

VRS Hybrid and ORP Retirement Plan Comparison

The following summary gives you a general comparison of the two plans based on stated assumptions:

	VRS Hybrid Retirement Plan	Optional Retirement Plan for Higher Education (ORPHE) Plan 2
Type of Plan	<p>VRS Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The plan applies to most members hired on or after January 1, 2014, and to VRS Plan 1 and VRS Plan 2 members who opted into the plan during a special election window.</p> <ul style="list-style-type: none"> ■ The defined benefit is based on your age, creditable service and average final compensation at retirement using a formula. ■ The benefit from the defined contribution plan depends on the contributions made to the plan and the investment performance of those contributions. ■ In addition to the monthly benefit payable from the defined benefit plan at retirement, you may start receiving distributions from the balance in your defined contribution account, reflecting the contributions, investment gains or losses and any required fees. 	<p>ORP Plan is a defined contribution plan. Your retirement benefit depends on the contributions provided to the plan and the investment performance of those contributions. At retirement, a participant may start receiving distributions from the balance in his or her account, reflecting the contributions, investment gains or losses and any required fees.</p> <p>The handbook is located here: https://orphe.varetire.org/pdfs/publications/orphe-handbook.pdf</p>
Contributions	<p>Your retirement benefit is funded through mandatory and voluntary contributions made by you and your employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of your creditable compensation and are required from both you and your employer. Additionally, you may choose to make voluntary contributions of more than the mandatory amount to the defined contribution component of the plan, and your employer is required to match those voluntary contributions according to specified percentages.</p>	<p>Your retirement benefit is based on employer and employee contributions and the investment gains and losses on those contributions. Each pay date your employer contributes to your ORP account an amount equal to 8.5 percent of your compensation. You contribute an additional 5 percent of your compensation to your account, for a total contribution of 13.5 percent of your compensation each pay date going into your plan. The rate is reviewed every six years to keep Virginia institutions competitive with others in the region.</p> <p>The contribution rate is set by statute. You are responsible for selecting the investments from those available and you bear the investment risk.</p>
Contribution Limits	<p>Internal Revenue Code Section 401(a)(17) states that compensation used to calculate your benefit may not exceed the compensation limit for the plan year in which the compensation was earned. This is an annual limit, which may be adjusted each year, depending on the amount of increase in the Consumer Price Index. See your benefits administrator for information on the current year's limit.</p> <p>Additionally, voluntary contributions go into the Hybrid 457 Deferred Compensation Plan. The IRS imposes an annual contribution limit on 457 plans, which includes the Hybrid 457 Deferred Compensation Plan and the Commonwealth of Virginia 457 Deferred Compensation Plan.</p>	<p>Internal Revenue Code Section 401(a)(17) specifies that the compensation on which you and your employer may make contributions may not exceed the compensation limit for the plan year in which the compensation is paid. See your benefits administrator for information on the current year's limit.</p>

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Vesting	<p>Defined Benefit: Vesting is the minimum length of service you need to qualify for a future retirement benefit. You are vested under the defined benefit component of the Hybrid Retirement Plan when you reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan will stay vested in the defined benefit component.</p> <p>Defined Contribution: Vesting is the minimum length of service members need to be eligible to withdraw employer contributions from the defined contribution component of the plan. You are always 100 percent vested in the contributions that you make.</p> <p>Upon retirement or leaving covered employment, you are eligible to withdraw a percentage of employer contributions. Distribution is not required by law until age 72.</p> <ul style="list-style-type: none"> ■ After two years, you are 50 percent vested and may withdraw 50 percent of employer contributions. ■ After three years, you are 75 percent vested and may withdraw 75 percent of employer contributions. <p>After four or more years, you are 100 percent vested and may withdraw 100 percent of employer contributions.</p>	<p>Vesting is immediate. You may take a distribution of all or a portion of your ORP account balance when you leave employment and qualify for a distribution.</p>
Leaving Employment	<p>Defined Benefit: If you leave covered employment and do not retire, you can take a refund of your member contributions and interest or leave your member contribution account balance with VRS and become a deferred member. If you are vested before becoming a deferred member, you may be eligible for a future retirement benefit if you meet the age and service requirements. If you are vested before taking a refund, you will receive a full refund of your account balance. If you are not vested, you will receive a refund of the balance, excluding any member contributions made by your employer and the interest on these contributions. Taking a refund cancels your membership and eligibility for any future VRS benefits.</p> <p>Defined Contribution: There are a variety of distribution options available to you upon termination of employment, including partial or lump-sum payments, periodic payments or a combination of both. You also may choose to roll your money to another employer's plan or to an IRA.</p> <p><i>See Taxation of Retirement Benefit for additional information on this topic.</i></p>	<p>You may take a distribution from your ORP account when you are no longer employed in a position that provides you a retirement benefit through a plan administered or authorized by VRS. Your account balance may be left in the plan, where you continue to manage your investments; rolled over; or taken as a distribution.</p> <p><i>See Taxation of Retirement Benefit for additional information on this topic.</i></p>

