

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.





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 program and a defined contribution plan.

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 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 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: Hybrid 401(a) Cash Match and Hybrid 457 Deferred Compensation.[†]

Hybrid 401(a) Cash Match Plan

- You contribute a mandatory 1% of your creditable compensation each month to your 401(a) account. Your employer contributes a mandatory 1%.
- Your employer must match the first 1% of your voluntary contribution with a corresponding contribution of 1% of your creditable compensation. Each of your additional 0.5% increases will be matched by your employer with a 0.25% contribution.**
- Employer 401(a) Cash Match contributions vest as follows:

1 year – 0%	3 years – 75%
2 years – 50%	4 years – 100%

Hybrid 457 Deferred Compensation Plan[†]

- Allows you to accumulate additional voluntary contributions on a tax-deferred basis until you leave employment or withdraw the money from your plan.

Your mandatory and voluntary contributions are always 100% vested.

[†]Some provisions related to voluntary contributions and the associated employer match may differ for school division employees who have elected to use an employer-sponsored hybrid 403(b). For additional information, contact your human resources office.

Benefits of making voluntary contributions to your hybrid account:

- Your employer will match a portion of your contributions (see Contribution Table).
- 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.

Contribution Table

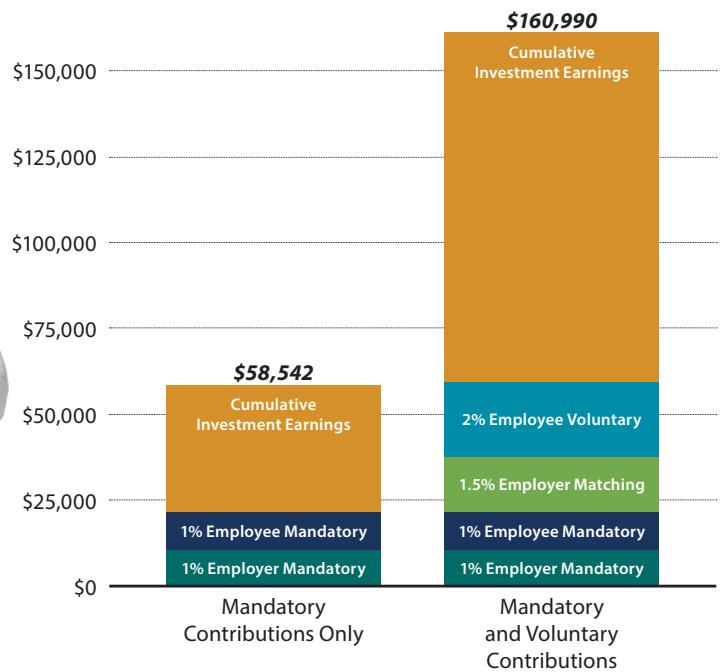
Defined Benefit (DB) Plan Contributions		
CONTRIBUTIONS	EMPLOYEE	EMPLOYER
Mandatory	4.00%	Actuarially determined employer contribution rate.
Defined Contribution (DC) Plan Contributions		
CONTRIBUTIONS	EMPLOYEE HYBRID 401(a)	EMPLOYER HYBRID 401(a)
Mandatory	1.00%	1.00%
Voluntary <i>Note: Members can elect a voluntary contribution between 0.5% and 4%. The maximum employer match is 2.5%.</i>	VOLUNTARY HYBRID 457[†] 0.00%..... 0.50%..... 1.00%..... 1.50%..... 2.00%..... 2.50%..... 3.00%..... 3.50%..... 4.00%.....	MATCHING HYBRID 401(a) 0.00% 0.50% 1.00% 1.25% 1.50% 1.75% 2.00% 2.25% 2.50%

Why Make Voluntary Contributions?

Meet Will: This chart demonstrates how more he could save by making voluntary contributions to the Hybrid Retirement Plan.

Will could save \$102,448 more by making a 2% before-tax voluntary contribution to the Hybrid Retirement Plan.

