Virginia Retirement System

VOYA®

Payroll Guide (Effective January 1, 2025)

Your guide to administering the following plans:

Hybrid Retirement Plan – Defined Contribution Component ONLY

Commonwealth of Virginia 457 Deferred Compensation Plan

Virginia Cash Match Plan

Retirement Solutions Made Simple

Commonwealth of Virginia Defined Contribution Plans

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INTRODUCTION

The Payroll Guide is designed to assist the employer with administering the defined contribution (DC) component of the Hybrid Retirement Plan. For employers also participating in the Commonwealth of Virginia 457 Deferred Compensation Plan and Virginia Cash Match Plan, additional information is provided in a later section.

This guide is applicable to all organization types including political subdivisions, school divisions, decentralized state agencies and centralized state agencies using the Cardinal Human Capital Management (HCM) system. In instances where processes or functionality is different for state agencies using Cardinal HCM, look for a cardinal callout.

This Payroll Guide is an essential resource for Human Resources and Payroll staff. Throughout the guide, look for the magnifying glass icon to identify critical topics.

As process changes and revisions to instructions occur, VRS will document the procedures and release an updated version of the guide.

RESOURCES

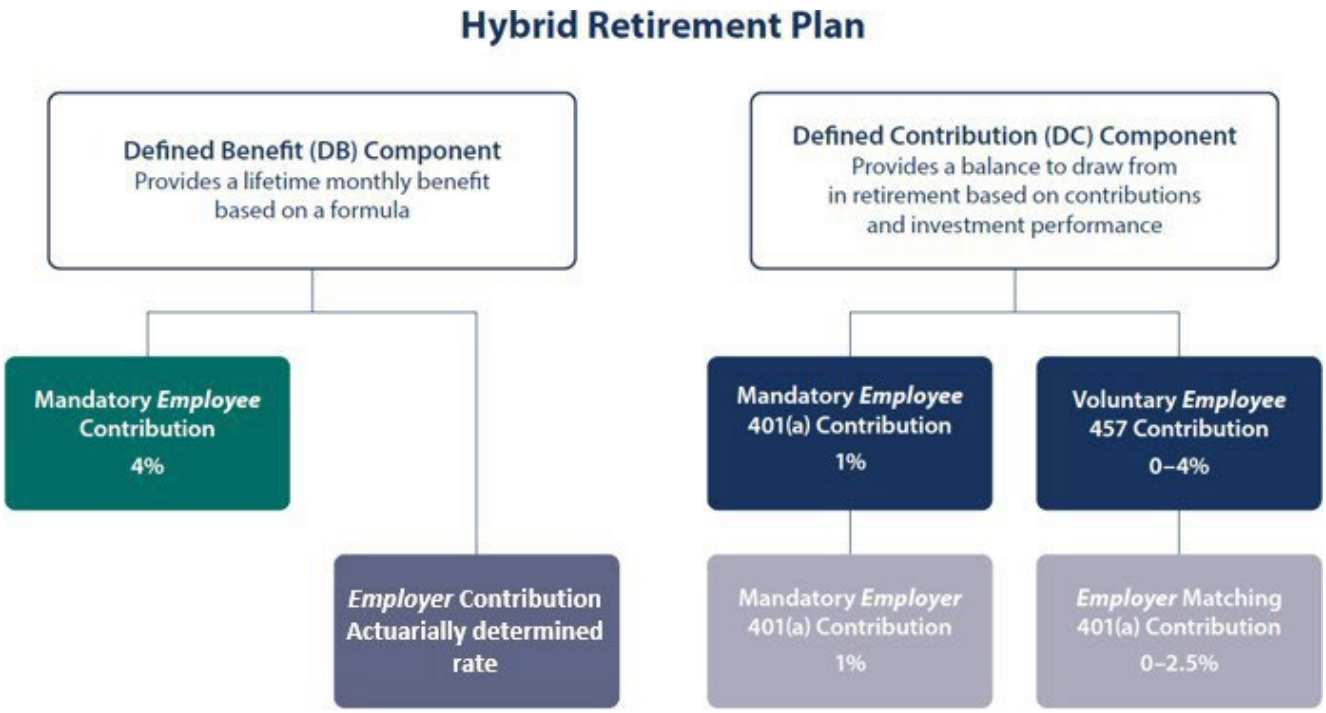
A variety of resources, as outlined below, are available to assist employers with administering the DC component of the Hybrid Retirement Plan.

	Voya Employer Support Team	VRS Hybrid Support Team
Assistance With	Contribution corrections, funding discrepancies, and General DCP plan administration	General plan questions, myVRS Navigator, snapshot inquiries (defined benefit only), voluntary contribution election discrepancies
Phone	844-570-1482 (Option 2) Monday – Friday 8:30 a.m. – 5:00 p.m. ET	888-827-3847 Monday – Friday 8:30 a.m. – 5:00 p.m. ET
Email	DCPERSupport@voya.com	vrshybridsupport@varetire.org
Website	dcpemployers.varetire.org	employers.varetire.org
Training	dcpemployers.varetire.org	employers.varetire.org/education-and-training
Publications	dcpemployers.varetire.org/publications	employers.varetire.org/publications Select publications are available for ordering online through VRS.

	Voya Payroll Support Team
Assistance With	Contribution submissions, Voya PayCloud Access and training
Phone	844-570-1482 (Option 1) Monday – Friday 8:30 a.m. – 5:00 p.m. ET

HYBRID RETIREMENT PLAN CONTRIBUTION FLOW

The following diagram illustrates the flow of contributions for both components.



Note that funds for the defined contribution component are remitted to Voya's bank, Bank of New York Mellon.

ONLINE TOOLS AND SETUP

In addition to the employer's own internal systems, myVRS Navigator and Voya PayCloud are used together to administer the DC plans.

myVRS Navigator

myVRS Navigator (the Navigator) is a benefits and data management system for employers. Employers enroll employees upon hire and maintain their information in the Navigator over the course of their career. Examples of data maintained in the Navigator include:

- Demographic information
  - Address
  - DOB
  - Name
- Employment information
  - Employment start and end dates
  - Job name
  - Salary
  - Leave periods

VRS sends a daily file to Voya to update their systems based on any changes made in the Navigator that day. For

more information about maintaining employee information in the Navigator, please reference the Enroll and Maintain Employees chapter of the Employer Manual.

Although the following information is available in the Navigator, VRS does not share with Voya. Instead, the participant maintains this information through dcp.varetire.org/login, Voya's participant website:

- Email address
- Phone number
- Beneficiary designations for DC plans

In addition to maintaining employee information in the Navigator, employers control who within their organizations can view and modify system information through role-based security. These roles define the data a person can view, create and update. **The Security Administrator is responsible for setting up users in** Voya's Sponsor Web, including **Voya PayCloud**. See additional information in the Voya Sponsor Web (Sponsor Web) section below. For more information about security in the Navigator, reference the General Information chapter of the Employer Manual.