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Portability	<p>Participation continues if you are employed in one of approximately 800 public employers that provide retirement benefits through VRS, including all Virginia state government agencies, all Virginia public colleges and universities, all Virginia public schools and most Virginia local governments.</p> <p>Creditable service representing many types of public service and leaves of absence may be purchased to enhance the benefit.</p> <p>If you leave public employment in Virginia, your defined contribution account balance(s) may be rolled over to a subsequent employer's qualified plan or an IRA. This is subject to vesting rules.</p>	<p>Participation continues if you are employed by another employer offering ORP.</p> <p>If you leave public employment in Virginia, your account balance may be rolled over to a subsequent employer's qualified plan or an IRA.</p>
Consolidating Retirement Savings Plans	<p>You may be eligible to purchase service for other periods of public or military service, including time covered by VRS, and refunded service. You may not roll money from other plans into VRS except to purchase approved creditable service.</p> <p>You may roll payouts from other retirement savings plans into the Hybrid 457 Deferred Compensation Plan.</p> <p>Payouts from other retirement savings plans can be rolled into the Commonwealth of Virginia 457 Deferred Compensation Plan, then the 401(a) Virginia Cash Match Plan, if your employer has adopted both plans and you participate in both plans. If you rolled funds from another retirement plan into your 457 Deferred Compensation Account and/or Cash Match Account, you may withdraw those funds while you are still employed.</p> <p>Withdrawals made prior to age 59½ may be subject to a 10 percent penalty, plus state and federal income tax withholding.</p>	<p>The ORP shall accept as a transfer contribution a transfer of accrued benefits from the VRS or the Commonwealth Hybrid Program on behalf of a participant. The Plan shall not accept a transfer or rollover from any other plan.</p>
Investment Risks	<p>Defined Benefit: Your contributions are invested by the Virginia Retirement System and your benefit is calculated using a formula.</p> <p>Defined Contribution: You choose how the contributions will be invested from a range of options. You bear the investment risk, and the amount of your benefit depends on the amount you contribute and net investment earnings.</p>	<p>You choose how the contributions will be invested from a range of options. You bear the investment risk, and the amount of your benefit depends on the amount you contribute and net investment earnings.</p>
Investment Costs	<p>Defined Benefit: Investment management costs are paid by earnings on contributions to VRS.</p> <p>Defined Contribution: Investment management and record-keeping costs are paid by the employee.</p>	<p>Investment management and record-keeping costs are paid by the employee.</p>
Cost-of-Living Adjustment (COLA)	<p>Defined Benefit: The cost-of-living adjustment (COLA) matches the first 2 percent increase in the CPI-U and half of any additional increase (up to 2 percent), for a maximum COLA of 3 percent for the defined benefit component.</p> <p>Defined Contribution: The COLA is not applicable to the defined contribution component.</p>	<p>Cost-of-living adjustments are not available with this feature unless you purchase an annuity.</p>

