



Virginia
Retirement
System

Optional Retirement Plan for Higher Education Annual Fee Disclosure Notice

FEE DISCLOSURE OVERVIEW

Understanding retirement plan fees can be challenging; yet the fees you pay for plan administration and the investments you have chosen for your Optional Retirement Plan for Higher Education (ORPHE) account impact the amount of money you have at retirement. Although not required for governmental plans, the Virginia Retirement System (VRS), as the ORPHE plan administrator, follows the spirit of the regulations issued by the U.S. Department of Labor (DOL) by providing this annual fee disclosure notice.*

PROVIDERS AND INVESTMENTS

As an ORPHE participant, you have a choice of two providers: TIAA and DCP (record kept by MissionSquare Retirement). Each provides record-keeping and administrative services, along with a range of diversified and distinct investment options to allow participants to create a portfolio with varied risk and return characteristics. VRS monitors the investment options and the services these companies provide to employers and participants and makes changes to program services and investment options on a periodic basis.

A summary of your provider options is available online at orphe.varetire.org. The summary provides a high-level overview of each provider's offerings, including the number of available investments, default investment, performance, and fees.

Once you have elected a provider, you generally may change your investment options within that provider at any time. You may change your provider once per year during open enrollment, which occurs during the month of October, for contributions beginning on the first pay date in January the following year. (See sidebar for more information.)

**The information included in this disclosure represents only the VRS-administered ORPHE. The College of William and Mary; George Mason University; the University of Virginia, including the University of Virginia Medical Center, UVA at Wise and the Southwest Virginia Higher Education Center; Virginia Commonwealth University; and Virginia Tech administer separate ORP plans for their faculty members. ORPHE participants at those institutions should refer to information provided by their plan administrator.*

OPEN ENROLLMENT

Once a year, during the month of **October**, you may change to another provider.

The change, which only impacts future contributions, will be effective the first pay date in January of the following year.

Additional information related to open enrollment, along with related frequently asked questions, are available on the VRS ORPHE website (orphe.varetire.org).

You may also be eligible to transfer balances from one ORPHE provider to another.

Log into myVRS.varetire.org during October to get started!

UNDERSTANDING RETIREMENT PLAN FEES

A portion of the operating costs associated with retirement plans, products and services are passed along as fees to plan participants. These fees may seem small, but over time they can have a major impact on your investment portfolio. The long-term cumulative effect of fees and expenses on retirement savings can be substantial. Consider how just a 1 percentage point difference in fees could affect your account balance over time:

1% Increase in fees equals \$201,873 less in account at age 65.

Examples provided by Mercer for illustrative purposes only.

As the example shows, lower fees help keep more of your retirement savings working for you, which may make a difference in your account's long-term growth potential. When choosing a provider or a particular investment, you should consider and compare the costs you will be charged. It is also important to understand that investing in a fund with a lower expense ratio will not necessarily result in a higher account balance (depending on the fund's investment objectives and the actual performance of those objectives). A fund with a higher expense ratio may have higher net returns than a lower cost fund, in which case, the higher net returns more than offset the higher fund expense.

The ORPHE website provides additional information to help you better understand the specific types of fees you may pay. Some fees are transactional in nature, such as a fee for overnight delivery of a check, while others are ongoing. Some are asset-based, which means they vary based on the amount you have invested. Others are a flat dollar amount. Many fees are implicit and included in the fund's expense ratio, which means the expense is built into the net asset value or unit value of a fund. For example, sometimes plan record-keeping and administrative expenses are included as part of a fund's expense ratio. These are implicit fees because the unit values are reduced by the amount of these administrative costs, and such costs are not shown as a dollar withdrawal amount on participant statements. Other fees are explicit, which means they are deducted directly from your account balance.

Included with this notice is a fee disclosure for each provider. In communicating investment fund costs to you, VRS states fees both as a percentage and as a dollar amount per \$1,000 invested. Fees may change from time to time and vary for different types of investment options. Fees are typically higher for actively managed investments than for passively managed investments because actively managed investments must cover the costs for portfolio managers to conduct extensive research and monitor and trade securities. Generally, international investment options have higher expense ratios than domestic options because they deal with companies overseas and may involve greater political, economic and currency fluctuation risk. More detailed information may be obtained online at the provider's website or by contacting the provider directly.

To help you better understand how an investment's expense ratio translates into dollars and to illustrate the impact of various fees, please review the [sample fee schedule](#) provided on the ORPHE website. It can be found under the Investments tab on the Performance & Fees page.

