

November 2012

In the spirit of the fee disclosure rules recently issued by the U.S. Department of Labor (DOL) for private sector retirement plans, VRS is issuing an annual fee disclosure notice directed to all employees eligible to participate in the Commonwealth of Virginia 457 Deferred Compensation Plan. This notice also gives information on enrolling in the Plan.

## Commonwealth of Virginia 457 Deferred Compensation Plan: What Does It Cost to Participate?

The VRS-administered 457 deferred compensation plan provides a convenient way to save for retirement, offering a range of investment options and valuable services at low fees.

Fees are an important consideration in selecting your retirement savings investments because these charges lower potential returns. Ultimately, fees and expenses have an impact on the size of a participant's retirement account over the long haul, as illustrated below.

Generally, participants pay the following fees:

- The Investment Management Fee is the cost to operate a fund. You can see on the enclosed Investment Option Performance (IOP) report how these differ from investment to investment, stated as an expense ratio and as a cost per \$1,000 invested.
- The Plan Administrative Fee is paid to ING, the Plan's third party administrator, to cover record keeping, communication and education. Currently, this fee is 18 basis points annually or \$1.80 per year for each \$1,000 invested.

Once you accumulate \$2,500 in your account you may use the Self Directed Brokerage Account, which gives you access to mutual funds, exchange traded funds, and individual securities. You would pay \$12.50 per quarter to use this option, in addition to the fees charged by the individual investments you choose.


This notice, together with the enclosed IOP, is intended to help you understand the fees and opportunities associated with saving through the VRS Deferred Compensation Plan. You may find that VRS fees are lower than those you might pay by investing on your own or in another type of plan, which can help make a difference in long-term account growth potential.


You are invited to use this information and the glossary of terms, to become familiar with what is available to you if you enroll. Individual fund fact sheets are also posted on the plans' Website at [www.varetire.org](http://www.varetire.org) for your reference.


If you are a salaried employee of an employer that offers the Cash Match Plan, you may be eligible for an additional contribution from your employer

### It is Easy to Enroll

Choose one of three convenient ways to enroll in the VRS 457 Plan. Check with your employer for the method(s) available to you.

 **Online at [www.varetire.org](http://www.varetire.org)**  
 Select **Commonwealth of Virginia 457 Deferred Compensation Plan** under the **Defined Contribution Plans** tab. You will need the password sent to you by ING.

 **By phone:**  
 Call toll free at **1-VRS-DC-PLAN1** (1-877-327-5261), option 1 and press 0 to reach a representative.

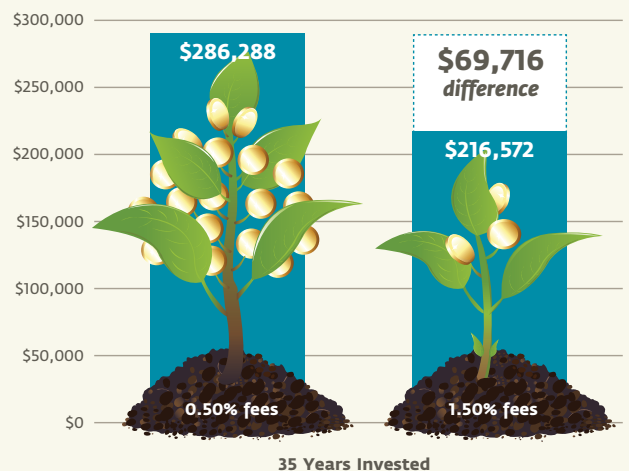
 **By mail:**  
 If you are unable to enroll online or by phone, you may complete paper *Enrollment and Beneficiary Designation Forms*. You can obtain the forms online at [www.varetire.org](http://www.varetire.org) by selecting the **457 Plan** under the **Defined Contribution Plan** or call toll free at **1-VRS-DC-PLAN1**.

*Note: The minimum contribution is \$10 per pay date.*

### Consider how just a one percentage point difference in fees could affect your account balance over time.

Assuming you have a beginning balance of \$25,000, continuous contributions of \$100.00 per month (\$50.00 per paycheck with 24 pay periods per year), and your account averages a six percent return over 35 years of investing, your balance would be likely to grow to about \$286,288 if your fees are 0.50 percent. But if your fees are 1.50 percent, your balance might only grow to about \$216,572.

