Faculty Retirement Options
- **Retirement Vocabulary**

  **Vested** — For a retirement savings plan participant, vesting refers to the gradual granting of ownership of contributions made by your employer

  **Defined Benefit Plan** — A qualified plan designed to pay a lifetime benefit, based on a percentage of salary, at retirement, similar to a pension

  **Defined Contribution Plan** — A qualified retirement plan, such as a 401(k) plan, whose benefits depend on the amount contributed by the employee/employer and the earnings of those contributions
Faculty Retirement Plans

**ORP or VRS Hybrid**
- Mandatory: 60 days from date of hire

**ORP**
- Defined Contributions
  - Pay 10% of VA
  - Virginia Tech Port in 0.5%
  - Vesting: Immediate
  - Vendors: PRT in TRA

**VRS Hybrid**
- Defined Contributions
  - Pay 12% of VA
  - Virginia Tech Port in 1%
  - Vesting: 5 years
  - Vendor: CMA/ED

**Defined Benefits**
- You are entitled to the normal retirement age
- Vesting: 10 years
- Pays a benefit from retirement for a lifetime

**Voluntary Retirement Plans: 403(b) and/or 457(b)**

**403(b)**
- $50,000 annual maximum (2020)
- $25,000 annual maximum in 2020
- Vendor: Virginian
  - 10 years
  - Vesting 10 years
  - Correction: 403(b) annuitant from 70 and
  - Certificate: PRT in TRA

**457(b)**
- $24,000 annual maximum (2020)
- $24,000 retirement if 50 or over vendor: FMA/ED
  - 10 years
  - Correction: 457(b) annuitant from 70 and
  - Certificate: PRT in TRA

**Golf/MBA**: 50% of your contribution up to $20 per pay or not

Congratulations! You are saving for your retirement.

*If you don’t submit your completed Letter of Intent Plan form at least 60 days of your date of hire, you will be automatically enrolled in the ORP Retirement Plan and the Virginia Tech Portability Plan.

**You will be automatically enrolled in the VRS Plan if within 60 days of your date of hire.**

**You will be automatically enrolled in the 457 Plan if within 60 days of your date of hire.**

*Retirement contributions are made in monthly installments.*

*Correction of over contributions may be possible in 403(b) or 457(b) or contacting TRA for detailed information on the specific plan.*

Welcome!
Faculty Retirement

- Two choices:
  - Optional Retirement Plan (ORP)
  - Virginia Retirement System (VRS)
- Decision must be made within 60 days from date of hire and is irrevocable
Choice 1
Optional Retirement Plan - ORP
ORP - Plan Basics

- **Plan 1** – Employed by VRS agency prior to July 1, 2010 AND have VRS or ORP account in place
  - Defined Contribution Plan
  - Virginia Tech contributes 10.4 percent of base salary
  - Immediately vested

- **Plan 2** – No previous Virginia state salaried experience OR previously employed by a Virginia state agency but cased out or rolled over account
  - Defined Contribution Plan
  - Employee contributes 5 percent of base salary
  - Virginia Tech contributes 8.5 percent of base salary
  - Immediately vested
ORP - Plan Basics

- Employee chooses investment company and investments
  - Fidelity
  - TIAA
  - (If anyone has an existing account with TIAA or Fidelity, you must set up new account in Virginia Tech’s plan)

- Options upon leaving Virginia Tech:
  - Leave account in place
  - Roll account over to another tax sheltered plan
  - Cash out: 20 percent federal tax, 4 percent state tax, 10 percent penalty before age 59 ½
Choice 2
Virginia Retirement System-VRS
VRS - Plan 1 and 2 Basics

- **Plan 1** – Employed by VRS agency prior to July 1, 2010 AND have five years of VRS and/or ORP service by January 1, 2013
  - Defined Benefit – based on age at time of retirement and length of service
  - Employee contributes 5 percent
  - Unreduced Benefit = highest 36 consecutive months of salary \( \times \) length of service \( \times \) 1.7 percent

- **Plan 2** – VRS or ORP service time between July 1, 2010 and December 31, 2013 OR less than five years of service prior to July 1, 2010 and have retirement account in place
  - Defined Benefit – based on age at time of retirement and length of service
  - Employee contributes 5 percent
  - Unreduced Benefit = highest 60 consecutive months of salary \( \times \) length of service \( \times \) 1.65 percent
VRS - Hybrid Plan Basics

Hybrid – Hired on or after January 1, 2014 with a Virginia State Agency OR took a refund of defined benefit portion of previous VRS account and choosing VRS as retirement option

- Defined Benefit Portion
  - Funded by both employer and employee
  - Provides a monthly benefit

- Defined Contribution Portion
  - Funded by both employer and employee
  - Balance is based on contributions and investment performance
VRS - Hybrid Plan Defined Benefit

- Employee contributes four percent of base salary
- Virginia Tech contribution is based on an actuarial amount
- Five year vesting period to receive a monthly annuity at retirement
VRS - Hybrid Plan Defined Benefit

• Unreduced Benefit:
  • Rule of 90 (age plus service equals 90), or
  • Normal Social Security retirement age and five years of service
  • Formula: highest 60 consecutive months of salary X length of service X 1 percent
  • Example: 30 years of service, retiring at age 60, making $100,000 per year for the highest 60 consecutive months. Annual benefit is $30,000.

