Faculty Retirement Options
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
  - 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 cashed out or rolled over account
  - Defined Contribution
  - 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

- 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 59½
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 60 consecutive months of salary X length of service X 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 X length of service X 1.65 percent
VRS- Hybrid Plan Basics

- **Hybrid** – No previous Virginia state time 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 4 percent of base salary
- Virginia Tech contribution is based on an actuarial amount
- Fully vested at five years
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 60 consecutive months. Annual benefit is $10,320
**VRS- Hybrid Plan Defined Contribution**

- Employee contributes a minimum of 1 percent, with a 1 percent match from Virginia Tech
- Employee can choose to contribute up to 4 percent more, with sliding scale match from Virginia Tech
- Contributions are invested with ICMA-RC
- Sliding scale vesting period; fully vested at four years
# VRS- Hybrid Plan Defined Contribution

<table>
<thead>
<tr>
<th></th>
<th>Employee</th>
<th>Employer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mandatory Contribution</strong></td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td>Voluntary Contribution</td>
<td>.50%</td>
<td>.50%</td>
</tr>
<tr>
<td>Voluntary Contribution</td>
<td>.50%</td>
<td>.50%</td>
</tr>
<tr>
<td>Voluntary Contribution</td>
<td>.50%</td>
<td>.25%</td>
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<tr>
<td>Voluntary Contribution</td>
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<td>.25%</td>
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<tr>
<td>Voluntary Contribution</td>
<td>.50%</td>
<td>.25%</td>
</tr>
<tr>
<td>Voluntary Contribution</td>
<td>.50%</td>
<td>.25%</td>
</tr>
<tr>
<td>Total Voluntary Contribution</td>
<td>4.00%</td>
<td>2.50%</td>
</tr>
<tr>
<td><strong>TOTAL MAXIMUM / DC</strong></td>
<td>5%</td>
<td>3.5%</td>
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VRS- Hybrid Plan Defined Contribution

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Deadline</th>
<th>Change Effective</th>
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<tbody>
<tr>
<td>1st Quarter</td>
<td>December 15</td>
<td>January 1</td>
</tr>
<tr>
<td>2nd Quarter</td>
<td>March 15</td>
<td>April 1</td>
</tr>
<tr>
<td>3rd Quarter</td>
<td>June 15</td>
<td>July 1</td>
</tr>
<tr>
<td>4th Quarter</td>
<td>September 15</td>
<td>October 1</td>
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### VRS- Hybrid Plan

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

#### Mandatory Defined Benefit = 4%

- Amount per check: $66.67

<table>
<thead>
<tr>
<th>Defined Contribution</th>
<th>Employee Deduction</th>
<th>Employer Match</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mandatory Defined Contribution</strong></td>
<td>1.00%</td>
<td>1.00%</td>
</tr>
<tr>
<td><strong>Total Mandatory Contribution (DB &amp; DC)</strong></td>
<td>$83.33</td>
<td></td>
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</tbody>
</table>

#### Voluntary Contribution

- This is the additional per paycheck amount based on your election. To get an updated total for your deduction, add the selected percentage to the mandatory amount above.

<table>
<thead>
<tr>
<th>Voluntary Contribution</th>
<th>Employee Deduction</th>
<th>Employer Match</th>
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</thead>
<tbody>
<tr>
<td>0.50%</td>
<td>$8.33</td>
<td>0.50%</td>
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<tr>
<td>1.00%</td>
<td>$16.67</td>
<td>1.00%</td>
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<tr>
<td>1.50%</td>
<td>$25.00</td>
<td>1.25%</td>
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<tr>
<td>2.00%</td>
<td>$33.33</td>
<td>1.50%</td>
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<tr>
<td>2.50%</td>
<td>$41.67</td>
<td>1.75%</td>
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<tr>
<td>3.00%</td>
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<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>
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</table>

#### Total Employee Contribution Maximum for DB and DC

- $150.00 (per pay check)
VRS- Hybrid Plan

- 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 59½
VRS Website- www.varetire.org
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
Things to Consider

- 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?
How Your Retirement Choice Affects Sick Leave Options

- **Enrolling in ORP?**
  - 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
Required Form

› Choose either ORP or VRS
  ‣ If ORP, choose either Fidelity or TIAA
  ‣ If VRS, choose Faculty Sick Leave Plan (also include VSDP2 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.