Voya Sponsor Web

Voya provides Voya PaycCloud through Sponsor Web to assist employers with processing contributions to the DC component of the hybrid plan. This web-based system allows employers to:

- Submit contributions.
- View contribution history.
- Process negative contributions.
- Download Deferral Change/Feedback File Report and standard reports.

The myVRS Navigator Security Administrator completes the **Voya SponsorWeb Access Form** to grant and remove Voya Sponsor Web and PayCloud access to other payroll and HR users.

Browser Requirements

The recommended browsers are listed on the login pages for both the Navigator and Voya Sponsor Web.

ENROLLING NEW HIRES INTO THE NAVIGATOR

New employees should be enrolled in the Navigator on or before the employee's scheduled start date. The Navigator will check to see if the new employee has an existing service record and place the employee in the proper plan. For more information, please see the VRS Employer Manual, Enroll and Maintain Employees chapter. Additionally, watch the Enroll and Maintain video in the VRS Training Academy.

State employers using Cardinal HCM will continue to have their new hires entered into the Navigator automatically through a daily feed from Cardinal HCM to the Navigator. However, there are occasions when a new hire record is cancelled by the Navigator based on unmatched demographic information, and manual entry in the Navigator will be required.

The retirement plan should not be entered into Cardinal HCM manually when a new employee is hired, because VRS will send a plan enrollment file to DOA each day. This file will establish the appropriate retirement plan enrollment and deduction in the Cardinal HCM system and will ensure deductions begin in the appropriate month. Please see https://www.doa.virginia.gov/reference/payroll/bulletins/2014/2014_02.pdf DOA CAPP Topic 50425 for additional information.

VRS will send an electronic record of new enrollments to Voya each business day so that Voya can establish member accounts in the Hybrid 401(a) Cash Match Plan and the Hybrid 457 Deferred Compensation Plan as well as the Commonwealth of Virginia 457 Deferred Compensation Plan and Virginia Cash Match Plan, if the employer offers these plans. The enrollment process will take two to three business days to complete after the member is successfully enrolled in the Navigator.

The employee will receive a welcome letter from Voya upon enrollment. The employee will then have access to Voya systems to set up voluntary contributions to the Hybrid 457 Deferred Compensation Plan, manage investment elections and update beneficiary information for both the Hybrid 401(a) Cash Match and Hybrid 457 Deferred Compensation plans.

Batch Enrollment

Employers that submit changes through maintenance batch files to the Navigator should create and submit batch files as frequently as possible and at least a week in advance of each payroll. The Navigator can accept one batch file each business day of the month. VRS periodically offers employers opt-in windows for batch certification, which are announced in the monthly *Employer Update* and the home page of the Navigator.

Missing Accounts/Enrollments

Voya cannot accept contributions for an employee until the electronic enrollment is complete and the employee's DC account is established.

Employers who submit contribution files through Voya PayCloud will receive an error message upon file submission indicating they have remitted funding for a participant that is not on file under the SSN included on the contribution file. The employer must move the participant to an exception file where it will remain open until the issue is

resolved. See the Common Issues and Possible Solutions section below for additional information.

For employers funding via ACH Debit, Voya will only debit for the participants that are on file and for the file In Good Order (IGO). For any exceptions that are resolved, the employer must resubmit the exception contribution file, after which the debit will occur for the corrected records only.

Employers who submit funding through ACH Credit and provide funds to VOYA for a participant not on file will receive a refund check of any associated contributions. The funds must be resubmitted when the participant has a corresponding account. For more details on the exception file process, please reference the Voya PayCloud User Guide.

Employers who submit files via Secure File Transfer Protocol (SFTP), including centralized state agencies, will receive email notifications from DCPERSupport@voya.com regarding any account/enrollment issues. The notification will include the member's name, plan number, last four digits of SSN and contribution amount. If the missing account/enrollment issue is not resolved within **10 days**, Voya will refund the money to the employer via check.

If a refund check is issued, the participant information will be listed in the memo section of the check (i.e., last 4 of SSN, last name, first name; example 1234, Smith, John).

Common Issues and Possible Solutions

Issue	Possible Solution	For SFTP Submitters	For Voya PayCloud (VPC) Users
Member has not been enrolled in the Navigator	• Enroll and confirm that the applicable plan is established in the Navigator. • Allow 3 business days for the account(s) to be established at Voya.	• Verify the account is established in the Navigator and Voya Sponsor Web. • Contact Voya Employer Support and provide VNAV Ids for impacted members.	• Employer will get an error message in VPC stating Participant Not on File. • User should move that Participant to an exception file until the Participant is on file. Then the User can submit the Exception file.
Member was recently enrolled in the Navigator	• Allow 3 business days for account establishment at Voya.	• Verify the account is established in the Navigator and Voya Sponsor Web. • Contact Voya Employer Support and provide VNAV Ids for impacted members.	• Employer will get an error message in VPC stating Participant Not on File. • User should move that Participant to an exception file until the Participant is on file. Then the User can submit the Exception file.

Issue	Possible Solution	For SFTP Submitters	For Voya PayCloud (VPC) Users
Incorrect Job Name in the Navigator (e.g., member should not be in a hazardous duty position)	• Update job name in the Navigator.	• Verify the appropriate plan is established in the Navigator and Voya Sponsor Web. • Contact Voya Employer Support and provide VNAV Ids for impacted members.	• Employer will get an error message in VPC stating Participant Not on File. • User should move that Participant to an exception file until the Participant is on file. Then the User can submit the Exception file.
SSN Issue – Member only has one Navigator record	• Initiate SSN correction in the Navigator.	• Verify the SSN correction was initiated in the Navigator and the appropriate plan is established in Navigator. • Contact Voya Employer Support and provide VNAV Ids for impacted members.	• Employer will get an error message in VPC stating Participant Not on File if they use the correct SSN and Voya only has the incorrect SSN. • User will need to move the record to an exception file to allow the In Good Order records to submit. • Once the SSN correction has been completed in the Navigator, the user can resubmit exception file for the impacted members.
SSN Issue – Member has multiple Navigator records	Initiate a merge in the Navigator and verify if the member is covered by a different VRS plan (e.g., Plan 1 or Plan 2)	• Verify the SSN merge was initiated in the Navigator and the appropriate plan is established in the Navigator. Contact Voya Employer Support and provide VNAV Ids for impacted members.	• Employer will get an error message in VPC stating Participant Not on File File if they use the correct SSN and Voya only has the incorrect SSN.. • User will need to move the record to an exception file to allow the In Good Order records to submit. VRS sends updates to Voya by the 10th of each month for any merges completed in the Navigator in the prior month. After this, the user can resubmit exception file for the impacted members.

