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# EXPLORATIONS

A quarterly Nature of Retirement® publication for participants of the VRS Defined Contribution Plans

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## Personal Service

**Dedicated registered representatives who know the details of the VRS Plans are here to help you!**

**You can call them toll free at (866) 226-6682 (option 2); TDD: (800) 766-4952.**

**or**

**Visit them at the Local Service Center at:**

**1108 East Main Street Suite 1102 Richmond, VA 23219 (804) 643-1882**

**Office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m. Eastern Time.**

## Put Your Pension in the Mix

Consider all sources of retirement savings when allocating your assets

Choosing investment funds can be a daunting task, but you took your time and carefully reviewed all of the investment options offered through the defined contribution (DC) plan and decided to allocate your contributions among several fund options within different asset classes. When selecting your funds, did you consider if your participation in the DC plan is a supplement to an existing pension plan and/or other retirement income? Did you factor in your overall financial situation? If you answered no to either of those questions, your current DC investment mix may not be the best mix for you over the long term.

To get a better perspective, let's take a look at a hypothetical participant example.

Ben has worked for the Commonwealth of Virginia for over 15 years and expects to continue to work for the Commonwealth until he retires. Ben's goal is to generate enough wealth during his working years, and continue to make wise investment choices during retirement, so that he will not have to work after retiring. With life expectancies on the rise, Ben may live another 25 years once he retires.

Several years ago, Ben signed up to participate in the Deferred Compensation Plan and chose a conservative investment mix consisting of 70% in various bond and principal protection funds and 30% in various stock funds. The farthest thing from Ben's mind when he chose his investment options for the Deferred Compensation Plan was the amount of income he expects to receive at retirement from his main pension plan (the VRS defined benefit "DB" plan) and Social Security. At retirement, Ben can expect to receive a guaranteed benefit from the VRS DB plan based on his salary, age and years of service. He also anticipates receiving a monthly benefit from Social Security. The guaranteed income stream from the VRS DB plan and his expected Social Security benefits provide a foundation on which to build other retirement income sources.

Ben recently completed a review of his financial obligations and all sources of income at retirement (the Deferred Compensation Plan, the VRS DB plan, Social Security and other savings). During the review, he noticed that his total investment mix across all plans

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## Class Resumes

**An introduction to bonds**

Before you make your spring break to a warmer climate, we have another asset class lesson—this time, it's about bonds.

By investing in bonds (also called fixed-income investments), you are actually loaning money to an organization, such as a corporation or the government, in exchange for interest payments. Bond values may fluctuate up and down, sometimes widely, but ordinarily they will not vary as much as stocks. Bond investment options may help offset the higher risk of stocks in a more aggressive investment portfolio, and they may help keep pace with inflation in a more conservative investment portfolio.

*Continued on page 2*

## Put Your Pension in the Mix *(continued from page 1)*

is more highly concentrated in conservative investments, because the future VRS DB plan income stream and Social Security benefits are forms of annuity payments. To get back on track with his original target mix, Ben is changing his investment mix within the Deferred Compensation Plan by increasing his allocation to stock funds and decreasing his allocation to bond and other principal protection funds.

Ben knows that historically, over long periods of time, total returns from stocks have outperformed returns from bonds and other principal protection investments. He realizes that there is no guarantee that this trend will continue in the future or that in the short term stocks will outperform other asset classes, and he understands that the stock market can be quite volatile. Nevertheless, Ben believes that in the long run this new allocation to stocks will help generate the wealth needed to keep pace with the rising costs of purchasing goods and services over his life during retirement.

Granted, this hypothetical situation is a narrow illustration, but its purpose is to depict the importance of the benefits you may gain by conducting a comprehensive review of your

liabilities and all sources of retirement income. Remember, your personal situation is uniquely your own and most likely will be very different from Ben's. Know your investment risk tolerance and time horizon, and be willing to adapt to unforeseen events. After all, investing for your future is not a static event. If you are not doing so already, it may be in your best interest to take a holistic approach and consider all of your expected retirement income sources and overall financial condition when deciding which funds to select in your DC plan. Ask yourself: "Is what I'm doing today going to help me get to where I want to be financially at retirement?" If you don't like your answer, adjust accordingly.