Investor A

- Contributes \$6,000/year beginning at age 25
- 6% annual return on investment
- **0.50% annual fee**
- Account value at age 65: **\$858,068**



Investor B

- Contributes \$6,000/year beginning at age 25
- 6% annual return on investment
- **1.50% annual fee**
- Account value at age 65: **\$656,195**



UNDERSTANDING PERFORMANCE

In addition to understanding fees, it is equally important to consider investment performance. Performance information is available on each of the providers' websites. Many criteria can be used to measure a fund's performance; one is to refer to a benchmark index. An index tracks a particular group of investments — that is representative of a specified market — as a way of measuring that market's performance. This provides a tool to compare the performance of a specific fund against a corresponding investment market. When considering how a fund's investment return compares to its benchmark index, it is important to determine if the fund is passively managed or actively managed. An investment objective of a passively managed fund is to track its performance to the benchmark index, whereas an actively managed fund's objective is to outperform its performance benchmark index. In ORPHE, most but not all funds are passively managed. You can generally view benchmark performance along with fund performance on your provider's website. For DCP, visit the Investments page at orphe.varetire.org/dcp. For TIAA, visit the Investment Options tab at TIAA.org/vrs.

Because you are investing for the long-term goal of retirement, it is important to keep a long-term perspective when evaluating fund performance.

MAKING CHANGES

You may make changes to your investment options with your selected provider at any time by visiting the website or using the toll-free number provided below. You may change your provider once each year (*see Open Enrollment on page 1*) and may be eligible to transfer all or a portion of your ORPHE account balance to another provider at any time.

LEAVING EMPLOYMENT

Regardless of which provider you choose while you are working, distributions are generally not required until you reach age 73 or when you leave a position with an employer providing the plan, whichever is later. However, when you leave employment and qualify for a distribution from ORPHE, you have a variety of distribution options available to you. These options may vary from one provider to another and potentially from one investment option to another. It is important to contact your selected provider(s) before separating employment to ensure that you understand your options. Options may include lump- or partial-sum distributions, periodic payments, rollovers out of the plan and/or annuity purchases.

You may also be eligible to transfer balances between ORPHE providers. Providers also allow incoming rollovers, which may provide you with an opportunity to consolidate balances across multiple plans. Each provider has representatives available to you to assist with your distribution planning options.

Do Your Homework

- When opening your account, read thoroughly all documents provided by your financial professional.
- Review your account statements, confirmations, and other documentation to monitor the types and amount of fees you are paying and to ensure charges are correct.
- Ask questions if you are not clear on how fees are broken down or the types of charges you are being asked to pay.

FINANCIAL PLANNING AND WELLNESS RESOURCES

Financial planning services with CERTIFIED FINANCIAL PLANNER™ professionals are now available to members in our defined benefit and defined contribution plans. CFP® professionals offer guidance and support to help you feel confident about your financial security and find your path for situations as such debt reduction, budgeting help, saving for education, optimizing Social Security benefits, protecting your loved ones and estate planning. You can sign up for webinars and one-on-one consultations with CFP® professionals.

For more information about these services, visit varetire.org/make-a-plan.

Financial planning services are provided by MissionSquare Retirement, the record keeper for the VRS Defined Contribution Plans, at no additional cost. These services are in addition to the plan-specific support provided by DC Plans Specialists. For plan-specific questions, you should continue to contact your DC Plans Specialists.



The nationally recognized [myVRS Financial Wellness program](#) aims to help VRS members make informed and educated decisions on everyday financial matters while saving for the future. Through their secure myVRS accounts, employees can tap into articles, videos, mini-courses and customized action plans to help them pursue financial goals and reduce financial stress.



Courses



Educational Games



Budgeting Tools



Calculators

ADDITIONAL SAVINGS OPPORTUNITIES



As a state employee, you are eligible to participate in the Commonwealth of Virginia Deferred Compensation Plan (COV 457 Plan). As a higher education employee, you are also eligible to participate in a 403(b) plan sponsored by your employer. You can contribute to both plans up to the annual contribution limits for each plan. Visit the IRS.gov website to learn more about [how much salary can you defer if you're eligible for more than one retirement plan](#).

Contributions to either the COV 457 Plan or an employer-sponsored 403(b) may be eligible for an employer cash match contribution. You may be eligible for a 50% match of your contribution, up to a maximum of \$20 per pay period.

To learn more about the COV 457 Plan, visit varetire.org/457-ed.

QUALIFYING FOR ORPHE RETIREE ANCILLARY BENEFITS

When you are no longer employed by a Virginia public employer, you may qualify for the State Retiree Health Insurance Program, VRS group life insurance and/or retiree health insurance credit, if you meet the eligibility requirements.