Issue	Possible Solution	For SFTP Submitters	For Voya PayCloud (VPC) Users
Funds sent to incorrect plan (e.g., member is covered by VRS Plan 1, Plan 2 or an ORP)	• Expect refund of contributions via check from Voya. • Remove member from future contribution files.	• Cash the check. • Remove member from future contribution files.	• Cash the check. • Remove member from future contribution files.
Member is in an ORP election window	• **For employers that administer their own plan:** Submit the VRS-65 to VRS so the election can be made. • **For employers that are covered by the VRS ORP:** Encourage the member to make an election in myVRS. • Remove member from future contribution files until the plan election is • made.	• Once election is made, verify the appropriate plan is established in the Navigator and Voya Sponsor Web. • Contact Voya Employer Support and provide VNAV Ids for impacted members.	• Employer will get an error message in VPC stating Participant Not on File. User should move that Participant to an exception • file until the Participant is on file. Then the User can submit the Exception file.

If a Refund Check is Received

Cash the check. Verify the member has a corresponding plan account in both the Navigator and in Voya SponsorWeb under the SSN used on the contribution file. If appropriate based on the member's plan coverage, resubmit the contributions on the next available payroll.

RULES GOVERNING CALCULATION OF CONTRIBUTIONS

Hybrid Retirement Plan members receive benefits from both the DC and DB components, but contributions are calculated differently for each component of the plan.

- DC – Employers will make per-payroll payments to Voya that include the following percentages of creditable compensation for that paycheck:
  - 1% Employer and 1% Employee mandatory contributions to the Hybrid 401(a).
  - Employee voluntary contributions (0.5%-4% in 0.5% increments) to the Hybrid 457.
  - Employer match to member's voluntary contributions (0.5%-2.5%) to the Hybrid 401(a).
- DB – Employers will make a monthly payment to VRS. Contributions are expected based on the myVRS Navigator business rules and should include:
  - Actuarially determined defined benefit rate that is the same for all employees (Plan 1, Plan 2, and Hybrid).
  - 4% Employee contribution.

See the VRS Employer Manual, Enroll and Maintain Employees and Membership chapters for more information on the DB component.

Creditable Compensation

The contributions for both the DB component and DC component are based on a member's creditable compensation. See the Creditable Compensation Job Aid and Checklist for more information about the types of pay that should be included in creditable compensation.

DC contributions should be withheld and remitted to Voya as a percentage of the creditable compensation included in **each paycheck.** This is true regardless of payroll frequency or contract length.

DB calculations and deductions may differ from the DC component. See the Enroll and Maintain Employees chapter of the Employer Manual.

401(a)(17) Compensation Limit

If an employee's annual salary exceeds the 401(a)(17) compensation limit, retirement contributions may not be based on the actual amount paid.

DC contributions can be calculated two ways:

1. Front-loading method – Contributions are remitted based on the employee's full salary until their compensation reaches the 401(a)(17) limit. When the limit is reached, discontinue all hybrid DC contributions, including employee voluntary contributions to the Hybrid 457.
2. Salary-capping method – Contributions are remitted based on the 401(a)(17) compensation limit and continue over the course of the plan year.

Employers should always report the employee's actual salary in myVRS Navigator.

Cardinal HCM calculates retirement contributions by using the employee's full salary (front-loading method).

Employment Changes

Employers should withhold and remit DC contributions with each and every payroll. The first-of-the-month myVRS Navigator Business Rules only apply to the DB component of the plan. See the resources below for more information about Navigator's DB calculations:

Understanding myVRS Navigator's Calculations and Business Rules

Understanding myVRS Navigator's Calculations and Business Rules for Less Than 12-Month Employees

Examples are provided later in this guide to demonstrate the timing and calculation differences between DB and DC contributions.

While DC contributions are expected with every paycheck, employers may implement management policies based on business needs to assist with managing VRS benefits. For instance, if an employer requires a probationary period before the employee becomes eligible for VRS benefits, both DC and DB contributions are not expected to start until after the probationary period is satisfied. Employers must document management policies and apply consistently to all employees.

VOLUNTARY CONTRIBUTIONS: HYBRID 457 DEFERRED COMPENSATION PLAN

In addition to the 1.00% mandatory employee contributions to the DC component of the Hybrid Retirement Plan, employees may elect an additional 0.50% to 4.00% of creditable compensation as a voluntary contribution to the Hybrid 457 Deferred Compensation Plan, in increments of 0.50%.
Employers are required to match voluntary contributions. The matching contributions go into the employee's Hybrid 401(a) Cash Match Plan.

Employees have until 4 p.m. ET on the last business day of the month to elect voluntary contributions into the Hybrid 457 Deferred Compensation Plan. Employees must elect voluntary contributions directly with Voya online at dcp.varetire.org/login or by contacting VRS Defined Contribution Plans Service Center at 877-327-5261 (option 1). Employees may also make deferral elections via the Voya Retire Mobile App, available at online app stores. Search "Voya Retire" to download the free app for iPhones, Android smartphones and tablets.

Employer contacts will log in to Voya PayCloud to retrieve the ***Deferral Changes/Feedback File*** report. See the Voya PayCloud Users Guide at dcpemployers.varetire.org for instructions. Employers must review the report to ensure proper deductions are taken through payroll.

For centralized state agencies, the voluntary contribution election changes will be provided electronically from Voya to DOA who will ensure the deferrals are reflected in Cardinal HCM.

Employees can start, stop, increase or decrease their voluntary contribution at any time. However, the most recent change made at the time of the monthly deadline (4pm the last business day of the month) is the change included on the report. Voluntary contribution changes will not be effective until the first available pay date in the month following the deadline.

If an employee is hired close to the monthly contribution deadline, the employer must complete the Navigator enrollment at least three business days before the deadline so that the employee's voluntary contribution election is effective in the next month. If the employer fails to enroll the employee in the Navigator expediently, the employee cannot elect a voluntary contribution to be effective for the next month and will need to wait another month before starting voluntary contributions.

The employer may also be responsible for paying a Qualified Non-Elective Contribution (QNEC) for the employee's missed opportunity to make an election. It is important for employers to **enroll a new hire into the Navigator on or before the employment start date** to ensure the employee has the option to elect a voluntary contribution that is effective at the earliest possible date.

For centralized state employers, enter new hires into Cardinal HCM **on or before their employment start date**. Be sure to check the ER Centralized State Systems – Cancelled Records Report in the Navigator daily, and complete manual enrollments in the Navigator for any records that were not able to post.