*This example by ING is for illustrative purposes only. Investment results will vary. Systematic investing does not ensure a profit or guarantee against loss. Consider your financial ability to continue purchases through periods of low price levels.*



# Glossary of Terms

This glossary excerpt explains some common terms used by defined contribution plans. A more comprehensive version can be found on the Plans' website at [www.varetire.org](http://www.varetire.org).

**Annual Rate of Return:** The annual rate of gain or loss on an investment expressed as a percentage.

**Asset Allocation:** A method of investing by which investors include a range of different investment classes, such as stocks, bonds and cash equivalents, in their portfolios.

**Asset Class:** A group of securities or investments that have similar characteristics and behave similarly in the marketplace. Three common asset classes are equities (e.g., stocks), fixed income (e.g., bonds) and cash equivalents (e.g., money market funds).

**Basis Point:** One-hundredth of one percent, or 0.01%. For example, 5 basis points (bps) equals 0.05%. An investment with an expense ratio of 5 bps would charge \$0.50 per \$1,000 invested on an annual basis. Investment expenses, interest rates and yield differences among bonds are often expressed in basis points.

**Benchmark:** An unmanaged group of securities whose performance is used as a standard to measure investment performance. Some well-known benchmarks are the Dow Jones Industrial Average and the S&P 500 Index.

**Bond:** A debt security that represents the borrowing of money by a corporation, government or other entity. The borrowing institution repays the amount of the loan plus a percentage as interest. Income funds generally invest in bonds.

**Brokerage Window:** A plan feature that permits participants to purchase investments that are not included among the plan's general menu of designated investment alternatives.

**Capital Preservation:** An investment goal or objective to keep the original investment amount (the principal) from decreasing in value.

**Cash Equivalent:** An investment that is short term, highly liquid and has high credit quality.

**Collective Investment Fund:** Investments created by a bank or trust company for employee benefit plans that pool the assets of retirement plans for investment purposes. They are governed by rules and regulations that apply to banks and trust companies instead of being registered with the SEC. These funds are also referred to as collective or commingled trusts.

**Diversification:** The practice of investing in multiple asset classes and securities with different risk characteristics to reduce the risk of owning any single investment. Using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets.

**Dollar Cost Averaging:** An investment strategy in which a set amount is consistently invested into a retirement plan account regardless of whether investment prices are up or down. The steady investment amount buys more shares when prices are low and fewer shares when prices rise. Over time, this may lower the average cost per share. Dollar cost averaging does not ensure a profit or guarantee against loss. Investors should consider their financial ability to continue purchases through periods of low price levels.

**Emerging Markets:** Generally, economies in the process of growth and industrialization, such as in Africa, Asia, Eastern Europe, the Far East, Latin America and the Middle East, which, while relatively undeveloped, may hold significant growth potential in the future. Investing in these economies may provide significant rewards and significant risks. May also be called developing markets.

**Equity/Equities:** A security or investment representing ownership in a corporation, unlike a bond, which represents a loan to a borrower. Often used interchangeably with "stock."

**Equity Wash Restriction:** A provision in certain stable value or fixed income products under which transfers made from the stable value or fixed income product are required to be directed to an equity fund or other non-competing investment option of the plan for a stated period of time (usually 90 days) before those funds may be invested in any other plan-provided competing fund (such as a money market fund). Investment managers determine which funds within a plan menu are considered competing and non-competing funds.

**Expense Ratio:** A measure of what it costs to operate an investment, expressed as a percentage of its assets or in basis points. These are costs the investor pays through a reduction in the investment's rate of return.

**Glide Path:** The change over time in a target date fund's asset allocation mix to shift from a focus on growth to a focus on income.

**Index:** An unmanaged group of securities whose overall performance is used as a benchmark against which financial or economic performance may be measured, such as the S&P 500.

**Inflation:** The overall general upward price movement of goods and services in an economy. Inflation is one of the major risks to investors over the long term because it erodes the purchasing power of their savings.

**Interest/Interest Rate:** The fee charged by a lender to a borrower, usually expressed as an annual percentage of the principal. For example, someone investing in bonds will receive interest payments from the bond issuer.

**Investment Option Performance (IOP):** Listing of core investments available in the Plans comparing performance to benchmarks, performance over time and expense ratios. The IOP is posted monthly on the Plans' website and is available with your quarterly participant statement.