• Reduced Benefit:
  • Age 60 with at least five years of service
  • Example: 17 years of service, retiring at age 60, making $100,000 per year for the highest consecutive months. Annual benefit is $10,320
VRS - Hybrid Plan Defined Contribution

- Employee contributes a minimum of one percent, with a one percent match from Virginia Tech
- Employee can choose to contribute up to four percent more, with sliding scale match from Virginia Tech
- Contributions are invested with VRS fund managers and administered by ICMA-RC
- Sliding scale vesting period; fully vested at four years
You can make changes to the Defined Contribution portion on a quarterly basis.

<table>
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<tr>
<th>Employee Voluntary Contributions Hybrid 457†</th>
<th>Employer Matching Contributions Hybrid 401(a)†</th>
<th>Deadline</th>
<th>Change Effective</th>
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</tbody>
</table>
• **Options upon leaving Virginia Tech:**
  • Leave account in place
    • If at least five years of service, employee can use this account as a pension plan
    • If less than five years of service, employee can come back to a Virginia state agency to resume vesting
  • Roll vested portion of account over to another tax sheltered plan
  • Cash out vested portion of account: 20 percent federal tax, 4 percent state tax, 10 percent penalty before age 59 ½
VRS - Purchase of Prior Service

- You may qualify to purchase prior service in the following cases:
  - Refunded VRS Service
  - Public salaried service with a non-VRS employer
  - Non-covered (wage) service with a VRS agency
  - Military Service

- Costs (within two years)
  - Plan 1 – 11.90 percent of salary
  - Plan 2 – 10.46 percent of salary
  - Hybrid – 6.34 percent of salary
  - Refunded Service – no time limit. Return of refunded amount plus interest from date of refund to the purchase date, using 7 percent interest rate compounded annually

- www.varetire.org/members/pps for more information, instructions, and forms
- How long do you plan on working for the state of Virginia?
  - VRS benefits are largely based on length of service
  - ORP benefits are fully based on amount of money contributed to your account and market performance of your investments
- How comfortable are you with investing your money?
- How long do you have until you retire?
VRS Hybrid Plan vs. ORP
VRS Hybrid Plan vs. ORP

ORPHE Plan 2 vs. VRS Hybrid Annual Benefits Illustrations

Maximum Hybrid Voluntary Contribution Assumptions

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<tr>
<th>Salary Increase</th>
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<th>ORPHE Plan 2 vs VRS Hybrid (ER)</th>
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<tr>
<td>DLX</td>
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<tr>
<td>ORPHE Plan 2 vs VRS Hybrid (ER) Compensation Annual Rate of Return</td>
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<tr>
<td>ORPHE Plan 2 vs VRS Hybrid (ER) Average Final Compensation</td>
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<tr>
<td>ORPHE Plan 2 vs VRS Hybrid (ER) ORP Hybrid Employee Contribution</td>
<td>5.00%</td>
<td>3.00%</td>
</tr>
</tbody>
</table>

Welcome!
How Your Retirement Choice Affects Sick Leave Options

- Enrolling in ORP?
  - Automatically placed in the Faculty Sick Leave Plan with The Standard Long-Term Disability Plan

- Enrolling in VRS?
  - Placed in Virginia Sickness & Disability Program (VSDP) UNLESS you opt out
  - VSDP has one-year waiting period for both short- and long-term disability
• Choose either ORP or VRS
  • If ORP, choose either Fidelity or TIAA
  • If VRS, choose Faculty Sick Leave Plan (also include VSDP-2 Opt-Out form)

• Return form(s) to Human Resources

• 60 days from date of hire deadline; irrevocable

• Retroactive to your first paycheck; the longer you wait, the more will be taken out of one check
Additional Ways to Save: Voluntary Retirement Plans
Voluntary Retirement Plans: 403(b) and 457(b)

- Two options available: 403(b) and 457(b)
  - $19,500 annual limit in 2020 with $6,500 catch up if age 50 or older
  - Traditional (pre-tax) or Roth (post-tax) options available
- Companies:
  - 403(b): Fidelity and TIAA
  - 457(b): VRS asset management vendors
- Employees can contribute to both 403(b) and 457(b) accounts
  - Combined annual limit of $39,000; $52,000 if 50 or over
Voluntary Retirement Plans: 403(b) and 457(b)

403(b)
- Distributions taken before age 59 ½ are subject to a 10 percent early withdrawal penalty. (Distributions are subject to income taxes if contributions are pretax)
- Has loan provisions that allow possible withdrawals while working at Virginia Tech