Separations and Rehires

When the employer reports an employee separation in the Navigator, including term dates entered in error, Voya receives a separation date and automatically sets the voluntary contribution election to zero. Voya then sends a Termination Notification to the employee and deferral change confirm which indicates their voluntary contribution rate has been changed to zero.

Reactivating a previously separated employment record does not automatically reactivate the voluntary percentage with Voya. The confirmation recommends the employee log in to their account and make a new deferral election. If an employee has been separated in error and their voluntary election needs to be reinstated, contact VRS DC Plans or Voya Employer Support as soon as possible. The employee should make a new election with Voya to continue making voluntary contributions.

Rehired employees or those employees who have transferred directly from one employer to another who previously had a voluntary election on file will need to re-elect a deferral amount. Employees must call the VRS Defined Contribution Plans Service Center at 877-327-5261 (option 1) or log in to the participant website at dcp.varetire.org/login to elect their deferral amounts. Elections made by the last business day of the month will be effective the first available payroll after month end.

CALCULATING CONTRIBUTION RATES FOR HYBRID EMPLOYEES

The employer DB contribution rate is the same for all employees (Plan 1, Plan 2 and hybrid). The chart below depicts the combination of benefit rates that employers should have in their payroll systems to properly account for and remit Hybrid Retirement Plan contributions. This example assumes an Employer DB Contribution Rate of 10%.

For centralized state employers, all contribution rates are programmed into the Cardinal HCM system.

Benefit Rates for DB and DC Components								
	Totals		Voya				VRS	
Row Number	EE	ER*	DC Employee Mandatory Hybrid 401(a)	DC Employer Mandatory Hybrid 401(a)	DC Employee Voluntary Hybrid 457	DC Employer Match on Employee Voluntary Hybrid 401(a)	DB EE	DB ER
1	5.00%	11.00%	1.00%	1.00%	**0.00%**	**0.00%**	4.00%	10.00%
2	5.50%	11.50%	1.00%	1.00%	**0.50%**	**0.50%**	4.00%	10.00%
3	6.00%	12.00%	1.00%	1.00%	**1.00%**	**1.00%**	4.00%	10.00%
4	6.50%	12.25%	1.00%	1.00%	**1.50%**	**1.25%**	4.00%	10.00%
5	7.00%	12.50%	1.00%	1.00%	**2.00%**	**1.50%**	4.00%	10.00%
6	7.50%	12.75%	1.00%	1.00%	**2.50%**	**1.75%**	4.00%	10.00%
7	8.00%	13.00%	1.00%	1.00%	**3.00%**	**2.00%**	4.00%	10.00%
8	8.50%	13.25%	1.00%	1.00%	**3.50%**	**2.25%**	4.00%	10.00%
9	9.00%	13.50%	1.00%	1.00%	**4.00%**	**2.50%**	4.00%	10.00%

*Total Employer Contribution Rate 10% is used for illustrative purposes.

DEFINED CONTRIBUTION SOURCES

Following the chart above, the only DC source that is submitted to the Hybrid 457 Deferred Compensation Plan is the Employee Voluntary contribution. The other three DC sources of funds (Employee Mandatory, Employer Mandatory and Employer Match on Employee Voluntary) are submitted to the Hybrid 401(a) Cash Match Plan.

Three rates remain constant for all hybrid plan employees:

1. Employee mandatory DC contribution (1.00%)
2. Employee mandatory DB contribution (4.00%)
3. Employer mandatory DC contribution (1.00%)

The Employer DB Rate is also fixed for each employer, but the rate varies from employer to employer based on the employee population.

VOLUNTARY SOURCE PERCENTAGES AND EMPLOYER MATCH

Notice the relationship in the chart above between the employee's voluntary contributions and the employer's match on voluntary contributions. If the employee elects a voluntary contribution of 0.50% or 1%, the employer match on those contributions is also 0.50% and 1%, respectively (see row 2 and 3 in the Benefit Rates chart above). When an employee increases their voluntary contribution beyond 1%, for each additional 0.50% employee voluntary contribution, there is a corresponding 0.25% employer match. For example, when the employee increases their voluntary contributions to 1.50%, the employer match increases to 1.25% (see row 4 in the Benefits Rate chart above).

Because the employee can elect voluntary contributions of 0% to 4% in increments of 0.50%, there are nine possible voluntary contribution levels. Likewise, there are nine employer voluntary match percentages.

Employers are responsible for calculating the employer match for the voluntary contributions in their payroll system and ensuring the contributions are remitted with each payroll. Voya PayCloud will not calculate the employer match.

For centralized state agencies, the Cardinal HCM system will calculate the employer match for the voluntary contributions and ensure the contributions are remitted with each payroll.

All contributions for the DC component, calculated using the four rates indicated in the Voya section of the table above, must be remitted to Voya on a per-pay-period basis.

The contributions for the DB component, calculated using the two rates indicated in the VRS section of the table, must be remitted to VRS after the monthly snapshot is confirmed. The snapshot should be confirmed and payment received no later than the 10th of the following month.

CALCULATION EXAMPLES

Example 1: Mid-Month Start Date

John, a 12-month employee paid over 24 pay periods, is hired on 8/10/2024. His salary is $55,000, and his employer's Contribution Rate is 9%. John receives his first paycheck on 8/30.

- **DB:** Since John was hired after the first business day in August, he will not begin earning service credit or remitting contributions under the DB component until September.
- **DC:** Contributions should be withheld from John's first paycheck on 8/30.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
8/30/2024			22.92	22.92
9/13/2024	206.25	91.67	22.92	22.92
9/30/2024	206.25	91.67	22.92	22.92

Example 2: Going on Leave Without Pay

John goes on leave without pay (LWOP) on 11/7/2024. His only November paycheck is on 11/15.

- **DB:** The full DB amount is due for the month in order for John to receive service credit for that month. The employer should double-deduct for DB on the 11/15 check. If the double-deduction is not able to occur, the employer should collect the remaining contributions when the employee returns from leave. Alternatively, the start date of the leave period should be backed up to the first day of the month so no service credit or DB contributions are due for the month.
- **DC:** Contributions for 11/15 should be based only on the creditable compensation received that pay period (no double-deduction).

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
10/31/2024	206.25	91.67	22.92	22.92
11/15/2024	**412.50**	**183.33**	**11.46**	**11.46**
11/29/2024	Leave without pay		Leave without pay	
12/13/2024	Leave without pay		Leave without pay	

Example 3: Returning From Leave Without Pay

John returns from leave without pay (LWOP) on 12/22/2024. His pay resumes 12/31.

- **DB:** Because 12/22 is after the first business day of the month, no DB contributions or service credit are due for December. Contributions resume in January.
- **DC:** DC contributions should be deducted from the 12/31 check based on the creditable compensation received that pay period.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
12/13/2024	Leave without pay		Leave without pay	
12/31/2024	Leave without pay		**11.46**	**11.46**
1/15/2025	206.25	91.67	22.92	22.92

Example 4: Mid-Month Compensation Change

John has a salary increase to $58,000 on 1/10/2025 payable on 1/31.