- **State Retiree Health Insurance:** You must apply for the benefit within 31 days of your last date of employment or lose eligibility for coverage. You must also meet the age and service requirements for an immediate retirement benefit under the *non-ORP* Virginia Retirement System plan that you would have been eligible for on your date of hire had you not elected the ORP.



- **VRS Group Life Insurance Program:** You qualify to continue your group life insurance in retirement if you meet the age and service requirements. If you are covered by ORPHE Plan 1 (employment date before July 1, 2010), you must be age 50 with 10 years of service or age 55 with five years of service. If you are covered by ORPHE Plan 2 (employment date July 1, 2010, or later) you must be age 60 with five years of service, or your age plus service must equal 90 when you leave employment to retain group life insurance into retirement. While you are employed, your group life insurance is your salary rounded to the next \$1,000 and doubled. In retirement, your basic group life insurance coverage will reduce by 25 percent on January 1 following one calendar year of retirement and continue to reduce by 25 percent each January 1 until it reaches 25 percent of its original value.

- **Retiree Health Insurance Credit:** You qualify for the health insurance credit if you have at least 15 years of service in ORPHE and/or VRS. If you are covered by ORPHE Plan 1, you must be at least age 50 to begin collecting the credit. If you are covered by ORPHE Plan 2, you must be at least age 60 to begin collecting the credit.

ADDITIONAL INFORMATION

For more detailed information about the plan, providers, and other related topics, please visit the VRS ORPHE website at orphe.varetire.org. The website provides a glossary of terms to assist participants and beneficiaries in understanding plan options.



Optional Retirement Plan for Higher Education Annual Fee Disclosure Notice–DCP



The DCP program operates under an unbundled plan structure. This means that VRS contracts for investment services separately from the record-keeping, enrollment, and marketing functions, which are managed by MissionSquare Retirement. Expense ratios (total fund annual operating expenses) with DCP include only investment-related fees. Administrative and record-keeping fees are charged separately. See the information below for additional details.

Data as of June 30, 2023. For a full breakdown of fund-specific expenses, please view the Fund Profiles on the DCP ORPHE website at orphe.varetire.org/dcp. Investment Option Performance (IOP) information can also be obtained on the website.

Although fees may be an important factor in choosing investment options, it is important to consider all relevant considerations, such as time horizon, risk tolerance and financial situation, when determining your investment approach and choosing your investment mix. As with any investment, you should read available fund information prior to investing. As a plan participant you may change how your account is invested with your provider, subject to restrictions that may apply to the specific investments. Please contact your provider directly or visit the website for additional information.

| Investment Option | Investment Management & Other Investment-Related Expenses | Other Expenses | Total Annual Expense Ratio | Total Annual Operating Expense (per \$1,000) | Short-Term Trading Redemption Fees/Restrictions | Annual Record-Keeping Fee (Flat Dollar) |
|-------------------------------|---|----------------|----------------------------|--|---|---|
| Money Market Fund | 0.080% | n/a | 0.08% | \$0.80 | n/a | \$30.50 A record-keeping/plan administration fee of \$2.54 will be deducted from your account on a monthly basis (\$30.50/year). If you participate in more than one VRS defined contribution plan, like the VRS ORPHE or Commonwealth of Virginia 457 Deferred Compensation Plan, only one annual fee of \$30.50 will be deducted from your account. Additional fees may be associated with the self-directed brokerage account. |
| Stable Value Fund | 0.230% | n/a | 0.23% | \$2.30 | n/a | |
| Bond Fund | 0.030% | n/a | 0.03% | \$0.30 | n/a | |
| Inflation-Protected Bond Fund | 0.030% | n/a | 0.03% | \$0.30 | n/a | |
| High-Yield Bond Fund | 0.390% | n/a | 0.39% | \$3.90 | n/a | |
| Stock Fund | 0.010% | n/a | 0.01% | \$0.10 | n/a | |
| Small/Mid-Cap Stock Fund | 0.020% | n/a | 0.02% | \$0.20 | n/a | |
| International Stock Fund | 0.060% | n/a | 0.06% | \$0.60 | n/a | |