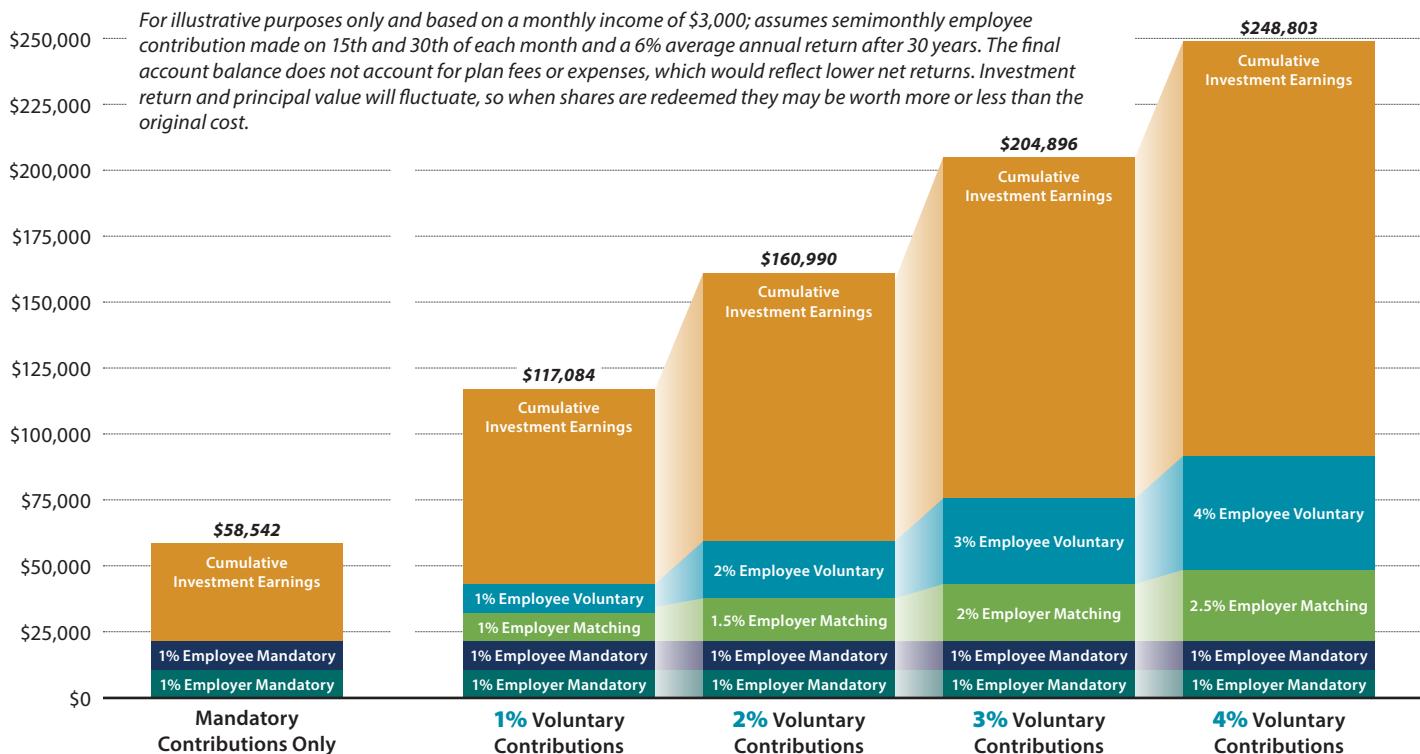
For illustrative purposes only and based on a monthly income of \$3,000; assumes semimonthly employee contribution made on 15th and 30th of each month and a 6% average annual return after 30 years. The final account balance does not account for plan fees or expenses, which would reflect lower net returns. 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% 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.



Plan Features Help You Save More

SmartStep and auto-escalation are hybrid plan features that work together to help you save more for retirement. The more you save in voluntary contributions, the more you receive in matching employer contributions.



SmartStep

Increase your voluntary contribution gradually, with less impact to your paycheck. You must opt in to SmartStep. Once you log in and choose the amount and month of your annual increase,

SmartStep will continue to increase your voluntary contribution each year until you reach the maximum 4%.



Auto-escalation

No action is required for auto-escalation. Every three years your voluntary contribution automatically increases by 0.5% until you reach the maximum 4%.

Together these features help you reach the 4% maximum voluntary contribution even sooner, and could result in more money saved for your future. To opt-in to SmartStep, log in to Account Access at varetire.org/hybrid, select your Hybrid 457 Plan account, then click on Contributions to enter an amount.

Hybrid Retirement Plan Resources

Hybrid Retirement

Plan Website

For additional information, log into your account: 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.



Visit the myVRS Financial Wellness website: varetire.org/financial-wellness



Choosing Investments

Need more information to help you choose which funds to invest in? Click **Publications** to view the *VRS Investment Guide*.



Hybrid Retirement Plan Handbook

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

Contact VRS for questions about the defined benefit component

PHONE: 855-291-2285

TDD: 804-289-5919

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

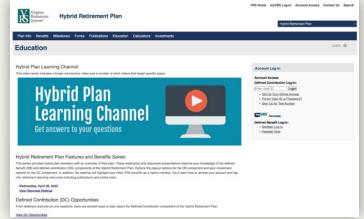
MAILING ADDRESS: P.O. Box 2500
Richmond, VA 23218-2500

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: varetire.org/hybrid (click **Education**).

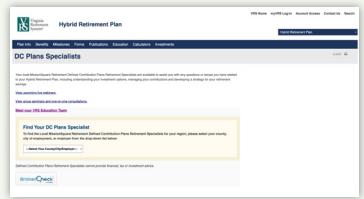


Regional seminars

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

One-on-one sessions

Make an appointment with your local Defined Contribution Plans Retirement Specialist: varetire.org/hybrid (click on **DC Plans Specialist**, then **View group seminars and one-on-one consultations that are available for Hybrid Retirement Plan members**).



