Choices

- Optional Retirement Plan (ORP)
- Virginia Retirement System (VRS)
- Decision must be made 60 Days from hire date
- Irrevocable choice
Optional Retirement Plan (ORP)
Optional Retirement Plan

- PLAN 1
- PLAN 2
ORP Plan 1

Employed by VRS agency prior to July 1, 2010 AND still have a VRS or ORP account in place (documentation is required)
ORP Plan 2

- No previous Virginia state salaried experience
- Previously employed by a Virginia State Agency but cashed out or rolled over retirement account
Optional Retirement Plan

- Defined contribution plan
- Benefits at retirement are based on the amount of money that has accumulated in employee’s account
ORP Plan 1

Virginia Tech will contribute 10.4 percent of base salary to an ORP account on employee’s behalf.
ORP Plan 2

- Employee contributes five percent of their salary to the ORP account.
- Virginia Tech contributes 8.5 percent into ORP account.
Optional Retirement Plan

- Employee chooses investment company (Fidelity or TIAA)
- Employee chooses investments
- Employee manages account with help of investment manager or company representative
ORP PLAN 1 and PLAN 2

- Immediately vested in employee and employer contributions
Optional Retirement Plan

- If leaving Virginia Tech:
  - Leave account in place (employee continues to manage)
  - Roll account over to another tax sheltered plan
  - Employee cashes out account (20 percent Federal, 4 percent State and 10 percent penalty before age 59 ½)
Virginia Retirement System (VRS)
PLAN 1

PLAN 2

HYBRID
Plan 1

Employed by VRS agency prior to July 1, 2010 AND have five years of VRS service by January 1, 2013.
Plan 2

- VRS service time between July 1, 2010 and December 31, 2013 OR less than five years of service prior to July 1, 2010 and still have retirement account in place

- Previous VA State Optional Retirement Plan service prior to December 31, 2013 & still have ORP account in place
Hybrid

No previous Virginia state service time and choosing VRS as retirement option
Virginia Retirement System

Employees in Plan 1 or Plan 2

Strictly Defined Benefit Plan

Benefit is based on age at time of retirement, length of service and:

- Plan 1: Average 36 consecutive months of highest salary
- Plan 2: Average 60 consecutive months of highest salary
VRS Hybrid Plan

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

Defined Contribution Plan

- Balance based on contributions and investment results
- Funded by employee and employer
VRS Hybrid Plan

Employee is required to contribute total of five percent into the Hybrid Plan
VRS Hybrid Plan / Defined Benefit (DB)
Hybrid Plan / Defined Benefit (DB)

- Mandatory four percent employee contribution
- Employer contribution: Actuarial amount
Hybrid Plan / Defined Benefit (DB)

- Five years vested
- **Unreduced Benefit** = Highest 60 consecutive months of salary x length of service x multiplier (1%)*

*Compared to 1.7% Plan 1 and 1.65% Plan 2
Hybrid Plan / Defined Benefit (DB)

- **Unreduced Benefit**: age 60 and 30 years of service or normal SS retirement age and five years of service (Same as Plan 2)

- **Reduced Benefit**: age 60 with five years of service
Defined Benefit Vesting

- Vesting occurs after five years of service
- If vested: Members are eligible to receive a monthly annuity benefit at retirement
Hybrid Plan / Defined Contribution (DC)
## Contributions to Defined Contribution (DC)

<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>
</tr>
<tr>
<td>Voluntary Contribution</td>
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<tr>
<td>Voluntary Contribution</td>
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</tr>
<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>
</tr>
</tbody>
</table>
Hybrid Plan / Defined Contribution (DC)

Can stop or change deductions every quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Deadline</th>
<th>Change Effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(^{st}) Quarter</td>
<td>March 15</td>
<td>April 1</td>
</tr>
<tr>
<td>2(^{nd}) Quarter</td>
<td>June 15</td>
<td>July 1</td>
</tr>
<tr>
<td>3(^{rd}) Quarter</td>
<td>September 15</td>
<td>October 1</td>
</tr>
<tr>
<td>4(^{th}) Quarter</td>
<td>December 15</td>
<td>January 1</td>
</tr>
</tbody>
</table>
Defined Contribution Vesting