| Investment Option | Investment Management & Other Investment-Related Expenses | Other Expenses | Total Annual Expense Ratio | Total Annual Operating Expense (per \$1,000) | Short-Term Trading Redemption Fees/Restrictions | Annual Record-Keeping Fee (Flat Dollar) |
|---|---|----------------|----------------------------|--|---|---|
| Global Real Estate Fund | 0.080% | n/a | 0.08% | \$0.80 | n/a | |
| Retirement Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2025 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2030 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2035 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2040 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2045 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2050 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2055 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2060 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Target Date 2065 Portfolio | 0.060% | n/a | 0.06% | \$0.60 | n/a | |
| Virginia Retirement System Investment Portfolio (VRSIP) | 0.590% | n/a | 0.59% | \$5.90 | n/a | |
| Self-Directed Brokerage Window | <p>A self-directed brokerage window is available. It is intended for participants looking for investment options beyond their plan's lineup and who are comfortable managing a portfolio of expanded investment choices. VRS neither evaluates nor monitors the investments available through the brokerage window. It is your responsibility to ensure the investments you select are suitable for your situation including your goals, time horizon and risk tolerance. Please refer to the Fund Profile and commission schedule for applicable fees and risks.</p> | | | | | |

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Annual Fee Disclosure Notice–TIAA

In the ORPHE plan, TIAA operates under a bundled plan structure. Bundled plans use one company for investment management, record-keeping, enrollment, and marketing services. In addition to their company’s proprietary investment options, a bundled plan provider’s investment platform may include investment options from other fund companies. Plan administration and record-keeping fees are embedded within the TIAA proprietary fund expense ratios, also known as total fund annual operating expenses. In certain cases, TIAA may provide revenue credits back to plan participants. The investment performance information below applies only to the Retirement Choice (RC) contract. VRS does not monitor or provide oversight of the investment options in the Retirement Annuity (RA) and Group Retirement Annuity (GRA) contracts. See below for additional detail.

Data as of June 30, 2023. For a full breakdown of fund-specific expenses, please view the fund profiles or prospectuses (if applicable) on TIAA’s ORPHE website at tiaa.org/vrs. Investment fund performance information can also be obtained on the website.

Although fees and credits may be important factors in choosing investment options, it is important to take into account all relevant considerations, such as time horizon, risk tolerance and financial situation, when determining your investment approach and choosing your investment mix. As with any investment, you should read the prospectus and/or other available fund information prior to investing. As a plan participant, you may change how your account is invested with your provider, subject to restrictions that may apply to the specific investments. Please contact your provider directly or visit the website for additional information.

| Investment Option | Investment Management & Other Investment-Related Expenses | Administrative (Record- Keeping) Expenses | 12(b)(1) Distribution Expense Fees | Other Expenses | Total Annual Expense Ratio | Total Annual Operating Expense (per \$1,000) | Short-Term Trading Redemption Fees/Restrictions | Annual Record-Keeping Fee (Flat Dollar) |
|---|---|---|------------------------------------|----------------|----------------------------|--|---|---|
| BlackRock Short-Term Investment Fund W | 0.080% | n/a | n/a | n/a | 0.08% | \$0.80 | See footnote 4 | \$28.00 All participants with a balance are assessed an annual fee of \$28, which is deducted quarterly at a rate of \$7 per quarter. The deductions will be identified as “TIAA Plan Servicing Fee” on your statement and when you view your account online. If your account balance is less than \$25 on the date that a quarterly fee is to be assessed, no fee will be charged. |
| BlackRock U.S. Debt Index Fund M | 0.030% | n/a | n/a | n/a | 0.03% | \$0.30 | See footnote 4 | |
| BlackRock U.S. Treasury Inflation-Protected Securities Fund M | 0.030% | n/a | n/a | n/a | 0.03% | \$0.30 | See footnote 4 | |
| BlackRock Equity Index Fund J | 0.010% | n/a | n/a | n/a | 0.01% | \$0.10 | See footnote 4 | |
| BlackRock Russell 2500 Index Fund J | 0.020% | n/a | n/a | n/a | 0.02% | \$0.20 | See footnote 4 | |
| BlackRock MSCI ACWI ex-U.S. IMI Index Fund M | 0.110% | n/a | n/a | n/a | 0.11% | \$1.10 | See footnote 4 | |