**Junk Bond:** Another term for high-yield bond, which is a bond issued by a corporation that is deemed a high credit risk. These bonds offer the potential for higher returns because the issuing companies have a higher risk of defaulting compared to investment grade bonds.

**Liquidity:** The ease with which an investment can be converted into cash. If a security is very liquid, it can be bought or sold easily. If a security is not liquid, it may take additional time and/or a lower price to sell it.

**Market Capitalization (Market Cap):** The market value of a company's outstanding securities. Market capitalization can be determined by multiplying the number of outstanding shares of a company's stock by the stock's current market price per share.

**Net Asset Value (NAV):** The net dollar value of a single investment fund share or unit that is calculated by the fund on a daily basis.

**Passive Management:** The process or approach to operating or managing a fund in a passive or non-active manner, typically with the goal of mirroring an index. These funds are often referred to as index funds and differ from investment funds that are actively managed.

**Record Keeper:** A company or individual that tracks the status of your retirement benefits.

**Risk:** The potential for investors to lose some or all of the amounts invested or to fail to achieve their investment objectives.

**Security:** A general term for stocks, bonds, mutual funds and other investments.

**Stock:** A security that represents an ownership interest in a corporation.

**Target Date Fund:** A fund designed to provide varying degrees of long-term appreciation and capital preservation based on an investor's age or target retirement date through a mix of asset classes. The mix changes over time to become less focused on growth and more focused on income; also known as a lifecycle fund. The VRS Target Date Portfolios are target date funds.

**Tax-Deferred Investment:** An investment where taxes on pre-tax contributions and earnings are postponed (or deferred) until withdrawn. Plans such as 401(k), 403(b) and 457 plans, along with traditional IRAs, are examples of tax-deferred investments.

**Time Horizon:** The amount of time that an investor expects to hold an investment before taking money out.

**Total Return:** Return on an investment over a specific period of time. Total return includes income and share price appreciation and depreciation. Total return assumes that all dividends and capital gains paid during the period are reinvested to buy additional shares.

**Unit:** A representation of ownership in an investment that does not issue shares. Most collective investment funds, such as those offered in the VRS Plans, are divided into units instead of shares.

**Unit Value:** The dollar value of each unit on a given date.

**Volatility:** The amount and frequency of fluctuations in the price of a security, commodity or market within a specified time period. Generally, an investment with high volatility is said to have higher risk since there is an increased chance that the price of the security will have fallen when an investor wants to sell.

**Wrap Fee:** A fee or expense that is added to or "wrapped around" an investment to pay for one or more product features or services.

Past performance does not guarantee how the funds will perform in the future. Current performance may be lower or higher than performance data shown. The investment return and principal value of an investment will fluctuate and shares/units may be worth more or less than their original cost when redeemed. Your investment in these options could lose money. Please consider the investment objectives, risks, fees and expenses carefully before investing. For more detailed fund information go to the Plans' website at [www.varetire.org](http://www.varetire.org).