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## Class Resumes *(continued from page 1)*

### VRS Bond Investment Options<sup>1</sup>

- **Bond Index Fund<sup>2</sup>**—The Fund seeks to track the total return performance of the Lehman Brothers Aggregate Bond Index. This index is an unmanaged index considered to be indicative of the broad domestic bond market in general, and it consists of government, corporate, mortgage-backed and asset-backed securities.
- **Active Inflation-Protected Bond Fund**—The Fund seeks to provide inflation protection and income consistent with investment in inflation-indexed securities and to provide long-term returns that exceed the performance of the Lehman Brothers U.S. Treasury Inflation Notes Index. This index is an unmanaged index that is indicative of the inflation-indexed bond market in general.



- **Active Bond Fund**—The Fund seeks to provide long-term returns that exceed the performance of the Lehman Brothers Aggregate Bond Index. This index is an unmanaged index considered to be indicative of the broad domestic bond market in general, and it consists of government, corporate, mortgage-backed and asset-backed securities.
- **Active High Yield Bond Fund<sup>3</sup>**—The Fund seeks to provide a high level of current income and long-term returns that exceed the performance of a custom benchmark. Although they have higher return potential, high-yield bonds are also subject to greater risk, including the risk of default, compared to higher rated securities.

*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain mutual fund prospectuses and disclosure documents from your registered representative. Read them carefully before investing.*

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<sup>1</sup> A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

<sup>2</sup> An index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Therefore, performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

<sup>3</sup> Although they have higher return potential, high yield bonds are also subject to greater risk, including the risk of default, compared to higher-rated securities.

## Are Your Beneficiary Designations Current?

Naming and updating the beneficiary for your Virginia Retirement System Defined Contribution Plans are two of the most important, but overlooked, decisions you will make when managing your retirement account. Many of you have named a beneficiary for your 457 Deferred Compensation Plan, but have you named one for your 401(a) Cash Match Plan? The easiest way to be sure is to log on to your account at [www.vadcp.com](http://www.vadcp.com) and follow the instructions in the green box next to this article. Everything look OK? Great, but don't forget to review and update the beneficiary information for both your 457 Deferred Compensation and 401(a) Cash Match accounts periodically or as life changes necessitate. Do you need to add or update information? Follow the instructions in the green box next to this article to change your designation.

If you do not have internet access, contact the Local service Center at (866) 266-6682 (option 2) or visit your agency human resources office to obtain a beneficiary designation form.

## On-line Deferral Changes Coming Soon

Currently, if you want to make a change to the amount that you are deferring to the 457 Deferred Compensation Plan, you do so by completing a Payroll Authorization Form and giving it to your agency payroll office. Coming soon in 2007, employees of State agencies will have the ability to make these changes online or through the KeyTalk® voice response system.

When you log on to [www.vadcp.com](http://www.vadcp.com) you will be directed to the area of the site that allows you to change the amount, restart or suspend your deferrals to the 457 Plan.<sup>4</sup> The voice response system number is (866) 226-6682 (option 1).<sup>4</sup> The change you request will be implemented with the first pay date of the month following the month in which you make the change on line or through the voice response system, or the next available pay date if later.

This functionality will not be available to employees of political subdivisions and school divisions until a later date.

## 2007 Regional Enrollment/Education Meetings

The 2007 Regional Enrollment/Education Schedule is now final so find the session that's right for you! Learn about the **Plan Features and Benefits** of the Deferred Compensation and Cash Match Plans, explore **Account Management Strategies** or focus on the **Advantages of Budgeting**. A workshop on **Post-Retirement Strategies** addresses the management of resources during the retirement years and is designed for participants who are already retired or who are nearing retirement. Both participants and non-participants are invited to attend these educational seminars. Pre registration is not required.