Contact MissionSquare Retirement for questions about the defined contribution component

PHONE: 877-327-5261

- **Press 1** to speak with a Participant 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: 800-669-7471

Virginia Service Center

Riverfront Plaza

951 E. Byrd Street, Suite 530

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.



Sarah starts saving at age 25 and stops saving at age 40. She contributes for 15 years and makes a 3% voluntary contribution.

\$45,163

Total contributions

\$301,219

Approximate value at age 65

Michael starts saving at age 40 and stops saving at age 65.

He contributes for 25 years and makes a 3% voluntary contribution.

\$261,280

Approximate value at age 65

\$124,590

Total contributions

Look at the difference!

Assumptions: The starting salaries for both individuals at age 25 was \$36,000. Each received a 2.5% annual salary increase, and each earned a 6% annually compounded return. Contributions are made at the beginning and in the middle of each month. This example is not intended to guarantee an actual rate of return. Actual returns may be more or less, depending on your investments.

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 401(a) CASH MATCH PLAN

You and your employer.

HYBRID 457 DEFERRED COMPENSATION PLAN[†]

You.

What is the contribution amount?

Hybrid plan members contribute 4% of creditable compensation to the defined benefit plan and 1% to the Hybrid 401(a) Cash Match Plan each month. Members can elect a voluntary contribution between 0.5% and 4% in increments of 0.5% to the Hybrid 457 Deferred Compensation Plan. 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% with a 3.5% match from the employer. Members invest in various investment options that best fit their needs.

How do I elect to make voluntary contributions?

You can elect to make voluntary contributions by accessing your account online by visiting varetire.org/hybrid and selecting Account Access, or by calling Participant Services at 877-327-5261 and selecting option 1. The deadline for the change is 4 p.m. on 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. For information on how to elect automatic annual increases to your voluntary contributions, see the *Plan Features Help You Save More* insert on page 4.

Learn more, register and manage your account:

Online — Go to varetire.org/hybrid

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

For questions about the defined contribution plan component, call **877-327-5261**.

Can I make contributions to a supplemental retirement plan?

Yes. You are eligible to contribute to a supplemental plan that your employer might offer, such as a 457 or 403(b) plan. Employees of state agencies and any political subdivision or school division that participates in the Virginia Cash Match Plan must make the maximum 4% voluntary contribution to the Hybrid 457 Deferred Compensation Plan to receive a match on contributions to a supplemental plan.

Also, the IRS imposes annual limits on contributions to 457 plans. So the total of any voluntary contributions to the Hybrid 457 and combined with contributions to any other 457 plan offered by your employer cannot exceed these annual limits.

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.

The plan offers a variety of investment options — from premixed target date portfolios to a menu of options across asset classes — to construct your investment portfolio. Additionally, the plan offers a Self-Directed Brokerage Account (SDBA) for an additional fee. Publicly traded mutual funds, exchange-traded funds (ETFs) and individual securities are offered through the SDBA. As of 6/3/2019, MissionSquare does not charge a fee to establish a SDBA for participants in any of the Commonwealth of Virginia plans. You must maintain a balance of \$2,500 in the core investments before investing in the SDBA.

For more information about the plan's investment options, go to varetire.org/hybrid, refer to the [Investment Guide](#), or call the Plan Information Line toll-free at **877-327-5261**. For information about the SDBA, contact Charles Schwab¹ at 888-393-7272. Please consider the investment objectives, risks, fees and expenses carefully before investing.

¹ Charles Schwab & Co., Inc. and MissionSquare Retirement are not affiliated and are not responsible for the products and services provided by the other.

Schwab Personal Choice Retirement Account® (PCRA) is offered through Charles Schwab & Co., Inc. (Member SIPC), the registered broker/dealer, which also provides other brokerage and custody services to its customers.

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



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 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 myVRS.varetire.org 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. The Annual Fee Disclosure notice, which explains plan fees and the potential impact on your account balance, can be found at varetire.org/hybrid under Publications.

DEFINED BENEFIT COMPONENT

No.

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: varetire.org/hybrid under Publications.

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](#): varetire.org/hybrid, under Publications.

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: 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 Deferred Compensation Plan.

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 Hybrid 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 Hybrid 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% 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.

What do I do if I change employers covered under the same plan?

If you leave your job and return to work, with or without a break in service, with another employer that participates in the Hybrid Retirement Plan, your employee voluntary contributions will stop with your old employer and you will need to restart them under your new employer. Upon receipt of a termination date from your old employer, you will receive a letter from MissionSquare, the VRS third-party record keeper, stating that your employee voluntary contributions have been set to zero. Your new employer will have to enroll you at VRS under their employer code before you can restart your employee voluntary contributions. To reset your deferral amount, please go to Account Access at varetire.org/hybrid or call 877-327-5261.

May I continue making 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.