At retirement or upon leaving employment:

- After two years: 50 percent vested
  - Employee owns 50 percent of employer DC contributions
- After three years: 75 percent vested
  - Employee owns 75 percent of employer DC contributions
- After four years: 100 percent vested
  - Employee owns 100 percent of employer DC contributions
Hybrid Deduction Example

**Employee Name:** HokieBird

| Annual Salary: | $40,000.00 | Semi-Monthly | $1,666.67 |

**Mandatory Defined Benefit = 4%**

<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>$16.67</td>
</tr>
<tr>
<td><strong>(This is 5% of gross salary) --- →</strong></td>
<td>TOTAL MANDATORY CONTRIBUTION(DB &amp; DC)</td>
<td>$83.33</td>
</tr>
</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>
</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>
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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>
</tr>
<tr>
<td>3.00%</td>
<td>$50.00</td>
<td>2.00%</td>
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<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>

**Total Employee Contribution Maximum for DB and DC** $150.00 (per pay check)
Purchase of Prior Service for VRS

- Refunded VRS Service
- Public (salaried) service from a non VRS employer
- Non-covered (wage) service with a VRS agency
- Military Service
Purchase of Prior Service

- Plan 1 – within 3 years (5%)
- Plan 2 – within 1 year (9.4%)
- HYBRID – within 1 year (5.4%)
- Refunded Service – no time limit
  - 4% for HYBRID
  - 5% for Plan 1 and 2
Virginia Retirement System

- If leaving Virginia Tech:
  - Leave account in place
    - If at least five years of service, employee can use this account as a pension plan at retirement
    - If less than five years of service, employee can come back to a Virginia State agency to resume vesting or do something with account at a later date

OR.....
Virginia Retirement System

- If Leaving Virginia Tech:
- Roll vested account over to another tax sheltered plan
- Cash out vested account (20 percent Federal, 4 percent State & 10 percent penalty before age 59 ½)
Retirement Decision…

VRS is available at all Virginia State Agencies
Decision Questions

- Are you a Post Doc?
- Is your family in another state or country?
- Do you NOT plan to retire from the state of Virginia?
Decision Questions

- Are you tenure track?
- Do you plan to retire from the state of Virginia?
- Weigh your options
Reminder

- Employees have 60 days from hire date to make decision
- If decision is not made, IRREVOCABLY placed in VRS
Reminder

- Five percent deduction will be retroactive to hire date
- Waiting 60 days will result in a 25 percent deduction from one paycheck
Forms

- Election to participate in an ORP or VRS
- If ORP, choose Fidelity or TIAA
Virginia Tech Retirement Plans

**VOLUNTARY**

**Voluntary Retirement Savings**

<table>
<thead>
<tr>
<th>403(b) FIDELITY, TIAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>$18,000 Annual Limit</td>
</tr>
<tr>
<td>$24,000 Annual Limit if &gt; 50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>457(b) State Deferred Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICMA-RC</td>
</tr>
<tr>
<td>$18,000 Annual Limit</td>
</tr>
<tr>
<td>$24,000 Annual Limit if &gt; 50</td>
</tr>
</tbody>
</table>

University Cash Match

50% of Employee Contribution with a Maximum of $20 per pay period.

*If enrolled in Hybrid, must max out 4% voluntary to ICMA-RC on DB side before eligible for cash match.*

**MANDATORY**

(Choose One)

**VRS**

Defined Benefits Plan through the State of VA

**ORP**

Defined Contribution Plan

**HYBRID if hired after 1/1/2014**

See [www.varetire.org](http://www.varetire.org)

**FIDELITY or TIAA**
Return forms

Virginia Tech Department of Human Resources
Attn: Benefits
North End Center – Suite 2300
300 Turner Street
Blacksburg, VA 24061
Mail Code: 0318
540-231-9331