- **DB:** Because 1/10 is after the first business day of the month, the DB deductions for January should be based on the old salary of $55,000. Deductions based on the new salary begin on 2/14.
- **DC:** DC contributions are due based on the increased creditable compensation received in the 1/31 paycheck.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
1/15/2025	206.25	91.67	22.92	22.92
1/31/2025	206.25	91.67	**24.17**	**24.17**
2/14/2025	**217.50**	**96.67**	24.17	24.17
2/28/2025	217.50	96.67	24.17	24.17

Example 5: Voluntary Election

On March 2, John elected to contribute 3% in voluntary contributions to the DC component of the hybrid plan. This election will take effect in the month of April. Since John elected 3% in voluntary contributions, the employer match will be 2%.

- **DB:** The voluntary election has no impact on the DB contributions.
- **DC:** Contributions should begin with the first payroll in April, 4/15, and be based on the percentage of creditable compensation received that pay period.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%	Employee DC Voluntary Election 3%	Employer DC Match 2.00%
3/14/2025	217.50	96.67	24.17	24.17		
3/31/2025	217.50	96.67	24.17	24.17		
4/15/2025	217.50	96.67	24.17	24.17	**72.5**	**48.33**
4/30/2025	217.50	96.67	24.17	24.17	72.5	48.33

Example 6: Mid-Month Termination

John separates employment 5/9/2025. His last check is 5/15.

- **DB:** The full DB amount is due for May in order for John to receive service credit for that month. The employer should double-deduct for DB on the final 5/15 check.
- **DC:** Contributions should be deducted from the 5/15 check based on the creditable compensation received that pay period.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%	Employee DC Voluntary Election 3%	Employer DC Match 2.00%
4/30/2025	217.50	96.67	24.17	24.17	72.5	48.33
5/15/2025	**435.00**	**193.33**	**12.09**	**12.09**	**36.25**	**24.17**

Example 7: 26 Pay Periods

Sally, a 12-month employee paid over 26 pay periods, is hired on 7/10/2024. Her salary is $55,000, and her employer has a Contribution Rate of 9%. Sally receives three paychecks in August.

- **DB**: Contributions should be withheld based on 24 pay periods to match the monthly amount expected in the Navigator. No DB deductions should occur on the third paycheck of the month, 8/30.
- **DC:** Contributions should be deducted from every August paycheck, including the 8/30 check, and based on the creditable compensation received each pay period.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
7/19/2024			**10.58**	**10.58**
8/2/2024	**206.25**	**91.67**	21.15	21.15
8/16/2024	206.25	91.67	21.15	21.15
8/30/2024	No DB contributions for 3rd paycheck		**21.15**	**21.15**

Example 8: 10/10 Contract

Nancy, a teacher on a 10-month contract, receives her pay over 12 months; however, her employer has elected to report all contract employees in the Navigator as paid over their contract length (10/10). Nancy's off-contract months are July and August. Her salary is $58,000, and her employer's Contribution Rate is 9%.

- **DB**: All expected contributions were remitted over the course of the 10-month contract period; no contributions are expected while off-contract.
- **DC:** Contributions should be deducted throughout the off-contract months based on the creditable compensation received each pay period.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
6/15/2025	261.00	116	24.17	24.17
6/30/2025	261.00	116	24.17	24.17
7/15/2025[5]	Off-contract		**24.17**	**24.17**
7/31/2025	Off-contract		**24.17**	**24.17**
8/15/2025	Off-contract		**24.17**	**24.17**
8/31/2025	Off-contract		**24.17**	**24.17**
9/15/2025	261.00	116	24.17	24.17

Example 9: 10/12 Contract

Jack, a teacher on a 10-month contract, receives his pay over 12 months, and his employer has elected to report all contract employees in myVRS Navigator as paid over 12 months (10/12). Jack's off-contract months are July and August. His salary is $55,000, and his employer has a Contribution Rate of 9%.

- **DB**: Contributions in the off-contract months are the accumulation of the deferred amounts collected over the contract period.
  - When an employee works a full contract with no mid-contract compensation or voluntary contribution changes, off-contract (deferred) amounts will be the same as over the contract period. Any mid-contract changes (hires, compensation changes, voluntary contribution changes, separations) will change the amount of the deferred amounts. The employer should carefully review the snapshot to ensure they are remitting the correct amounts.
- **DC:** Contributions should be deducted throughout the off-contract months based on the creditable compensation received each pay period.

Payroll Date	Employer DB 9%	Employee DB 4%	Employer DC 1%	Employee DC 1%
5/30/2025	412.50	183.33	45.83	45.83
6/30/2025	412.50	183.33	45.83	45.83
7/31/2025 (off-contract)	412.50	183.33	45.83	45.83
8/29/2025 (off-contract)	412.50	183.33	45.83	45.83
9/30/2025	412.50	183.33	45.83	45.83

AUTOMATIC ESCALATION

Pursuant to *Code of Virginia* § 51.1-169(C)(3), the Hybrid Retirement Plan has a feature for auto- escalation so that the employee's voluntary contribution to the Hybrid 457 Deferred Compensation Plan will increase by 0.50% every three years until the employee reaches the maximum 4%.

The Auto Escalation feature provides for the following:

- Eligible members may opt out by contacting Voya between December 1 and December 31 (or the last business day of the month if the 31st falls on a weekend) of the year prior to scheduled auto-escalation.
- Members enrolled in the Navigator by 10/28 with a November 1 or earlier hire date will be eligible for auto escalation.
    - Employees hired after this timeframe would roll to the next auto-escalation cycle. For example, employees who begin participating in the hybrid plan after November 1, 2025, would not be scheduled for auto-escalation until January 1, 2029.
- Members who increase or decrease their voluntary contributions to the Hybrid 457 Plan during the opt-out period will not be auto-escalated during that cycle.
- Members who are set up with an active SmartStep election will not be auto-escalated.
- Members who are already contributing 4% at the beginning of the opt-out period will not be auto-escalated if they change their deferral rate to less than 4% during the opt-out period.

The employer's process for making deferral changes remains simple and straightforward. Voya will monitor hybrid plan members who fall into the auto-escalation group, including those who opt out. At the end of the opt-out period, decentralized state employers, school divisions and political subdivisions will follow the normal process for making deferral changes. Employers do not need to calculate the increase or track deferral changes and opt-outs during the opt-out period. Voya tracks the changes and they will be reflected in the deferral changes/Feedback File report available on January 1 (or the next business day following the deferral change deadline).