| Investment Options   | Inception Date | 1 Mo.       | 3 Mos.      | YTD          | 1 Year       | 3 Years*     | 5 Years*    | 10 Years/<br>Since Inception* <sup>1</sup> | Total Annual<br>Operating Expenses<br>As a %<br>Per \$1,000 | Redemption<br>Fees/Other<br>Restrictions <sup>2</sup> |                 |
|--|----------------|-------------|-------------|--------------|--------------|--------------|-------------|--|---|---|-----------------|
| <b>Do-It-For-Me<br/>Target Date Portfolios<sup>3,4,26,27</sup></b>     |                | %           | %           | %            | %            | %            | %           | %  |   |   |                 |
| <b>Retirement Portfolio</b>  | 8/1/05         | <b>1.21</b> | <b>3.63</b> | <b>8.08</b>  | <b>12.65</b> | <b>8.33</b>  | <b>4.51</b> | <b>5.64</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 1.18        | 3.61        | 8.02         | 12.53        | 8.38         | 4.53        | 5.68                                       |   |   |                 |
| <b>Target Date 2015 Portfolio</b>                                      | 7/5/06         | <b>1.39</b> | <b>4.00</b> | <b>8.88</b>  | <b>14.12</b> | <b>8.71</b>  | <b>3.15</b> | <b>5.30</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 1.34        | 3.91        | 8.82         | 14.03        | 8.74         | 3.19        | 5.31                                       |   |   |                 |
| <b>Target Date 2020 Portfolio</b>                                      | 8/1/05         | <b>1.57</b> | <b>4.36</b> | <b>9.89</b>  | <b>16.02</b> | <b>9.01</b>  | <b>2.52</b> | <b>5.14</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 1.60        | 4.39        | 9.90         | 15.95        | 9.07         | 2.55        | 5.20                                       |   |   |                 |
| <b>Target Date 2025 Portfolio</b>                                      | 7/5/06         | <b>1.84</b> | <b>4.73</b> | <b>10.80</b> | <b>17.82</b> | <b>9.33</b>  | <b>1.98</b> | <b>4.69</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 1.82        | 4.79        | 10.79        | 17.56        | 9.34         | 1.97        | 4.67                                       |   |   |                 |
| <b>Target Date 2030 Portfolio</b>                                      | 8/1/05         | <b>1.92</b> | <b>5.09</b> | <b>11.61</b> | <b>19.23</b> | <b>9.53</b>  | <b>1.44</b> | <b>4.83</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 2.00        | 5.13        | 11.57        | 18.96        | 9.55         | 1.43        | 4.85                                       |   |   |                 |
| <b>Target Date 2035 Portfolio</b>                                      | 7/5/06         | <b>2.19</b> | <b>5.35</b> | <b>12.42</b> | <b>20.56</b> | <b>9.76</b>  | <b>0.97</b> | <b>4.13</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 2.17        | 5.45        | 12.27        | 20.23        | 9.73         | 0.92        | 4.09                                       |   |   |                 |
| <b>Target Date 2040 Portfolio</b>                                      | 8/1/05         | <b>2.36</b> | <b>5.72</b> | <b>13.03</b> | <b>21.88</b> | <b>9.91</b>  | <b>0.50</b> | <b>4.48</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 2.33        | 5.73        | 12.90        | 21.38        | 9.88         | 0.43        | 4.48                                       |   |   |                 |
| <b>Target Date 2045 Portfolio</b>                                      | 7/5/06         | <b>2.44</b> | <b>5.99</b> | <b>13.64</b> | <b>22.87</b> | <b>10.02</b> | <b>0.05</b> | <b>3.56</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 2.47        | 6.00        | 13.47        | 22.43        | 10.00        | -0.03       | 3.54                                       |   |   |                 |