Date	Plan Features and Benefits	Account Management Strategies	Advantages of Budgeting	Post-Retirement Strategies	Location/Room	Presenter
4/4/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Northern Virginia Graduate Center 7054 Haycock Road Falls Church, VA 22043 Room 219	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
4/11/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Virginia Western Community College 3102 Colonial Avenue SW Roanoke, VA 24038 Natural Science Center (Behind the Arboretum)	Nancy Roth 1-866-226-6682, opt 2, ext 115

### Manage Your Beneficiary Designation on the Web!

#### Check Your Designation—

1. Log on to your account at [www.vadcp.com](http://www.vadcp.com)<sup>4</sup>
2. Select your plan (Be sure to check each one!)
3. Choose **Beneficiary** from the left-hand menu to review your designated beneficiary

#### Change Your Designation—

1. Log on to your account at [www.vadcp.com](http://www.vadcp.com)<sup>4</sup>
2. Select your plan
3. Choose **Change Account** from the left-hand menu
4. Click on **Beneficiary**
5. Click on **Change Beneficiary**
6. Update your designations and click **Submit**

<sup>4</sup> Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

## 2007 Regional Enrollment/Education Meeting Schedule *(continued)*

Date	Plan Features and Benefits	Account Management Strategies	Advantages of Budgeting	Post-Retirement Strategies	Location/Room	Presenter
4/18/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Woodrow Wilson Rehabilitation Center 394 Hornet Road Fishersville, VA 22939 Activities Building Auditorium	Tom Ferguson 1-866-226-6682, opt 2, ext 102
5/3/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Blue Ridge Community College 1 College Lane Weyers Cave, VA 24486 Room 126 A	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
5/9/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Department of Environmental Quality Tidewater Regional Office 5636 Southern Boulevard Virginia Beach, VA 23462 Large Training Room	Tom Ferguson 1-866-226-6682, opt 2, ext 102
5/10/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	University of Virginia at Wise One College Avenue Wise, VA 24293 C Bascom Slemple Student Center Rhododendron Room, 5th Floor	Nancy Roth 1-866-226-6682, opt 2, ext 115
5/16/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Christopher Newport University 1 University Place Newport News, VA 23606 Student Center, Alumni Room	Tom Ferguson 1-866-226-6682, opt 2, ext 102
5/19/07 <b>Saturday</b>	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Lord Fairfax Community College 6480 College Street Warrenton, VA 20187 Room 207	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
5/23/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Department of Health Professions 6603 West Broad Street Richmond, VA 23230 Lobby Level, Classroom A	Tom Ferguson 1-866-226-6682, opt 2, ext 102
6/5/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	James Madison University Carrier Drive Harrisonburg, VA 22807 ISAT Building Room 259	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
6/12/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Virginia Highlands Community College 110 Opportunity Lane Abingdon, VA 24212 Learning Resource Center Room 605 (Auditorium)	Nancy Roth 1-866-226-6682, opt 2, ext 115
6/20/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Rappahannock Community College 52 Campus Drive Warsaw, VA 22572	Tom Ferguson 1-866-226-6682, opt 2, ext 102
6/21/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	John Tyler Community College 13101 Jefferson Davis Highway Chester, VA 23831 Bird Hall, Room B-124	Tom Ferguson 1-866-226-6682, opt 2, ext 102

