Staff Retirement Benefits
• The Virginia Retirement System (VRS) is the mandatory retirement plan for staff employees.
• All staff employees will contribute funds from each paycheck to be credited to their VRS account.
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

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
VRS - Hybrid Plan Basics

- **Hybrid** – Hired on or after January 1, 2014 with a Virginia State Agency OR took a refund or defined benefit portion of previous VRS account
  - 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 $40,000 for the highest 60 consecutive months. Monthly benefit is $1,000.

- Reduced Benefit:
  - Age 60 with at least five years of service
  - Example: 17 years of service, retiring at age 60, making $40,000 per year for the highest 60 consecutive months. Monthly benefit is $344
• 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
## VRS Hybrid Contribution Snapshot

<table>
<thead>
<tr>
<th>Employee Name:</th>
<th>Hokie Bird</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Salary:</td>
<td>$40,000.00</td>
</tr>
<tr>
<td>Semi-Monthly</td>
<td>$1,666.67</td>
</tr>
</tbody>
</table>

### Defined Benefit (DB)

<table>
<thead>
<tr>
<th>Mandatory DB</th>
<th>Employee Deduction</th>
<th>Employer Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.00%</td>
<td>$66.67</td>
<td>Actuarial Amount</td>
</tr>
</tbody>
</table>

### Defined Contribution (DC)

<table>
<thead>
<tr>
<th>Mandatory DC</th>
<th>Employee Deduction</th>
<th>Employer Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00%</td>
<td>$16.67</td>
<td>$16.67</td>
</tr>
</tbody>
</table>

**TOTAL MANDATORY DB & DC**

<table>
<thead>
<tr>
<th>Employee Deduction</th>
<th>Employer Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>$83.33</td>
<td>&lt;-- This is 5% of your gross salary.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Voluntary DC</th>
<th>Employee Deduction</th>
<th>Employer Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.50%</td>
<td>$8.33</td>
<td>0.50%</td>
</tr>
<tr>
<td>1.00%</td>
<td>$16.67</td>
<td>1.00%</td>
</tr>
<tr>
<td>1.50%</td>
<td>$25.00</td>
<td>1.25%</td>
</tr>
<tr>
<td>2.00%</td>
<td>$33.33</td>
<td>1.50%</td>
</tr>
<tr>
<td>2.50%</td>
<td>$41.67</td>
<td>1.75%</td>
</tr>
<tr>
<td>3.00%</td>
<td>$50.00</td>
<td>2.00%</td>
</tr>
<tr>
<td>3.50%</td>
<td>$58.33</td>
<td>2.25%</td>
</tr>
<tr>
<td>4.00%</td>
<td>$66.67</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

**Maximum Total Employee Contribution for DB and DC (per paycheck)**

<table>
<thead>
<tr>
<th>Employee Deduction</th>
<th>Employer Match</th>
</tr>
</thead>
<tbody>
<tr>
<td>$150.00</td>
<td>&lt;-- This is 9% of your gross salary.</td>
</tr>
</tbody>
</table>

To change your voluntary contributions, please contact ICMA-RC at 1-877-327-5261 or go online to www.varetire.org/hybrid.
VRS Hybrid - Defined Contribution Changes

You can make changes to the Defined Contribution portion on a quarterly basis by calling VRS Defined Contributions at 877-327-5261 or logging into account at www.varetire.org/hybrid.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Deadline</th>
<th>Change Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Quarter</td>
<td>March 15</td>
<td>April 1</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>June 15</td>
<td>July 1</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>September 15</td>
<td>October 1</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>December 15</td>
<td>January 1</td>
</tr>
</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
**Purchase of Prior Service**

- To enhance years of service employee can purchase:
  - Military service
  - Refunded VRS service
  - Non-Virginia state service if not vested
  - Non-covered (wage) service with a participating VRS agency
  - AmeriCorps/Peace Corp 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](http://www.varetire.org/members/pps) for more information, instructions, and forms
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): ICMA-RC
- When leaving Virginia Tech, you can leave it as is or roll it into another qualified plan. Early withdrawal results in taxes in both types of plans, and penalty on the 403(b) only
• **Voluntary Retirement Plans: 403(b) and 457(b)**

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

- Employees can contribute to both 403(b) and 457(b) accounts
  - Combined annual limit of $39,000; $52,000 if 50 or over
  - Cash match only on one company
Automatic Enrollment (Plan 1 & Plan 2 ONLY)

• Employee is automatically enrolled ninety days after date of hire unless action is taken.
  • $20 per paycheck deferral to the 457(b) with a $10 cash match

• Ways to opt out of 457(b) auto-enrollment:
  • Call VRS Defined Contributions at 877-327-5261 or go online to www.varetire.org/dcp to opt out.
  • Enroll in the 403(b) with Fidelity or TIAA.
  • Enroll yourself in a 457(b) within ninety days.
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Suite 2300 (MC 0318)
Blacksburg, Virginia 24061
hrsservicecenter@vt.edu