| <b>Target Date 2050 Portfolio</b>                                      | 9/30/07        | <b>2.61</b> | <b>6.26</b> | <b>14.14</b> | <b>23.99</b> | <b>10.21</b> | <b>0.13</b> | <b>0.13</b>                                | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 2.60        | 6.25        | 14.04        | 23.47        | 10.16        | 0.04        | 0.04                                       |   |   |                 |
| <b>Target Date 2055 Portfolio</b>                                      | 5/19/10        | <b>2.74</b> | <b>6.50</b> | <b>14.79</b> | <b>25.03</b> | <b>N/A</b>   | <b>N/A</b>  | <b>11.54</b>                               | 0.09%   | \$0.90  | N/A             |
| Custom Benchmark   |                | 2.73        | 6.50        | 14.60        | 24.46        | N/A          | N/A         | 11.52                                      |   |   |                 |
| <b>Help-Me-Do-It<br/>Individual Options</b>                            |                | %           | %           | %            | %            | %            | %           | %  |   |   |                 |
| <b>Capital Preservation Funds</b>                                      |                |             |             |              |              |              |             |  |   |   |                 |
| <b>Money Market Fund<sup>5,6,24</sup></b>                              | 11/1/99        | <b>0.01</b> | <b>0.02</b> | <b>0.12</b>  | <b>0.16</b>  | <b>0.19</b>  | <b>0.96</b> | <b>1.98</b>                                | 0.10%   | \$1.00  | N/A             |
| Benchmark: Barclays 3-Month Treasury Bill Index                        |                | 0.01        | 0.04        | 0.08         | 0.09         | 0.13         | 0.78        | 1.86                                       |   |   |                 |
| Yield as of 9/28/12: 0.11% <sup>7</sup>                                |                |             |             |              |              |              |             |  |   |   |                 |
| <b>Stable Value Fund<sup>8</sup></b>                                   | 2/1/95         | <b>0.17</b> | <b>0.59</b> | <b>1.80</b>  | <b>2.46</b>  | <b>2.74</b>  | <b>3.39</b> | <b>4.32</b>                                | 0.27%   | \$2.70  | See footnote 24 |
| Custom Benchmark <sup>9</sup>  |                | 0.07        | 0.21        | 0.67         | 0.90         | 1.34         | 1.83        | 2.92                                       |   |   |                 |
| Yield as of 9/28/12: 2.38% <sup>10</sup>                               |                |             |             |              |              |              |             |  |   |   |                 |
| <b>Bond Funds</b>  |                |             |             |              |              |              |             |  |   |   |                 |
| <b>Bond Fund<sup>11</sup></b>  | 11/1/99        | <b>0.10</b> | <b>1.59</b> | <b>3.98</b>  | <b>5.13</b>  | <b>6.19</b>  | <b>6.62</b> | <b>5.37</b>                                | 0.04%   | \$0.40  | N/A             |
| Benchmark: Barclays Aggregate Bond Index                               |                | 0.14        | 1.58        | 3.99         | 5.16         | 6.19         | 6.53        | 5.32                                       |   |   |                 |
| <b>Inflation-Protected Bond Fund<sup>12,24</sup></b>                   | 7/30/02        | <b>0.60</b> | <b>2.22</b> | <b>6.39</b>  | <b>9.19</b>  | <b>9.35</b>  | <b>8.01</b> | <b>6.64</b>                                | 0.04%   | \$0.40  | N/A             |
| Benchmark: Barclays U.S. Treasury Inflation-Protected Securities Index |                | 0.51        | 2.12        | 6.25         | 9.10         | 9.29         | 7.93        | 6.64                                       |   |   |                 |