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Supplemental Retirement Savings Plans	Employers may offer tax-deferred savings opportunities including the Commonwealth of Virginia 457 Deferred Compensation Plan and 401(a) Virginia Cash Match Plan, a 403(b) plan or another tax-deferred savings plan.	Employers may offer tax-deferred savings opportunities including the Commonwealth of Virginia 457 Deferred Compensation Plan and 401(a) Virginia Cash Match Plan, a 403(b) plan or another tax-deferred savings plan.
Taxation of Retirement Benefit	<p>Defined Benefit: No tax is due until you begin receiving your retirement benefit. Your retirement benefit is subject to federal income taxes as well as state income taxes if you live in a state that taxes income. No early retirement excise tax is due on a lifetime benefit.</p> <p>Defined Contribution: No tax is due until you take a distribution from the plan. The amount distributed directly to you is subject to federal income taxes as well as state income taxes if you live in a state that taxes income. Distributions from the Hybrid 401(a) Cash Match Plan also may incur an early distribution excise tax if taken prior to age 59½. An exception applies if you separate from service after age 55, receive an annuity or take essentially equal payments during your lifetime. Taxation may be postponed if you roll over the distribution to another employer's plan or to an IRA.</p>	No tax is due until you take a distribution from the plan. The amount distributed directly to you is subject to federal income taxes as well as state income taxes if you live in a state that taxes income. Distributions from ORP also may incur an early distribution excise tax if taken prior to age 59. Taxation may be postponed if you roll over the distribution to another employer's plan or to an IRA.
Educational Leave of Absence With Half Pay or More	You will be reported to VRS at the full rate of pay.	Not applicable
Educational Leave of Absence With Less Than Half Pay	No employee or employer contributions are paid. You may purchase up to four years of creditable service for any approved official educational leave of absence from a VRS-covered position when you return to employment.	Not applicable
Disability	<p>Hybrid Retirement Plan members who are state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement.</p> <p>Your employer also may provide a short- and/or long-term disability plan.</p>	Voluntary employee paid supplemental short and long term disability is offered through New York Life.

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Order of Precedence	<p>You may choose the order established by law to provide payment of your benefits or you may designate specific beneficiaries to receive your benefits in the event of your death. The order of precedence is as follows:</p> <ul style="list-style-type: none"> ■ First, to the member’s spouse; ■ If no spouse, to the member’s children and descendants of the member’s deceased children; ■ If none of the above, to the member’s parents equally or to the surviving parent; ■ If none of the above, to the duly appointed executor or administrator of the member’s estate; ■ If none of the above, to the next of kin under the laws of the state where the member resided at the time of death. 	<p>You may choose the order established by law to provide payment of your benefits or you may designate specific beneficiaries to receive your benefits in the event of your death. The order of precedence is as follows:</p> <ul style="list-style-type: none"> ■ First, to the member’s spouse; ■ If no spouse, to the member’s children and descendants of the member’s deceased children; ■ If none of the above, to the member’s parents equally or to the surviving parent; ■ If none of the above, to the duly appointed executor or administrator of the member’s estate; ■ If none of the above, to the next of kin under the laws of the state where the member resided at the time of death.
Death-in-Service: Non-Work Related	<p>Defined Benefit: A death-in-service benefit is a lump-sum payment of the balance in your member contribution account, if any, to your named beneficiary. If your named beneficiary is your spouse, your natural or legally adopted minor child or your parent, he or she may elect a lump-sum payment or a monthly benefit. The death-in-service benefit is in addition to any life insurance benefits you may have.</p> <p>Defined Contribution: The defined contribution account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods.</p>	<p>The ORP account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods.</p>
Death-in-Service: Work- Related	<p>Defined Benefit: If you die while you are an active member from a work-related cause, your named beneficiary will be eligible for a lump-sum payment of any funds remaining in your member contribution account. In addition, your spouse, natural or legally adopted minor child or parent will be eligible for a monthly benefit. If this individual also is your named beneficiary, he or she will receive both benefits. If your beneficiary is eligible for Social Security survivor benefits, the VRS work-related benefit will be equal to 33-1/3 percent of your average final compensation (AFC) at the time of your death. If he or she is not eligible, the VRS benefit will be equal to 50 percent of your AFC. If your beneficiary is eligible for a workers’ compensation survivor benefit, the VRS work-related benefit is offset by the workers’ compensation benefit.</p> <p>Defined Contribution: The account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods. No work-related, death-in-service benefit is available.</p>	<p>The ORP account balance is payable to your named beneficiary. If you have not named a beneficiary, the balance is paid according to the order of precedence. The beneficiary may choose from a variety of payment methods.</p> <p>No work-related, death-in-service benefit is available.</p>

