



Visit the Web site at www.vadcp.com for Plan information, investment options, and account management and retirement planning tools.

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.

Plan Deferral Limits Unchanged for 2008

No changes were made to the 457 Deferred Compensation Plan deferral limits for 2008. The limits, as stated below, remain the same as in 2007.

- **Standard Maximum:** The lesser of your includible compensation or \$15,500.
- **Age 50+ Catch-Up:** The lesser of your includible compensation or \$20,500 (standard maximum plus an additional \$5,000).
- **Standard Catch-Up:** The lesser of your catch-up credit or \$31,000.

A Payroll Authorization Form is enclosed for your convenience. Complete and mail this form to the address on the form in the month prior to the month that you want the increase in your deferral to take effect. The enclosed form is for employees of State agencies with payroll reporting through the Virginia Department of Accounts. Others should obtain a Payroll Authorization Form from www.vadcp.com or from their employer.

Standard Catch-Up

The Standard Catch-Up helps you make maximum use of the Deferred Compensation Plan by allowing you to catch up on the deferrals that you were eligible to make but did not earlier in your employment. If you are within three years of attaining your designated Normal Retirement Age and are younger than age 70½, you are allowed to catch up on contributions that could have been made, but were not. Follow these steps to use the Standard Catch-Up:

1. Complete the Deferred Compensation Plan Standard Catch-Up Credit Worksheet to determine the additional amount you may defer.
2. Use the Normal Retirement Age Election Form to elect your Normal Retirement Age.
3. Indicate Standard Catch-Up on the Payroll Authorization Form, along with the amount you will be deferring.

These forms are available on the Plan Web site at www.vadcp.com, or from your registered representative. Once completed, give them to your agency payroll office.

Participants using the Standard Catch-Up provision in 2008 may contribute the lesser of their catch-up credit or \$31,000. Participants may not contribute to both the Age 50+ Catch-Up and Standard Catch-Up in the same year. Please contact your Registered Representative for more information.

Fund Closure Complete

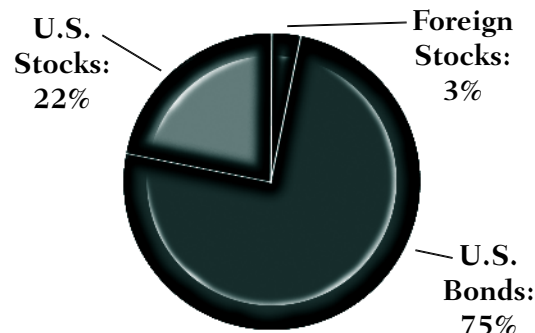
On December 14, 2007, the Active Small/Mid Cap Equity Fund was closed to incoming monies. Remaining assets and future allocations to the Active Small/Mid Cap Equity Fund were transferred to the Small/Mid Cap Equity Index Fund on December 17, 2007.

You are encouraged to review your quarterly statement, which reflects these changes, and contact Great-West Retirement Services® at (866) 226-6682 if you have questions.

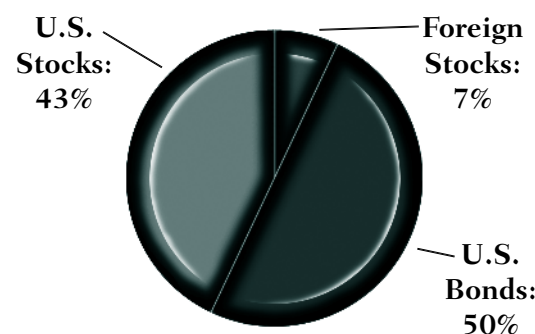
Pre-Mixed Asset Allocation Funds

The VRS defined contribution plans offer three distinct passively managed asset allocation funds, each representing a different potential risk versus return profile designed to track their respective market indices. Investment professionals maintain a pre-mixed weighting of specific asset classes (for example, U.S. bonds¹, U.S. stocks and foreign stocks²) to create an asset allocation fund in each investment option. These professionals monitor performance on an ongoing basis and make adjustments as needed to maintain the pre-mixed weightings of these specific asset classes. These asset allocation funds may be most appropriate for those investors who may want to simplify the asset allocation process.

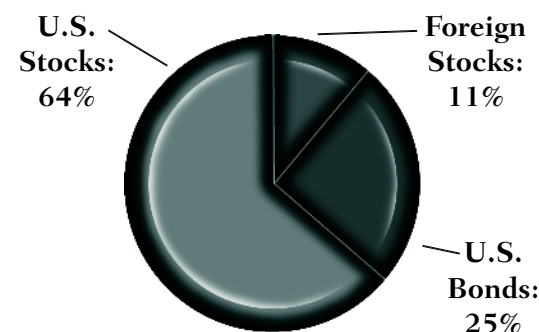
1. Income & Growth Fund—A passively managed fund that seeks to provide income and a modest level of capital growth. This Fund invests in a combination of bonds and stocks with a goal of providing long-term total returns that are slightly higher than inflation, with the possibility of occasional short-term losses. The Fund is pre-mixed with the asset class weightings to the right.