Employers are responsible for implementing the voluntary contribution increases with their first available payroll effective in January. Failure to comply will result in penalties for the employer. Refer to the Hybrid Retirement Plan Correction Policy.

For centralized state agencies, Voya will send the automatic escalation deferral changes on the file to DOA on the first business day in January, which will be updated in the Cardinal HCM system. Employers do not need to track deferral changes or opt-outs during the opt-out period.

SMARTSTEP

SmartStep, a Hybrid 457 Plan feature, provides another easy way for hybrid members to save. Members who cannot save the maximum 4% now (for their full 2.5% employer match) can make small periodic increases to their voluntary contribution to reach 4% gradually, with less impact on their paychecks.
Once members choose SmartStep, they do not have to log in to increase their contribution. SmartStep does it for them.

Here is how SmartStep and Auto-Escalation differ:

- **SmartStep:** Members must opt in to SmartStep. Once they choose the amount, the increase frequency, and maximum increase amount, SmartStep will increase their contribution based on their election.

- **Auto-escalation**: No action is required for auto-escalation. However, members who do not want to be auto-escalated must opt out during the opt-out period before auto-escalation occurs. Every three years, the member's voluntary contribution will increase by 0.5%.

A member can choose SmartStep by logging into the participant website at dcp.varetire.org/login or by calling the VRS Defined Contribution Plans Service Center at 877-327-5261 (option 1). The member can choose an increase amount from 0.5% to 3.5% and the frequency the increase will occur: quarterly, semi-annually, or annually.

Employers should monitor and track Hybrid 457 plan voluntary contribution changes each month by downloading the following reports:

- Hybrid Monthly Deferral Changes Report
- Contribution Limit Report for Hybrid 457 and Commonwealth of Virginia 457 (if applicable)

MAXIMIZING THE MATCH OPPORTUNITY

To maximize the employer match, employees should be encouraged to contribute the maximum 4% voluntary contributions into the Hybrid 457 Deferred Compensation Plan. Employees also may have the opportunity to contribute to a supplemental plan even if they have not maxed out the full 4% voluntary contributions to the Hybrid 457 plan. However, they should max out their voluntary contributions first to receive the full employer match. If an employee reaches the 457 contribution limit during the calendar year, their voluntary contributions to the Hybrid 457 plan and the corresponding employer match must stop.

Employees who participate in the Commonwealth of Virginia 457 Plan will not be eligible for the employer cash match to the Virginia Cash Match Plan until they defer the maximum 4% voluntary contribution in the Hybrid 457 Deferred Compensation Plan per *Code of Virginia* § 51.1-609(C). There is no such restriction in place for supplemental 457 plans administered by local employers.

SUBMITTING CONTRIBUTIONS

This section is not applicable for centralized state agencies. All deductions withheld in the Cardinal HCM system will be remitted to Voya by DOA each pay date.

Employers use Voya PayCloud to submit the employee DC contribution detail and to fund contributions. DC contributions received in good order (Voya PayCloud file matches the deposit) by 4 p.m. ET will be posted the same business day. Posting of contributions that are *not in good order* may be delayed.

For information about the DB contribution confirmation process in Navigator, see the Contribution Confirmation and Payment Scheduling chapter of the Employer Manual.

Funding Options

The following chart outlines the available funding options, which are the same options available for contributions into the Commonwealth of Virginia 457 Deferred Compensation Plan, if the employer participates.

<table>
<tr><th>Payment Options</th><th>Defined Contribution (Voya)</th></tr>
<tr><td>ACH Debit*</td><td>Complete the Employer ACH Debit Authorization Form. Download this form from the Hybrid Retirement Plan Resource Center for VRS Employers. Once completed please return the form (and account verification if applicable) to Voya Financial via fax (844) 833-4545. Please allow 3 - 5 business days for processing.

Ensure your bank has the following information so the ACH debit transaction does not get rejected:
<table>
<tr><th>Account Title</th><th>Post Title</th><th>Short Name</th><th>ACH Company (batch) ID</th><th>ACH customer IDs</th></tr>
<tr><td>VOYA INSTITUTIONAL PLAN SERVICES LLC</td><td>VRS ACCOUNT</td><td>VRS</td><td>0000626621</td><td>2043516284</td></tr>
</table>
</td></tr>
<tr><td>ACH Credit</td><td>BNY Mellon Treasury Services
ABA #: 043000261
Account #: 9150507 BIC Code: IRVTUS3N
Account Title: VOYA INSTITUTIONAL PLAN SERVICES LLC, VRS ACCOUNT LLC, VRS Account

Addenda: PN6-Digit Plan number* / 5-Digit VRS Division ID (example: PN626621 /11113)</td></tr>
<tr><td>Wire Transfer</td><td>BNY Mellon Treasury Services
ABA #: 043000261
Account #: 9150507 BIC Code: IRVTUS3N
Account Title: VOYA INSTITUTIONAL PLAN SERVICES LLC, VRS ACCOUNT

OBI: PN6-Digit Plan Number* / 5-Digit VRS Division ID (example: PN626621 /11113)</td></tr>
</table>

* The ACH Debit process will occur same day that the Contribution File is submitted in good order. Employers may also schedule a contribution file for a future date on the Voya PayCloud system. The ACH Debit will pull the same day that the file is scheduled to process. It can take a day or two for debits to reflect in employer's bank account.

Submitting Contributions

The following steps outline how to submit contributions to the DC component of the Hybrid Retirement Plan.

<table>
<tr><th></th><th>Defined Contribution Component Online through Voya PayCloud</th></tr>
<tr><td>How to Submit</td><td>
Online Entry
How to submit Contribution File

Or

Batch File
(recommended for more than 25 employees)
For batch file processing information or to request a copy of the appropriate file layout, contact the Voya Employer Support Team at 1-844-570-1482; select option 2.

Employers will submit each source separately into the appropriate plan as listed below:
<table>
<tr><th colspan="2">Hybrid 401 (a) Cash Match Plan Plan # 626621</th><th colspan="2">Hybrid 457 Deferred Compensation Plan # 626622</th></tr>
<tr><th>Source</th><th>Source Name</th><th>Source</th><th>Source Name</th></tr>
<tr><td>1% Employee Mandatory</td><td>Employee Pre Tax (A)</td><td>(0%-4%) Employee Voluntary</td><td>Employee Pre Tax (A)</td></tr>
<tr><td>1% Employer Mandatory</td><td>Employer Mandatory (1)</td><td rowspan="2" colspan="2"></td></tr>
<tr><td>(0%-2.5%) Employer Match on Employee Voluntary Contribution</td><td>Employer Contributory Match (4)</td></tr>
</table>
</td></tr>
<tr><td>When to Submit</td><td>Contributions should be made as soon as administratively possible following the pay date but no later than 15 business days following the end of the month in which the amount is withheld from the member’s creditable compensation.</td></tr>
</table>

Employees Who Transfer Between VRS-Covered Employers

Residual contributions for employees who transfer to another VRS-covered employer can still be submitted to Voya. When submitting a contribution online through Voya PayCloud, a former employee may not be available on the submittal screen if entering manually. If not available, you can simply add the employee information to the spreadsheet template and upload.