| Investment Options  | Inception Date | 1 Mo.       | 3 Mos.      | YTD          | 1 Year       | 3 Years*     | 5 Years*     | 10 Years/<br>Since Inception* <sup>1</sup> | Total Annual Operating Expenses |             | Redemption Fees/Other Restrictions <sup>2</sup> |
|---|----------------|-------------|-------------|--------------|--------------|--------------|--------------|--|---------------------------------|-------------|---|
|   |                |             |             |              |              |              |              |  | As a %                          | Per \$1,000 |   |
| <b>Help-Me-Do-It Individual Options (cont'd.)</b>   |                |             |             |              |              |              |              |  |                                 |             |   |
| <b>High-Yield Bond Fund<sup>13</sup></b>  | 5/31/04        | <b>1.32</b> | <b>4.14</b> | <b>11.08</b> | <b>18.96</b> | <b>12.11</b> | <b>8.82</b>  | <b>8.66</b>                                | 0.40%                           | \$4.00      | N/A   |
| Benchmark: BofA Merrill Lynch U.S. High-Yield BB-B Constrained Index  |                | 1.28        | 4.45        | 11.16        | 17.70        | 11.90        | 8.35         | 8.17                                       |                                 |             |   |
| <b>Stock Funds</b>  |                |             |             |              |              |              |              |  |                                 |             |   |
| <b>Stock Fund<sup>14</sup></b>  | 11/1/99        | <b>2.56</b> | <b>6.37</b> | <b>16.47</b> | <b>30.23</b> | <b>13.22</b> | <b>1.11</b>  | <b>8.05</b>                                | 0.01%                           | \$0.10      | N/A   |
| Benchmark: S&P 500 Index  |                | 2.58        | 6.35        | 16.44        | 30.20        | 13.20        | 1.05         | 8.01                                       |                                 |             |   |
| <b>Small/Mid-Cap Stock Fund<sup>15,26</sup></b>   | 11/1/99        | <b>2.62</b> | <b>5.61</b> | <b>14.65</b> | <b>29.76</b> | <b>13.72</b> | <b>2.60</b>  | <b>10.73</b>                               | 0.05%                           | \$0.50      | N/A   |
| Benchmark: Russell 2500 Index <sup>16</sup>   |                | 2.60        | 5.57        | 14.62        | 29.79        | 13.68        | 2.43         | 10.70                                      |                                 |             |   |
| <b>International Stock Fund<sup>17,27</sup></b>   | 11/1/99        | <b>2.98</b> | <b>7.35</b> | <b>11.36</b> | <b>16.16</b> | <b>2.51</b>  | <b>-4.92</b> | <b>8.17</b>                                | 0.06%                           | \$0.60      | N/A   |
| Benchmark: MSCI World ex-U.S. Index <sup>18</sup>   |                | 3.04        | 7.30        | 10.47        | 14.15        | 2.24         | -5.18        | 8.24                                       |                                 |             |   |
| <b>Emerging Markets Stock Fund<sup>19,27</sup></b>  | 12/17/08       | <b>5.96</b> | <b>6.86</b> | <b>11.78</b> | <b>18.35</b> | <b>5.33</b>  | <b>N/A</b>   | <b>17.42</b>                               | 0.14%                           | \$1.40      | N/A   |
| Benchmark: MSCI Emerging Markets Index  |                | 6.03        | 7.74        | 11.98        | 16.93        | 5.63         | N/A          | 18.08                                      |                                 |             |   |
| <b>Real Estate Funds</b>  |                |             |             |              |              |              |              |  |                                 |             |   |
| <b>Global Real Estate Fund<sup>20,27</sup></b>  | 10/1/02        | <b>1.65</b> | <b>5.44</b> | <b>20.97</b> | <b>39.34</b> | <b>22.50</b> | <b>2.55</b>  | <b>11.55</b>                               | 0.12%                           | \$1.20      | N/A   |
| Benchmark: FTSE EPRA/NAREIT Developed Index <sup>21</sup>   |                | 1.56        | 5.35        | 21.06        | 39.65        | 22.79        | 2.74         | 11.91                                      |                                 |             |   |
| <b>Other Funds</b>  |                |             |             |              |              |              |              |  |                                 |             |   |
| <b>VRSIP<sup>22</sup></b>   | 7/1/08         | <b>1.12</b> | <b>5.12</b> | <b>8.19</b>  | <b>8.27</b>  | <b>9.44</b>  | <b>1.50</b>  | <b>7.35</b>                                | 0.62%                           | \$6.20      | See footnote 25                                 |
| Benchmark: Intermediate <sup>23</sup>   |                | 0.69        | 4.66        | 9.32         | 7.46         | 9.43         | 1.50         | 7.07                                       |                                 |             |   |
| Benchmark: Long-Term <sup>23</sup>  |                | 1.53        | 5.13        | 9.50         | 12.81        | 11.08        | 3.07         | 6.66                                       |                                 |             |   |
| VRSIP and benchmark performance returns are reported with a one month lag. Return information shown is as of August 31, 2012. |                |             |             |              |              |              |              |  |                                 |             |   |