2. Balanced Growth Fund—A passively managed fund that seeks to provide income and a modest level of capital growth. This Fund invests in a combination of bonds and stocks with a goal of providing long-term total returns that are higher than inflation, with the possibility of short-term losses. The Fund is pre-mixed with the asset class weightings to the right.



3. Long-Term Growth Fund—A passively managed fund that seeks to provide capital growth. This Fund invests in a combination of bonds and stocks with a goal of providing long-term total returns that are higher than inflation, with the possibility of significant short-term losses. The Fund is pre-mixed with the asset class weightings to the right.



Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain Investment Option Performance, Fund Profile Sheets, mutual fund prospectuses and disclosure documents from your registered representative or the Web site at www.vadcp.com. For prospectuses related to investments in your Self-Directed Brokerage Account (SDBA) option, contact TD AMERITRADE, Inc. at (866) 766-4015. Read them carefully before investing. You may also refer to the SDBA Fund Profile Sheet at www.vadcp.com for additional details and contact information.

¹ 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.

² Foreign investments involve special risks, including currency fluctuations and political developments.



The Three Ts of Investing

The key components of a sound investment strategy

The investment strategy that may be right for you depends on three things: your savings **Target**, your **Time** horizon and your **Tolerance** for risk.

Your Savings **TARGET**

In choosing your investment strategy, consider the amount of money you want to save and invest, as well as any other retirement plans or assets you or your spouse might have. For example, if your goal is to accumulate a large amount of money, you might consider riskier investments that might have higher earnings potential over the long term.

Keep in mind that saving and investing through your Plans may be only one of your financial goals. You may have other financial goals, both short and long term. Be sure to balance all of your goals when making investment decisions.

Your **TIME** Horizon

The amount of time you have to invest in your Plans before you start making withdrawals is also very important. If you are many years away from retirement, you may be willing to take more risk with your money and invest more aggressively. When you're closer to retirement, your investment strategy may lean more toward investments with less risk because they'll have less time to recover should they fall in value.

You may have many years in retirement, so you might consider the benefits of maintaining some assets in investments that are likely to outpace inflation and provide some growth.

Your Risk **TOLERANCE**

Risk tolerance is your comfort level with the ups and downs in the value of your investments. You don't want to lose sleep if your account value declines; however, you'll also need to earn a rate of return that is appropriate for your goals.

You need to create an investment mix that provides a balance between safety and growth that you are comfortable with and that will help you work toward your goals.

Knowing Your VRS Benefits Helps You Know How Much to Save

A short time ago you received your VRS Member Benefit Profile (MBP) for June 30, 2007. The MBP provides valuable information on the lifetime benefits you will receive at various retirement ages, including the earliest age at which you can retire and the age at which you will receive an unreduced benefit.

You may also calculate your benefit at other retirement ages. Go to the VRS Web site at www.varetire.org and select myVRS under the Member column.

Knowing what your VRS benefit will be is the first step in knowing how much additional income you will need to have the standard of living you wish for in retirement. This, in turn, will help you know how much to contribute to your 457 Deferred Compensation plan to meet your retirement goals.



VRS to Offer Unitized Defined Benefit Fund Account as Investment Option for Defined Contribution Plans

Many plan sponsors are revising the lineup of investment offerings for their defined contribution (DC) plan participants by affording them an opportunity to invest assets in shares of the sponsor's defined benefit (DB) plan. Such unitizing of DB plans gives DC plan participants the same investment expertise, risk monitoring and account rebalancing enjoyed by the typical DB plan. While more common in the private sector, public sector plans are beginning to adopt the practice.

By Spring 2008, VRS intends to make available to participants in the VRS administered DC Plans the opportunity to invest in a VRS Unitized Pool (UP) Fund. The UP Fund would be invested on a co-mingled basis with the large VRS Trust Fund, using the exact same investment strategies and managed by the same VRS professionals. Many VRS investments are not liquid, so trading in and out of the UP Fund will only be allowed quarterly. Also, like other investments available to participants, the UP Fund cannot guarantee earnings. While highly diversified, the UP Fund will carry risks like other variable investment options.

Look for more information on this new investment option in the next issue.

Automatic Enrollment to Begin in 2008

The 2007 General Assembly enacted HB 1830, which provides that all salaried state employees hired or rehired on or after January 1, 2008, be automatically enrolled in the Commonwealth of Virginia 457 Deferred Compensation Plan unless they are already participating in a 403(b) offered by colleges and universities or they elect not to participate in the 457 Plan. For more information on automatic enrollment, visit the Plan Web site at www.vadcp.com.