For centralized state agencies, if a payroll adjustment is processed in Cardinal HCM after the month of transfer, the contributions will be remitted to Voya under the initiating employer.

TAXABILITY OF THE HYBRID PLAN

The following chart shows the federal, state, FICA and Medicare tax applicable to the various components:

	Rate	Applicable IRS Code Section – Employee Deferral	Federal & State Income[1] Tax Taxable	FICA and Medicare Taxable	W-2 Reportable[2]
Defined Contribution Component:					
Employee:					
Mandatory Contributions in the Hybrid 401(a) Cash Match Plan	1.0%	414(h)	No	Yes	Optional Box 14[3]
Voluntary Contributions in the Hybrid 457 Deferred Compensation Plan	0.5% - 4.0%	457(b)	No	Yes	Box 12 Code G[4]
Employer:					
Mandatory Contributions in the Hybrid 401(a) Cash Match Plan	1.0%	N/A	No	No	No
Match on Employee Voluntary Contributions in the Hybrid 401(a) Cash Match Plan	0.5% - 2.5%	N/A	No	No	No
Defined Benefit Component:					
Employee:	4%	414(h)	No	Yes	Optional Box 14[2]
Employer:	Variable by Employer	N/A	No	No	No

[1] For employees who are residents of Pennsylvania and New Jersey, employee voluntary contributions are taxable at the state level. State taxes are paid at the time of contribution instead of disbursement.

[2] See the IRS-issued "Instructions for Forms W-2 and W-3" for additional information.

[3] The IRS does not require the reporting of these contributions; therefore, most employers, including the Commonwealth of Virginia, do not include these employee-paid contributions on the W-2.

[4] Hybrid voluntary contributions must be aggregated with all other 457 deferrals made by the employee and are subject to the maximum deferral limits set annually by the IRS. The total of all 457 deferrals must be reported on the employee's W-2 in box 12, code G.

RECONCILIATION AND CORRECTION PROCESS

Reconciliation Process

Contributions submitted to Voya and credited to the hybrid DC component must be calculated in the employer's payroll system, spreadsheet or internal software reflecting the contribution rates for each DC source and based on the employee's creditable compensation for each paycheck.

The employer is responsible for reconciling payroll against funds remitted to Voya and identifying and reporting discrepancies as necessary.

It's important to submit DC funds to Voya as soon as administratively possible following the pay date but no later than 15 business days following the end of the month in which the amount is withheld from member's pay so that the funds can be invested.

Correction Process for the Hybrid DC Component

If funding discrepancies are identified, refer to the Hybrid Retirement Plan Correction Policy for the appropriate corrective action. This policy is available under Publications at dcpemployers.varetire.org. Employers are responsible for following the corrective methods outlined in the policy.

Here are the steps to follow after a discrepancy is identified that needs correction:

- For excess contributions identified within 14 business days from the trade date the funds posted, the employer can request a refund by contacting the Voya Employer Support Team at DCPERSupport@voya.com or 1-844-570-1482, option 2. The funds may be subject to market loss and record-keeping fees.

- Outside of the 14-business-day time frame, corrections will follow the corrective methods outlined in the Hybrid Retirement Plan Correction Policy. The employer will complete the Hybrid Defined Contribution Plans Request for Account Review, which is available under Administration -- Payroll at dcpemployers.varetire.org and send it to VRS.

- VRS will review the case to see if a correction is required. Then, VRS will provide the Instructions to Complete Account Correction Form to the employer and Voya with details of the correction, including amounts to be removed or remitted, if earnings need to be calculated, and funding instructions. Voya will calculate if a gain or loss occurred to the member's DC account because of the correction, and the employer will be notified of the missed earnings amount due.

Any questions should be directed to VRS at DCPlansHybrid@varetire.org or the Voya Employer Support Team at DCPERSupport@voya.com , or call 1-844-570-1482, option 2.

457 PLAN CONTRIBUTION LIMITS

Due to the 401(a)(17) compensation limit, an employee is unable to reach the 457 contribution limit through contributions to the Hybrid 457 plan alone. For example, the 2023 compensation limit was $330,000. This means an employee can only contribute a maximum of $13,200 ($330,000 x 4%) to the Hybrid 457 for the plan year beginning in 2023. The 457 contribution limit was $22,500 for 2023, so the employee was eligible to contribute an additional $9,300 to another 457 plan.

To assist with monitoring IRS 457 contribution limits, the *Contribution Limit Report* is available in Sponsor Web/Reports. To access the report, log into SponsorWeb for the Hybrid 457 or COV 457 Deferred Compensation plan, go to Reports, then On Demand Reporting, open the Virginia Retirement System Folder to view the Contribution Limit Report. It is recommended that employers view this report throughout the year.

If an employee is participating in a 457 deferred compensation plan with another provider, the employer must monitor and combine contribution totals for all 457 deferred compensation plans to ensure the employee does not go over the IRS limit.

To assist centralized state employers with monitoring IRS 457 contribution limits, a special accumulator (457) monitors the YTD balance and prohibits deductions that exceed calendar year limits established in the Cardinal HCM system. The employee deductions withheld for both the voluntary contributions to the Hybrid Retirement Plan and Commonwealth of Virginia 457 Deferred Compensation Plan post to this special accumulator. Generally, both deductions will cease automatically when the combined YTD amount reaches the normal annual limit. Please see CAPP Topic 50415, Savings Plans, for additional information.

If an employee transfers from one state agency to another during the year, the new employer should obtain the Year-to-Date 457 Special Accumulator balance from the previous employing agency. The new agency should contact DOA State Payroll Operations for assistance in updating the system to ensure that the calendar year maximums are properly monitored.

Reaching the Contribution Limit Early

For hybrid members who are contributing up to the IRS limit, members must ensure that their supplemental 457 contribution is spread out across all calendar payrolls to avoid reaching the limit early and missing out on hybrid employer match contributions.

Example:
The 457 contribution limit for 2023 was $22,500. A hybrid employee earns $100,000 in creditable compensation and is paid semi-monthly (24 payrolls per year). The employee elected a 4% voluntary contribution to the hybrid 457 plan, which is $166.66 per payroll, or $4,000 for the year. After contributing $4,000 to the hybrid 457 plan, the employee could potentially contribute another $18,500 to a supplemental 457 plan, or $770 per payroll, while still remaining within the IRS limits. However, if the employee elected to contribute $1,000 per payroll to a supplemental 457 plan, the employee will reach the limit after 19 payrolls. Contributions would have to stop, and the employee would miss out on five payrolls of the hybrid employer match.