**Do-It-Myself Self-Directed Brokerage Account<sup>24</sup>**

The Self-Directed Brokerage Account (SDBA) from TD Ameritrade allows you to select from thousands of publicly-traded mutual funds, exchange traded funds (ETFs) and individual securities in addition to your Plans' core investment options. The SDBA is for knowledgeable investors who acknowledge and understand the risks and costs associated with the investments contained in the SDBA. There is an additional Plan fee of \$12.50 per quarter along with TD Ameritrade related fees and underlying expenses for the funds or investments you select.

**ING (Record Keeping and Communication Fee)**

ING charges an annual record keeping and communication services fee of 0.18% which translates to \$1.80 per each \$1,000 capped at combined account balances of \$130,000. This fee is deducted from your account on a quarterly basis (0.0450% per quarter) and is in addition to fund annual operating expenses. Fund performance returns shown reflect fund management fees and expenses, but do not reflect ING fees which would further reduce the returns shown.

\* Annualized



1. If the fund was not in existence for 10 years, fund and corresponding benchmark returns shown represent performance from the since inception date.
2. Funds may impose redemption fees, and/or transfer restrictions at any time. For more information, please refer to the corresponding fund footnote, fact sheet or other disclosure documents.
3. The Target Date Portfolios invest in units of BlackRock's LifePath Index Funds O. The LifePath Index Funds O invests in the master LifePath Index Funds F. The inception dates shown reflect the inception dates of the master LifePath Funds F. The inception dates of the LifePath Funds O were 12/9/11. Fund returns prior to January 2012 are those of the master Funds F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses.
4. Benchmarks are calculated using blended returns of third-party indices that proportionately reflect the respective weightings of the Portfolios' asset classes. Weightings are adjusted quarterly to reflect the Portfolios' asset allocation shifts over time. Indices currently used to calculate the custom benchmarks are: S&P 500 Index, Dow Jones U.S. Completion Total Stock Market Index, MSCI ACWI ex-U.S. IMI Index, Barclays Aggregate Bond Index, Barclays U.S. Treasury Inflation-Protected Securities Index, FTSE EPRA/NAREIT Developed Index and the Dow Jones-UBS Commodity Total Return Index.
5. The Money Market Fund invests in units of BlackRock's Government Money Market Fund. Performance represents BlackRock's returns for the Fund with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. The inception date of BlackRock's Government Money Market Fund was July 23, 2012. The return for the month of July 2012 represents performance of a BlackRock mutual fund managed to the same guidelines as the Government Money Market Fund. BlackRock may voluntarily waive a portion of its management fee and/or reimburse fund operating expenses to maintain a minimum level of daily net investment income. BlackRock may discontinue any waiver and/or reimbursement at any time. Performance returns are linked to the previous investment manager. Returns prior to July 2012 represent performance by State Street Global Advisors.
6. An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.
7. The current yield more closely reflects the current earnings of the Fund than the total net return information.
8. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. Performance returns have been linked to the previous investment manager. Returns prior to May 2003 represent performance by MetLife.
9. The benchmark represents a hypothetical return generated by the monthly yield of actively traded U.S. Treasuries with a 3-year maturity plus an annualized spread of 0.50% and is representative of the Fund's expected return profile, given its mandate and book value accounting treatment.
10. The current yield more closely reflects the current earnings of the Fund than the total net return information. There is no guarantee that the Fund will earn the current yield in the future.
11. The Bond Fund was formally known as the Bond Index Fund. The Bond Fund invests in units of BlackRock's U.S. Debt Index Fund M. The U.S. Debt Index Fund M invests in the master Fund F. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. The inception date of BlackRock's U.S. Debt Index Fund M was July 20, 2012. The return for the month of July 2012 represents performance of BlackRock's master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. Performance returns are linked to the previous investment manager. Returns prior to July 2012 represent performance by State Street Global Advisors.
12. The Inflation-Protected Bond Fund invests in units of BlackRock's U.S. Treasury Inflation-Protected Securities Fund M. The U.S. Treasury Inflation-Protected Securities Fund M invests in the master Fund F. The inception date shown reflects the inception date of the master Fund F. The inception date of BlackRock's U.S. Treasury Inflation-Protected Securities Fund M was July 20, 2012. Performance for the month of July 2012 and prior months represent performance of BlackRock's master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses.
13. The High-Yield Bond Fund invests in units of JPMorgan's Corporate High-Yield Fund-Investment Class. The inception date shown reflects the date the current investment team at JPMorgan commenced management responsibility of the Fund. Performance reflects the investment manager's returns for the aforementioned Fund with deductions taken for investment management fees negotiated by VRS and fund administrative expenses.
14. The Stock Fund was formally known as the S&P 500 Index Fund. The Stock Fund invests in units of BlackRock's Equity Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. Performance returns are linked to the previous investment manager. Returns prior to July 2012 represent performance by State Street Global Advisors.
15. The Small/Mid-Cap Stock Fund was formally known as the Small/Mid Cap Equity Index Fund. The Small/Mid-Cap Stock Fund invests in units of BlackRock's Russell 2500 Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. Performance returns are linked to the previous investment manager. Returns prior to July 2012 represent performance by State Street Global Advisors.
16. Effective July 2012, the performance benchmark is the Russell 2500 Index. Prior to July 2012, the performance benchmark was the Russell Small Cap Completeness Index. The benchmark returns are linked.
17. The International Stock Fund was formerly known as the International Equity Index Fund. The International Stock Fund invests in units of BlackRock's MSCI World ex-U.S. Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. Performance returns are linked to the previous investment manager. Returns prior to July 2012 represent performance by State Street Global Advisors.