New state employees do not have to wait to be automatically enrolled in the Plan. They may enroll by using paper Deferred Compensation and Cash Match Enrollment and Beneficiary Designation Forms, which are available on the Plan Web site, from their employer or from the Great-West Retirement Services Local Service Center at (804) 643-1882 or toll free at (866) 226-6682, option 2.

New Statement Options Available on the Web

Look for the new menu option titled "Statements" appearing on the left-hand side of your account page after you log in to www.vadcp.com.³ This link takes you to a page that displays the following new options for managing your account statements:

- **Statement on Demand**—You are now able to run ad hoc statements for any period of time for up to three years of activity.
- **Quarterly Statements**—Your quarterly statements are now available electronically through Online File Cabinet.[®]
- **What is Online File Cabinet**—Learn more about the features of Online File Cabinet and how you can elect to stop receiving a paper copy of your quarterly statement.

**Log in today at
[www.vadcp.com!](http://www.vadcp.com)**

³ 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.



Regional Enrollment and Education Meetings Resume in March 2008

The Regional Enrollment and Education Meetings (REEM) offered by VRS and Great-West Retirement Services will begin again in March 2008. In 2008, these meetings will include a new presentation titled “Introduction to the 457 Deferred Compensation Plan.” This presentation helps employees who are automatically enrolled understand the 457 Plan. It is also appropriate for any employee who wants more information.

The presentation titled “Account Management Strategies and Tools” has been revamped to help participants better utilize the resources available to manage their accounts. This session is for anyone with a 457 Plan or Virginia Cash Match Plan account balance, including participants who are retired.

The third presentation, “Retirement Planning and Distribution Options,” is for participants who are retired and those approaching retirement. Registration is not required to attend the REEM meetings. Visit www.vadcp.com for more information. You may also contact the Local Service Center for more information and to schedule an annual account review. The Local Service Center can be reached by telephone at (804) 643-1882 or toll free at (866) 226-6682, option 2.

| Date | Introduction to the 457 Deferred Compensation Plan | Account Management Strategies and Tools | Retirement Planning and Distribution Options | Location/Room | Presenter |
|-------------------------|--|---|--|---|---|
| 3/4/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Virginia Department of Transportation Northern Virginia District 14685 Avion Parkway Chantilly, VA 20151 Monticello Room, 2nd floor | Catherine Pfeilsticker 1-866-226-6682, ext. 107 |
| 3/11/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Virginia Department of Transportation Bristol District 870 Bonham Road Bristol, VA 24203 Auditorium | Nancy Roth 1-866-226-6682, ext. 115 |
| 3/22/2008 (Saturday) | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | John Tyler Community College 13101 Jefferson Davis Hwy. Chester, VA 23831 Bird Hall, Room B-116 | Tom Ferguson 1-866-226-6682, ext. 102 |
| 3/27/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Department of Environmental Quality Tidewater Regional Office 5636 Southern Blvd. Virginia Beach, VA 23462 Large Training Room | Mackenzie Hayden 1-866-226-6682, ext. 110 |
| 4/5/2008 (Saturday) | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Blue Ridge Community College 1 College Lane Weyers Cave, VA 24486 Boardroom, P124 | Catherine Pfeilsticker 1-866-226-6682, ext. 107 |

Regional Enrollment and Education Meetings (*continued*)

| Date | Introduction to the 457 Deferred Compensation Plan | Account Management Strategies and Tools | Retirement Planning and Distribution Options | Location/Room | Presenter |
|-----------|--|---|--|--|---|
| 4/9/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Department of Environmental Quality 3019 Peters Creek Road Roanoke, VA 24019 | Nancy Roth 1-866-226-6682, ext. 115 |
| 4/23/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Woodrow Wilson Rehabilitation Center 394 Hornet Road Fishersville, VA 22939 Mary Switzer Building Large Classroom | Catherine Pfeilsticker 1-866-226-6682, ext. 107 |
| 4/24/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | J Sargeant Reynolds Community College North Run Office Park 1630 East Parham Road Richmond, VA 23228 O-125 | Tom Ferguson 1-866-226-6682, ext. 102 |
| 4/29/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Danville Community College 121 Slayton Avenue Danville, VA 24541 Regional Center for Advanced Technology and Training | Nancy Roth 1-866-226-6682, ext. 115 |
| 4/30/2008 | 9:00 a.m. | 10:30 a.m. | 12:00 p.m. | Christopher Newport University 301 Hiden Boulevard Newport News, VA 23606 Sun Trust Building Human Resources Training Room | Mackenzie Hayden 1-866-226-6682, ext. 110 |

ACCOUNT MANAGEMENT TOOLS AVAILABLE³

www.vadcp.com

or

KeyTalk®: (866) 226-6682

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