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|---|--|---|---|-----------------------|-----------------------------------|---|--|---|
| BlackRock MSCI ACWI IMI Index Non-Lendable Fund M | 0.050% | n/a | n/a | n/a | 0.05% | \$0.50 | See footnote 4 | |
| Investment Option | Investment Management & Other Investment-Related Expenses | Administrative (Record-Keeping) Expenses | 12(b)(1) Distribution Expense Fees | Other Expenses | Total Annual Expense Ratio | Total Annual Operating Expense (per \$1,000) | Short-Term Trading Redemption Fees/Restrictions | Annual Record-Keeping Fee (Flat Dollar) |
| TIAA Real Estate Account (RC Contract) | 0.295% | 0.250% | 0.045% | 0.280% | 0.87% | \$8.70 | 5 | Because the TIAA proprietary annuity investment expense ratios include embedded plan record-keeping/administration fees, it is possible a credit will be returned to you to offset the annual TIAA Plan Servicing Fee of \$28. In these instances, a credit is returned to you as often as administratively practical to do so, but never more frequently than quarterly. These credits will show as "Plan Servicing Credits" on your statement and your account online. To learn more about plan servicing credits, contact a TIAA representative. As a reminder, there are no offsets to embedded plan record-keeping/administration fees under the legacy contracts. |
| TIAA Traditional Annuity (RC Contract) 1, 2, 3, 4 | - | - | - | - | - | - | See footnotes 1 & 4 | |
| BlackRock LifePath Index Retirement Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2025 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2030 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2035 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2040 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2045 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2050 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2055 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| BlackRock LifePath Index 2060 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |

| | | | | | | | | |
|--------------------------------------|--|-----|-----|-----|-------|--------|----------------|--|
| BlackRock LifePath Index 2065 Fund N | 0.060% | n/a | n/a | n/a | 0.06% | \$0.60 | See footnote 4 | |
| Self-Directed Brokerage Window | A self-directed brokerage window is available. It is intended for participants looking for investment options beyond their plan's lineup and who are comfortable managing a portfolio of expanded investment choices. VRS neither evaluates nor monitors the investments available through the brokerage window. It is your responsibility to ensure the investments you select are suitable for your situation including your goals, time horizon and risk tolerance. Please refer to the fact sheet and commission schedule for applicable fees and risks. | | | | | | | |

¹ Upon separation from service or retirement, participants can convert their TIAA Traditional accumulation dollar amount to a lifetime income option or withdraw funds through a fixed period annuity ranging from five to 30 years or a Transfer Payout Annuity. TIAA Traditional Annuity transfers to other funds on the investment menu and withdrawals are via the Transfer Payout Annuity, which enables participants to move funds out of the TIAA Traditional Annuity in 84 monthly installments (7 years) for the Retirement Choice (RC) contract. Each installment includes a portion of principal and interest, based on the rate in effect when transfer or withdrawal funds are made. TIAA Traditional can be withdrawn or transferred to another company up the full balance within 120 days following termination of employment, subject to a 2.5% surrender charge. After the 120-day period, participants can withdraw funds only through a fixed period annuity ranging from 5 to 30 years or the Transfer Payout Annuity.

² The TIAA Traditional Annuity (RC) contract minimum guaranteed rate is between 1% and 3%. The current minimum rate for the RC contract is 1%. Further, the TIAA Traditional Annuity (RC) contract applies to premiums deposited during the applicable calendar year and is guaranteed for 10 years, at which point the minimum rate for these premiums will be reset.

³ The TIAA Traditional Annuity is not an investment for purposes of federal securities laws; it is a guaranteed insurance contract. Therefore, unlike a variable annuity or mutual fund, the TIAA Traditional Annuity does not include an identifiable expense ratio. Each premium allocated to the TIAA Traditional Annuity buys a definite amount of lifetime income for participants based on the rate schedule in effect at the time the premium is paid. In addition, the TIAA Traditional Annuity provides a guarantee of principal, a guaranteed minimum rate of interest and the potential for additional amounts of interest when declared by TIAA's Board of Trustees. Additional amounts, when declared, remain in effect for the "declaration year" that begins each March 1 for accumulating annuities and January 1 for lifetime payout annuities. Additional amounts are not guaranteed for future years.

⁴ TIAA imposes a 30-day round trip trading restriction on non-proprietary funds. This means you cannot exchange into the fund within 30 calendar days of exchanging out of the fund.

⁵ Transfers out of the TIAA Real Estate Account (REA) are limited to one per calendar quarter. Transfers from the Real Estate Account to any TIAA annuity, to one of the CREF accounts or to funds offered under the terms of your plan must generally be at least \$1,000 (except for systematic transfers, which must be at least \$100) or your entire accumulation, if less. These minimums may be reduced or eliminated in the future. Individual contract owners are limited from making transfers into their Account accumulation if, after giving effect to such transfer, the total value of such contract owner's Account accumulation (under all contracts issued to such contract owner) would exceed \$150,000. For more information regarding transfer policies and exceptions please refer to the TIAA Real Estate Account prospectus".