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Health Insurance Credit: Service Retirement	If you retire with at least 15 years of VRS service and/or ORP participation, you are eligible to apply for the health insurance credit. If you qualify, you will begin receiving your health insurance credit when you begin receiving your retirement benefit and incur a cost for your own health insurance. The monthly benefit is \$4 per year of service not to exceed the out-of-pocket cost for your individual premium. The credit ceases at your death.	If you retire with at least 15 years of VRS service and/or ORP participation and have reached the minimum age for service retirement under the corresponding VRS defined benefit plan (60 for VRS Plan 2), you are eligible for the health insurance credit. The monthly benefit is \$4 per year of service not to exceed the out-of-pocket cost for your individual premium. The credit ceases at your death.
Health Insurance Credit: Educational Leave	Educational leave with less than half pay does not count toward creditable service for the health insurance credit. Educational leave with half pay or more counts as creditable service for the health insurance credit.	Educational leave with less than half pay does not count toward creditable service for the health insurance credit. Educational leave with half pay or more counts as creditable service for the health insurance credit.
Forfeiture of Benefits	Your VRS-administered benefits may be forfeited if you are convicted of a felony related to your covered employment.	
Eligibility for Benefit Payout	Normal Social Security retirement age, or when age and service equal 90, for the purpose of the defined benefit component. Defined Contribution: For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions.	You may begin receiving benefits when you leave public employment in Virginia, regardless of age. The amount of the benefit is determined by contributions to your ORP account (including money you rolled into the plan), adjusted for gains, losses and fees on investments and the length of time the benefit will be paid.
Benefit Payout Options	Defined Benefit: When you retire, your benefit is paid first from your member contribution account. After these funds have been paid out, your benefit is funded from a separate contribution your employer makes to VRS and investment earnings. You receive your retirement benefit in the form of a monthly benefit according to a payout option you choose when you apply for service retirement. The payout option you elect at retirement is irrevocable, with the exception of the Survivor Option (see Change of Payout Option). Defined Contribution: The following options are generally available: <ul style="list-style-type: none"> ■ Systematic payments ■ Full lump-sum distribution ■ Partial lump-sum distribution ■ Annuity purchase to produce a lifetime benefit, with or without survivor option ■ Rollover to another plan or IRA You may use a combination of these payout methods.	The following options are generally available: <ul style="list-style-type: none"> ■ Systematic payments ■ Full lump-sum distribution ■ Partial lump-sum distribution ■ Annuity purchase to produce a lifetime benefit, with or without survivor option ■ Rollover to another plan or IRA You may use a combination of these payout methods.

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Change of Payout Option	<p>Defined Benefit: Selecting the Basic Benefit, PLOP or Advance Pension Option is irrevocable. For the Survivor Option, you may name a new survivor or revert to the Basic Benefit if your survivor dies; you divorce your survivor with fewer than 20 years of marriage; you divorce after 20 or more years of marriage and your spouse dies, remarries or consents in writing to a change in benefit; or you provide VRS a written consent from your survivor giving up claim to a benefit along with proof of your survivor's good health.</p> <p>Defined Contribution: Distribution options may be changed for balances remaining in the plan. Generally, once purchased, the annuity option cannot be changed.</p>	Distribution options may be changed for balances remaining in the plan. Generally, once purchased, the annuity option cannot be changed.
Creditable Service	<p>Defined Benefit: Under the defined benefit component of the plan, creditable service includes active service. You earn creditable service for each month you are employed in a covered position. It also may include credit for prior service you may have purchased or additional creditable service you were granted. Your total creditable service is one of the factors used to determine your eligibility for retirement and to calculate your retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if your employer offers the health insurance credit.</p> <p>Defined Contribution: Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>	<p>Participation in ORP does not count toward the calculation of a benefit under the VRS defined benefit plan; however, ORP participation as well as VRS defined benefit plan service count toward eligibility for group life insurance coverage and the health insurance credit in retirement.</p> <p>NOTE: Plan determination is based on creditable defined benefit service and years of participation in an eligible optional retirement plan (ORP).</p>
<p>Basic Group Life Insurance</p> <p>IMPORTANT NOTE: For both ORP and VRS, group life insurance benefits end if you leave employment and take a refund from the VRS hybrid defined benefit component or full distribution from ORP.</p>	If an employer participates in the VRS Basic Group Life Insurance Program, members are covered under the basic plan from the first day of employment. Employers may pay your portion of the premiums. The natural death benefit is equal to your compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. Some basic group life insurance benefits will continue into retirement. Your coverage will end if you have not met the age and service requirements for retirement or you take a refund of your member contributions and interest. Group life insurance coverage will begin to reduce by 25 percent on January 1 following one calendar year of retirement, and will continue to reduce by 25 percent each January 1 until it reaches 25 percent of its original value. The provisions that allow for double the natural death benefit for accidental death end upon retirement. Additional optional life insurance is available to employees and their dependents.	Same Basic Group Life Insurance Benefits Program as the Hybrid Plan.
Basic Group Life Insurance: Educational Leave	While on educational leave you are reported for group life insurance at full salary, if you are receiving half pay or more. You are not reported for group life insurance while on educational leave receiving less than half pay.	Not applicable
Required Minimum Distribution	<p>Defined Benefit: If you are separated from employment and you do not apply for retirement by April 1 following the calendar year in which you turn age 72, VRS will pay you a retirement benefit using the Basic Benefit option, as required by law.</p> <p>Defined Contribution: You must begin a minimum distribution from the plan at age 72 or when you leave public employment in Virginia in a position with retirement benefits through a plan administered or authorized by VRS, whichever is later.</p>	Generally, you must begin receiving a distribution no later than April 1 following the year you reach age 72 or retire (whichever is later).

