members who are actively employed with employers that offer the hybrid plan. For more detailed information about taking distributions, payments and related questions, please refer to the Hybrid Retirement Plan Handbook, which can be found at: www.varetire.org/hybrid, under **Publications**.



For additional details about the **Hybrid Retirement Plan**, download a copy of the *Virginia Retirement System Handbook for Members* at www.varetire.org/hybrid under **Publications**.

Please note that there are no distribution options for the defined benefit component of the hybrid plan while you're still actively employed with an employer that provides the hybrid plan. In-service withdrawals are available from rollover funds within the hybrid 457 defined contribution component of the plan.

May I purchase prior service?

If you have eligible service from previous public employment, active duty military service, certain types of authorized leave or VRS refunded service, you may be able to purchase a portion of this service as creditable service in your plan. Under the defined benefit component, purchase of prior service may increase your future retirement benefit or allow you to qualify for retirement at an earlier date. Read more in the Hybrid Retirement Plan Handbook: www.varetire.org/hybrid, under **Publications**.

May I transfer or roll over my account from another plan into this plan?

HYBRID 457 DEFERRED COMPENSATION PLAN

Yes. Approved balances from other governmental 457(b) plans may be transferred into the Commonwealth's 457 Deferred Compensation Plan. In addition, balances from an eligible retirement plan such as a 401(a), 401(k), 403(b), traditional IRA or Federal Employees Thrift Savings Plan may be transferred into the 457 Deferred Compensation Plan. Note that rollovers from these plan types will be separately accounted for to ensure that the distribution from these plan types will still be subject to the 10-percent additional tax under IRS Section 72(t).

HYBRID 401(A) CASH MATCH PLAN

No. You can only rollover money into the Hybrid 457 Deferred Compensation Plan and not into the Hybrid 401(a) Cash Match Plan.

May I continue to make contributions to the plan once I terminate employment with an employer that offers the plan?

No. Contributions can only be made while you are covered under the Hybrid Retirement Plan. However, once you leave employment, you may roll in money from other plans into the Hybrid 457 Deferred Compensation Plan, as long as you keep a balance in your Hybrid 457 Deferred Compensation Plan.