## 2007 Regional Enrollment/Education Meeting Schedule *(continued)*

Date	Plan Features and Benefits	Account Management Strategies	Advantages of Budgeting	Post-Retirement Strategies	Location/Room	Presenter
7/10/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Wytheville Meeting Center 333 Community Boulevard Wytheville, VA 24382 Meeting Room C	Nancy Roth 1-866-226-6682, opt 2, ext 115
7/18/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Virginia Department of Transportation Culpeper District 1601 Orange Road Culpeper, VA 22701 Auditorium	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
7/21/07 <b>Saturday</b>	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Virginia Western Community College 3102 Colonial Avenue SW Roanoke, VA 24038 Natural Science Center (Behind the Arboretum)	Nancy Roth 1-866-226-6682, opt 2, ext 115
7/23/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Library of Virginia 800 East Broad Street Richmond, VA 23219 1st Floor, Conference Room A	Tom Ferguson 1-866-226-6682, opt 2, ext 102
8/2/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Virginia Department of Transportation Fredericksburg District 86 Deacon Road Fredericksburg, VA 22405 Auditorium	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
8/9/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	J Sargent Reynolds Community College North Run Corporate Center 1630 East Parham Road Richmond, VA 23228 Room O 125	Tom Ferguson 1-866-226-6682, opt 2, ext 102
8/15/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Eastern Shore Community College 29300 Lankford Highway Melfa, VA 23410 Lecture Hall	Tom Ferguson 1-866-226-6682, opt 2, ext 102
8/15/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Patrick Henry Community College 645 Patriot Avenue Martinsville, VA 24115 J Burness Frith Economic Development Center John and Carol Hooker Exhibit Hall, Room 129	Nancy Roth 1-866-226-6682, opt 2, ext 115
8/29/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Department of Human Resource Management James Monroe Building 101 North 14th Street Richmond, VA 23219 Conference Rooms C & D	Tom Ferguson 1-866-226-6682, opt 2, ext 102
9/12/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Southwest Virginia Community College Route 19, six miles south of Claypool Hill Richlands, VA 24641 Buchanan Hall, Room B 130	Nancy Roth 1-866-226-6682, opt 2, ext 115

## 2007 Regional Enrollment/Education Meeting Schedule *(continued)*

Date	Plan Features and Benefits	Account Management Strategies	Advantages of Budgeting	Post-Retirement Strategies	Location/Room	Presenter
9/19/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Norfolk Health Department 830 Southampton Avenue Norfolk, VA 23513 3rd Floor, Rooms A & D	Tom Ferguson 1-866-226-6682, opt 2, ext 102
9/26/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	State Corporation Commission 1300 East Main Street Richmond, VA 23219 3rd Floor Training Room	Tom Ferguson 1-866-226-6682, opt 2, ext 102
9/27/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Northern Virginia Community College 8333 Little River Turnpike Annandale, VA 22003 Ernst Community Cultural Center, Seminar Room A	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
10/2/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	George Mason University 4987 University Drive Fairfax, VA 22030 Student Union II, Rooms 3 & 4	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
10/4/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Virginia Department of Transportation Staunton District 811 Commerce Road Staunton, VA 24401 Auditorium	Catherine Pfeilsticker 1-866-226-6682, opt 2, ext 107
10/10/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Radford University Fairfax Street Radford, VA 24142 Heth Hall Lounge B	Nancy Roth 1-866-226-6682, opt 2, ext 115
10/24/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	John Tyler Community College Featherstone Professional Center 1807 Huguenot Road Midlothian, VA 23114 Room F-111	Tom Ferguson 1-866-226-6682, opt 2, ext 102
10/25/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Southeastern Virginia Training Center 2100 Steppingstone Square Chesapeake, VA 23320	Tom Ferguson 1-866-226-6682, opt 2, ext 102
10/30/07	9:00 a.m.	10:15 a.m.	11:30 a.m.	1:30 p.m.	Chesapeake Main Library 298 Cedar Road Chesapeake, VA 23322	Tom Ferguson 1-866-226-6682, opt 2, ext 102

**ACCOUNT MANAGEMENT TOOLS AVAILABLE<sup>4</sup>**  
**WWW.VADCP.COM or KeyTalk<sup>®</sup>: (866) 226-6682**

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