Faculty Retirement Options
Mandatory & Voluntary
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

Faculty Retirement Plans

Optional Retirement Plan or VRS Hybrid
Mandatory* 60 day election from date of hire

ORP
Defined Contributions
- Employee contributes 7%
- Virginia Tech contributes 6%
- Adding 457(b) adds 1%
- Retirement benefit based on contribution and investment amounts at retirement

Do you want to increase your retirement?

VRS Hybrid
Defined Contributions
- Employee contributes 7%
- Virginia Tech contributes 6%
- Adding 457(b) adds 1%
- Retirement benefit based on contribution and investment amounts at retirement

Do you want to increase your retirement?

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

403(b)
- $22,500 annual maximum (2022)
- $27,000 maximum if 50 or over
- Pre-tax and Post-tax (check)
- Complete electronic election form and submit to Human Resources

457(b)
- $22,500 annual maximum (2022)
- $27,000 maximum if 50 and over
- Pre-tax and Post-tax (check)
- Call 375-5491 or go to www.carlinsite.org/457

Calan Marz, 90% of your contribution up to $2,000 per pay period

Congratulations! You are saving for your 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 - Defined Contribution Plan

- 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)

*Retirement Benefits are strictly based on how well your investments have done over time*
ORP - Plan Basics

Plan 2 – No previous Virginia state salaried experience OR previously employed by a Virginia state agency but cashed out or rolled over account

5%  =  8.5%  Immediately Vested
• 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 - Hybrid Plan Basics

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
  - Provides a monthly benefit
- Defined Contribution Portion
  - Balance is based on contributions and investment performance
• Five year vesting period to receive a monthly annuity at retirement

- VRS - Hybrid Plan Defined Benefit / Mandatory Contribution

- Defined Benefit Plan
  - 4%
  - 1%

- Defined Contribution Plan
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
• Contributions are invested with VRS fund managers and administered by ICMA-RC
• Sliding scale vesting period; fully vested at four years
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• Sliding scale vesting period; fully vested at four years
### VRS - Hybrid Plan Defined Contribution

You can make changes to the Defined Contribution portion on a quarterly basis.

<table>
<thead>
<tr>
<th>Employee Voluntary Contributions Hybrid 457(^\d)</th>
<th>Employer Matching Contributions Hybrid 401(a)(^\d)</th>
<th>Deadline</th>
<th>Change Effective</th>
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</thead>
<tbody>
<tr>
<td>0.00%</td>
<td>0.00%</td>
<td>Dec 15</td>
<td>Jan 1</td>
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<tr>
<td>0.50%</td>
<td>0.50%</td>
<td>Mar 15</td>
<td>Apr 1</td>
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<td>1.00%</td>
<td>1.00%</td>
<td>Jun 15</td>
<td>Jul 1</td>
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<td>1.50%</td>
<td>1.25%</td>
<td>Sep 15</td>
<td>Oct 1</td>
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<td>2.00%</td>
<td>1.50%</td>
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<td>2.50%</td>
<td>1.75%</td>
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<td>3.00%</td>
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<td>3.50%</td>
<td>2.25%</td>
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<tr>
<td>4.00%</td>
<td>2.50%</td>
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</tbody>
</table>
• 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](http://www.varetire.org/members/pps) for more information, instructions, and forms
• **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
• 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?
Welcome!

VT Plan Comparison Guide

VIRGINIA TECH
Retirement Plan Comparison Guide
for Teaching, Research & Administrative Professional Faculty

This publication is for employees of Virginia Tech who are:

• hired or rehired January 1, 2014 or later; and are

• eligible to choose between the VT Optional Retirement Plan (ORP) for Faculty, a defined contribution retirement plan; and the Virginia Retirement System (VRS), a hybrid retirement plan.
- **ORP Plan 2 vs VRS Hybrid - Annual Benefits**

  **Minimum Hybrid Voluntary Contribution Assumptions**

<table>
<thead>
<tr>
<th></th>
<th>Salary Increases</th>
<th>COLA</th>
<th>ORP Plan 2 &amp; VRS Hybrid (DC Component) Annual Rate of Return</th>
<th>Final Salary</th>
<th>Average Final Compensation</th>
<th>ORP Plan 2 Contribution</th>
<th>VRS Hybrid Employee Contribution</th>
<th>VRS Hybrid Employer Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary Increases</strong></td>
<td>3.00%</td>
<td></td>
<td>6.00%</td>
<td>$50,000</td>
<td>$47,171</td>
<td>13.50% **</td>
<td>1.00%</td>
<td>1.00%</td>
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<tr>
<td><strong>ORP Plan 2 Contribution</strong></td>
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<td><strong>VRS Hybrid Employee Contribution</strong></td>
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<td><strong>VRS Hybrid Employer Contribution</strong></td>
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(If VRS Plan 1 or 2 - see pages 24 & 25)