457(b)
- Distributions can be taken prior to age 59 ½ with no penalty. (Distributions are subject to income taxes if contributions are pretax)
- Cannot take distributions while employed at Virginia Tech
• Virginia Tech will match 50 percent up to a maximum of $20 per paycheck
  • Example: Contributing $40 per paycheck will result in a $20 per paycheck match
  • Immediately vested
  • If you are VRS Hybrid participant, you must max out the voluntary defined contribution portion before you are eligible for the cash match
  • Cash match only with one company

Voluntary Retirement Plans: 403(b) and 457(b)
Voluntary Retirement Enrollment - 403(b)

- **403(b) Enrollment**
  - Use election form to initiate, terminate, or change contributions
  - In the Virginia Tech home page, search “Voluntary Retirement Contribution” for the online form
  - Return form to Human Resources
  - Enroll online with either Fidelity or TIAA
1. Name, employee ID, Virginia Tech email address & phone number
2. Start Contribution
3. Check the company, pre- or post-tax
   • Current Amount: Zero
   • New Amount: Your deduction per pay period
   • Sign and date

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**403(b) Election Form**

[Image of 403(b) Retirement Contribution Election form]

- Employee Information:
  - Name (Last, First)
  - Employee ID
  - Virginia Tech Email Address
  - SkyMail Phone Number

- Choose a contribution option (check one):
  - Start
  - Change
  - Stop

- Select your VSP vendor and the amount to be deducted per pay period:
  - Vendor:
    - Fidelity (Pre-Tax)
    - Fidelity (Post-Tax)
    - TIAA (Pre-Tax)
    - TIAA (Post-Tax)

- Select your company:
  - Vendor:
    - Fidelity
    - TIAA

- Effective Date: The effective date of the form is the day the form is received at the Human Resources Office. Effective Date:

- Termination Date: The effective date of the form is the day the form is received at the Human Resources Office. Termination Date:

- Cash Match Agreement Information:
  - The cash match will not be paid until a minimum contribution is made. The cash match will be paid up to the minimum contribution amount.

- Contribution Limitations:
  - The total contributions cannot exceed $25,000 per calendar year.

- Other:
  - Online Enrollment:
    - You must set up an online account with the vendor you selected above. If you do not set up an online account, you may not be eligible for the contributions.

- Sign and date:
  - Employee Signature
  - Date
How to Enroll Online - Fidelity or TIAA

When it comes time for retirement, you want to be ready. Enrolling in your Virginia Tech Retirement Plans is an important step in that direction and Fidelity Investments is here to help you.

As a leading retirement provider to colleges and universities, we have built our reputation on helping individuals pursue their financial goals, and we’re ready to help you feel more confident about saving for retirement.

Helping you get more for retirement.

You can take steps toward planning for a secure retirement. Consider enrolling today:

- It’s easier than ever to plan and save for retirement. Whether it’s years down the road or just around the corner, you can get started right now.

No matter where you are in life, TIAA focuses on you and your financial future. You can receive:

- Advice and education from experienced consultants, customized to your goals
- Information on investment options in your retirement plan
- Online access to intuitive tools and calculators to help you plan for retirement

Enrolling is easy. All you need is:

- Your Social Security Number
- Your Retirement Plan’s Participant ID or member number
- Your current investment account, if applicable

Follow these easy steps today to make your retirement a little brighter tomorrow:

1. Go to TIAA.org/vt
   - SelectREADY to Enroll
   - Select the plan(s) in which you wish to enroll.
   - Enter Plan ID(s), Participant ID, or member number

2. Follow the instructions provided.
   - Register for online access or log in if you have an existing webID with TIAA.
   - Follow the prompts and print out the enrollment page.

3. Submit your enrollment.

Keep your retirement money working as hard as you do.

The earlier your contributions start, the longer your money can work through the power of compounding. Compounding happens when earnings on your savings get reinvested to generate additional earnings. Over time, compounding can fuel the growth of your savings.

Visit TIAA.org/vt today to start planning for your financial future.
Voluntary Retirement Enrollment - 457(b)

- **457(b) Enrollment**
  - Call 877-327-5261 or go to www.varetire.org/dcp to initiate, terminate, or change contributions
Automatic Enrollment in 457(b)

- ORP participants and non-Hybrid VRS participants will be automatically enrolled in the 457(b) ninety days after hire date unless action is taken.
  - $20 per paycheck deferral with a $10 cash match
- To opt out, you can do one of the following:
  - Enroll in the 403(b) with either Fidelity or TIAA
  - Enroll in the 457(b)
  - Call VRS Defined Contribution at 877-327-5261
Resources

Retirement
  • Human Resources Service Center: (540) 231-9331
  • http://www.hr.vt.edu/benefits/retirement-financial.html

• Leave Team:
  • hrleave@vt.edu
  • www.hr.vt.edu/benefits/leave.html