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Life Insurance Conversion	<p>Members, their spouses and dependent children, if enrolled, can convert their coverage to an individual policy within 31 days of the last day of the month in which a member leaves his or her position. This option is not available after 31 days.</p> <p>Conversion occurs only at the time of leaving employment and not retirement. In retirement, basic group life insurance follows the member.</p>	<p>Members, their spouses and dependent children, if enrolled, can convert their coverage to an individual policy within 31 days of the last day of the month in which a member leaves his or her position. This option is not available after 31 days.</p> <p>Conversion occurs only at the time of leaving employment and not retirement. In retirement, basic group life insurance follows the member.</p>
Normal Retirement Age	<p>Defined Benefit: Normal Social Security retirement age for the purpose of the defined benefit component.</p> <p>Defined Contribution: For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. Distribution is not required by law until age 70½. The amount of the benefit is determined by contributions to your defined contribution accounts (including money you may have rolled into the plan), adjusted for gains, losses and fees on investments and the length of time the benefit is to be paid. See www.varetire.org/hybrid.</p> <p><i>See Taxation of Retirement Benefit for additional information on this topic.</i></p>	<p>You may begin receiving benefits at termination of your covered employment with a VRS- participating employer, regardless of age. The amount of the benefit is determined by contributions to your ORP account (including money you rolled into the plan), adjusted for gains, losses and fees on investments and the length of time the benefit is to be paid.</p> <p><i>See Taxation of Retirement Benefit for additional information on this topic.</i></p>
Earliest Unreduced Retirement Eligibility	<p>Defined Benefit: Under the defined benefit component of the plan, you become eligible for an unreduced retirement benefit when you reach your normal Social Security retirement age and have at least five years (60 months) of creditable service, or when your age and service equal 90. Example: Age 60 with 30 years of creditable service.</p> <p>Defined Contribution: For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org/hybrid.</p>	Not applicable (see Normal Retirement Age).
Earliest Reduced Retirement Eligibility	<p>Defined Benefit: Under the defined benefit component of the plan, you may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Defined Contribution: For the defined contribution component, you are eligible to receive distributions upon leaving employment, subject to restrictions. See www.varetire.org/hybrid.</p>	Not applicable (see Normal Retirement Age).

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Purchase of Prior Service	<p>Purchase of prior service applies to the defined benefit component. You may be able to purchase service from previous public employment, active-duty military service, an eligible period of leave or VRS-refunded service as creditable service in your plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, you must purchase your most recent period of service first. You also may be eligible to purchase periods of leave without pay; contact your human resource office for more information.</p> <p>You are not eligible to purchase prior service if you are employed in a non-covered position, are a deferred member or are a retiree. See the Purchase of Prior Service section at www.varetire.org/hybrid, select Plan Info.</p>	<p>ORP participation is not available for purchase and cannot be used in the calculation of a VRS retirement benefit. Funds must remain in ORP until the participant terminates employment with all VRS-covered employers.</p>
Average Final Compensation	<p>Your average final compensation is the average of your 60 consecutive months of highest compensation as a covered employee. It is used in the retirement formula in the defined benefit component of the plan.</p>	Not applicable.
Service Retirement Multiplier	<p>A retirement multiplier is a factor that determines how much of your average final compensation will be used to calculate the defined benefit component of your retirement benefit. Your retirement multiplier is 1.0 percent.</p>	Not applicable.

Selecting a Plan

If You Choose ORP Plan 2

You have 60 days from when you are first employed in the ORP-eligible position to make your plan election. Your election is irrevocable and notifies VRS of your choice to be covered by the ORPHE or by the Virginia Retirement System (VRS). If a plan is not elected within 60 days of the date you are first employed, you are covered by the VRS Hybrid Retirement Plan unless you have prior service.

- Complete the Election to Participate – Enroll in the Optional Retirement Plan for Higher Education at: myVRS.
- For more information, visit ORPHE@varetire.org.