18. Effective July 2012, the performance benchmark is the MSCI World ex-U.S. Index. Prior to July 2012, the performance benchmark was the MSCI EAFE Index. The benchmark returns are linked.
19. The Emerging Markets Fund invests in units of BlackRock's Emerging Markets Index Non-Lendable Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the inception date of the master Fund F.
20. The Global Real Estate Fund was formally known as the REIT Index Fund. The Fund transitioned from a U.S. domestic REIT fund to a global real estate fund during July 2012. The Global Real Estate Fund invests in units of BlackRock's Developed Real Estate Index Fund F. Performance represents BlackRock's returns for the master Fund F with deductions taken for investment management fees negotiated by VRS and fund administrative expenses. The inception date shown reflects the VRS Defined Contribution Plans investment strategy inception date. Performance returns are linked to the previous investment manager. Returns prior to July 2012 represent performance by State Street Global Advisors.
21. Effective July 2012, the performance benchmark is the FTSE EPRA/NAREIT Developed Index. Prior to July 2012, the performance benchmark was the Dow Jones U.S. Select REIT Index. The benchmark returns are linked.
22. The inception date shown reflects the date the VRS investment portfolio was unitized. Historical data prior to the unitization date is based on the returns of the VRS investment portfolio prior to the portfolio being unitized.
23. In analyzing the performance of the Fund, the Board uses an Intermediate-Term Benchmark and a Long-Term Benchmark.  
**Intermediate-Term Benchmark:** A weighted average of the various benchmarks used in the investment programs.  
**Long-Term Benchmark:** A blend of 60% domestic stocks and 40% domestic bonds.
24. Direct transfers from the Stable Value Fund to the Money Market Fund, Inflation-Protected Bond Fund or the Self-Directed Brokerage Account (considered "competing funds") is not permitted. Before transferring to these funds, participants must first transfer to a "non-competing" fund for 90 days.
25. The VRSIP is officially valued on a calendar quarter basis. Thus, the VRSIP is open to contributions, incoming and outgoing transfers only on a quarterly basis. Contributions and investment transfer amounts awaiting deposit into the VRSIP are invested in the Interim Account VRSIP (IAVRSIP). The Target Date 2025 Portfolio currently serves as the IAVRSIP. Refer to the Target Date 2025 Portfolio listed above for IAVRSIP return information.
26. Medium-sized companies may suffer more significant losses as well as realize more substantial growth than larger, more established companies. Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
27. Foreign investments involve special risks, including currency fluctuations and political developments.

The Target Date Portfolios, Money Market, Bond, Inflation-Protected Bond, Stock, Small/Mid-Cap Stock, International Stock, Emerging Markets Stock, and Global Real Estate Funds invest in various collective trust funds managed by BlackRock. The High-Yield Bond Fund invests in a collective trust fund managed by JPMorgan. The Stable Value Fund invests in a separate account managed by Galliard Capital Management. The unitized VRS investment portfolio (VRSIP) is managed by VRS.

All calculations assume reinvestment of dividends and capital gains. All returns are calculated in U.S. dollars. Performance returns are provided by ING, BlackRock, JPMorgan, Galliard Capital Management and Bank of New York Mellon. Benchmark returns are provided by BlackRock, ING and Russell/Mellon Analytical Services. Although data is gathered from sources believed to be reliable, we cannot guarantee completeness or accuracy.

#### Benchmark Descriptions

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| <b>Barclays Aggregate Bond Index</b>                               | Considered indicative of the domestic bond market.  |
| <b>Barclays 3-Month Treasury Bill Index</b>                        | Considered indicative of the average yield of three-month Treasury Bills.   |
| <b>Barclays U.S. Treasury Inflation-Protected Securities Index</b> | Considered indicative of inflation-protected securities issued by the U.S. Treasury.  |
| <b>BofA Merrill Lynch High-Yield BB/B Constrained Index</b>        | Considered indicative of the higher-quality, high-yield bond market.  |
| <b>FTSE EPRA/NAREIT Developed Index</b>                            | Considered indicative of listed real estate companies and REITs worldwide, including in the U.S.                              |
| <b>MSCI Emerging Markets Index</b>                                 | Considered indicative of the emerging markets stock universe.   |
| <b>MSCI World ex-U.S. Index</b>                                    | Considered indicative of the international stock market of developed countries across western Europe, Pacific Rim and Canada. |
| <b>Russell 2500 Index</b>  | Considered indicative of the small- to mid-cap segment of the domestic stock market.  |
| <b>S&amp;P 500 Index</b>   | Considered indicative of the domestic large-cap stock market.   |