5% Hybrid
5% ORP
ORP Plan 2 vs VRS Hybrid - Annual Benefits

9% Hybrid
5% ORP
### How Your Retirement Choice Affects Sick Leave Options

<table>
<thead>
<tr>
<th>Enroll in ORP</th>
<th>Enroll in VRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automatically placed in the Faculty Sick Leave Plan with The Standard Long-Term Disability Plan</td>
<td>Automatically placed in Virginia Sickness &amp; Disability Program (VSDP) *unless opted out with completed VSDP-2 form</td>
</tr>
</tbody>
</table>

(VSDP – one year waiting period for 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)
  - $20,500 annual limit in 2022 with $6,500 catch up if age 50 or older
  - Traditional (pre-tax) or Roth (post-tax) options available
  - Consider contributions made to plans of other employers as these are cumulative for each plan type
- Companies:
  - 403(b): Fidelity and TIAA
  - 457(b): VRS asset management vendor – ICMA-RC

- Employees can contribute to both 403(b) and 457(b) accounts
  - Combined total contributions allowed is $41,000; $54,000 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

- Immediately vested
- VRS Hybrid participant - must max out the 4% voluntary defined contribution portion before eligible for the cash match
- Cash match only with one company

- Voluntary Retirement Plans: 403(b) and 457(b)
**Cash Match Example**

An Employee taking advantage of the cash match on a bimonthly basis = $480 per year contributions to cash match

Over 20 years, that could grow to $18,000!

Over 40 years, that could grow to $76,000!

Assuming cash match of $40 each month earning 6% annual rate of return
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
How to Enroll Online - Fidelity or TIAA

Welcome!

Helping you get more for retirement.

When it comes time for retirement, you want to be ready. Enrolling in your Virginia Tech Retirement Plan is an important step in that direction. 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 find more confidence about saving for retirement.

Help you make the most of your retirement benefits

The retirement plan benefits vary, so you should talk to your advisor, and your HR rep, to make sure you are getting the most for your retirement goals.

Offer a range of investment options to build a well-balanced portfolio

Fidelity’s team of advisors and committed professionals help you decide what to do with your investments to ensure you’re on track to meet your retirement goals.

Partner with Fidelity every step of the way

Use our helpful resources to help you know where to start. You can visit our website, our mobile apps or talk to one of our advisors who can help you take action.

Ensure exceptional service so your moneys work harder for you

Whether you prefer to talk to a real person or use tools to help you manage your investments, Fidelity provides the resources and technology to make it easy.

Fidelity is here to help

- To learn about your plan, enroll online, or schedule a one-on-one consultation, visit www.vidomino.com.
- For enrollment, contact Fidelity at 1-800-343-8000, Monday through Friday from 8 a.m. to midnight Eastern time.

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 your age or life stage, Fidelity’s retirement plans can help you:

- Plan for short-term goals like paying for college or starting a business
- Plan for long-term goals like saving for retirement
- Make your money work harder for you

You can use Fidelity’s tools and calculators to help you plan for retirement.

You can enroll online in just a few minutes:

1. Go to TIAA.org
2. Select TIAA or Fidelity
3. Select the plan in which you wish to enroll:
   - Optional Retirement Plan # (000000): Access Code: XVYG
   - Tax-Deferred Annuity Plan # 000000: Access Code: VT1NMF
   - Cash Match Plan #00000: Access Code: VTVNKT
4. Follow the instructions provided.
5. Register for online access or log in if you have an existing ID with TIAA.
6. Follow the prompts and print out this confirmation page. You are now enrolled.

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 one savings get invested to generate additional earnings. Over time, compounding can build the strength of your savings.
• Voluntary Retirement Enrollment - 457(b)

- **457(b) Enrollment**
  - Online - [www.varetire.org/457](http://www.varetire.org/457) and select the New User — Register Now link under the Account Access log-in box and follow the prompts to register online.
  - By phone: VRS-DC-PLAN1 (877-327-5261), option 1.
- **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) or 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.html