For information regarding contribution limits, please refer to Appendix A.

The hybrid plan is considered an employee's primary retirement plan. If an employee exceeds the 457 limit for the calendar year due to contributions to both the hybrid 457 plan and another supplemental 457 plan, the excess contribution must be removed from the supplemental 457 plan.

HYBRID 401(A) VESTING AND FORFEITURE

After a bona fide break in service from all VRS-covered employment (including part-time employment with a covered employer) for at least one full calendar month, hybrid plan employees are eligible for a DB refund and/or DC distribution.

The DC component of the hybrid plan has a separate vesting schedule from the DB component. DC vesting is the minimum length of service an employee needs to be eligible to withdraw employer contributions from the DC component upon separating employment. Based on the years of service in the plan, the

employee may be eligible to withdraw a percentage of employer contributions:

Vesting Requirements for the Hybrid Retirement Plan	
Defined Benefit Component	**Defined Contribution Component**
5 years creditable service	4 years creditable service*
	1 year - 0% 2 years – 50% 3 years – 75% 4 years – 100%
	*Applies to employer contributions only

Employees are always 100% vested in their member contributions. Employees who are not 100% vested to their employer contributions in the hybrid DC component will forfeit non-vested monies to their employer at the earlier date of when:

1. The employee requests a distribution from the Hybrid 401(a) Cash Match Plan.
2. The employee requests a refund of their Member Contribution Account under the defined benefit component of the hybrid plan.
3. The employee dies and a Member Contribution Account refund is processed.

When a forfeiture occurs, the hybrid plan employee's most recent employer will receive the forfeited employer contributions. Distributions from the Hybrid 457 Deferred Compensation Plan do not initiate a forfeiture.

Forfeiture Funds Account – Hybrid DC Component

What is a Forfeiture Funds Account?

A Forfeiture Funds Account holds unvested funds from terminated plan members who had one of the distributable events outlined above. Corrections to a member's account can also result in funds being moved to the forfeiture account (see *Correction Process for the Hybrid DC Component* section).

How and when can an employer use the funds in the Forfeiture Funds Account?

Political Subdivisions, School Divisions, and Decentralized State Agencies:

- Forfeiture funds can be used to offset employer source contributions monthly.
- Forfeiture funds **cannot** be used to offset employee source contributions.
- Employers should indicate use of forfeiture funds by sending an email to DCPERSupport@voya.com 2 to 3 business days before the contribution file is submitted. The email should include 5-digit employer code, plan number, payroll date, date submitting, amount of forfeiture to be used and employer contact in case Voya has questions.

Centralized State Agencies Using Cardinal HCM:
Forfeiture funds are used to offset employer source contributions on a periodic basis. This process is managed by DOA.

What happens if the funds in the Forfeiture Account are not used?

Employers should make every effort to use all forfeiture funds each year; however, the forfeiture balance will carry over from year to year.

How can an employer view the balance in the Forfeiture Funds Account?

Employers can determine their forfeiture account balance via Sponsor Web:

- Log in to Sponsor Web
- Under "Search for a Participant," enter Forfeiture in Last Name and click on Search.
- Participant record for "Forfeiture, loc, 4-Digit Employer Code" will display (a list of available forfeiture accounts will appear if your agency has multiple divisions).
- The User can pull the balance for the Forfeiture account from the screen as it will display by plan.

Who can the employer contact with questions?

Please contact the Voya Employer Support Team at 844-570-1482, option 2 or via email at DCPERSupport@voya.com/

CATCH-UP PROVISIONS

There are no catch-up provisions in the Hybrid Retirement Plan.

Although the IRS Standard Catch-up provision is not available in the Hybrid 457 Plan, any unused contributions to the plan may be considered when calculating the underutilized limitation for Standard Catch-up to a qualifying 457 deferred compensation plan in which an employee is participating, such as the Commonwealth of Virginia 457 Deferred Compensation Plan.

ONE-TIME DEFERRAL

One-time deferrals are not permitted into the Hybrid 457 Deferred Compensation Plan. However, employees may make a one-time deferral into a supplemental 457 deferred compensation plan. Employees making a voluntary contribution into the Hybrid 457 Deferred Compensation Plan and who make a one-time deferral into another 457 deferred compensation plan may have to decrease or stop their voluntary contribution into the Hybrid 457 Deferred Compensation Plan if the one-time deferral causes the employee to reach the IRS contribution limit for the calendar year.

MILITARY LEAVE MAKE-UP

Members called to active-duty military service will have time-served granted as VRS service credit at no cost, as long as the member receives a general or honorable discharge and returns to covered employment within a year of discharge from active duty. Members also have the opportunity to make up missed contributions to the hybrid DC component by completing the Application for Contribution Make up for Hybrid Plan Members Returning From Military Leave found at dcp.varetire.org under Forms.

COMMONWEALTH OF VIRGINIA 457 DEFERRED COMPENSATION PLAN (COV 457 Plan)

The following information pertains to employers that participate in the Commonwealth of Virginia 457 Deferred Compensation Plan, which is a supplemental 457 plan also offered through the Virginia Retirement System. This section does not apply to other supplemental 457 plans that individual employers may have adopted on their own.

Participants can elect to make pre-tax contributions, Roth after-tax contributions or a combination of both. The minimum amount participants can contribute is $10 per pay period, which applies to each contribution type: pre-tax and Roth after-tax.

Deferral Changes

How can participants change their deferral election?

Participants will change their deferral election for both pre-tax and Roth after-tax through Voya directly. Participants can log in to their account at dcp.varetire.org/login or call 1-877-327-5261, option 1. Changes made by the close of the New York Stock Exchange, generally 4 p.m. ET, on the last business day of the month are effective the following month. Employees may also make deferral elections via the Voya Retire Mobile App, available at online app stores. Search "Voya Retire" to download the free app for iPhones, Android smartphones and tablets.

How will employers view the updated deferral election?

Employers will log in to Voya PayCloud to download the Deferral Change Report to view any pre-tax or after-tax deferral elections from the previous month. See the Voya PayCloud Users Guide at dcpemployers.varetire.org for instructions.

Employers should retrieve the report at the beginning of every month and update deduction amounts. Employers participating in the Virginia Cash Match Plan should ensure employer matching contributions are updated along with 457 deferral changes.

For centralized state employers, Voya will provide to DOA a monthly deferral change file for both pre-tax and Roth deferrals elected during the previous month.

What is the timing of the deferral change?

Deferral changes are effective the first available pay date of the following month.

Payroll Authorization Form: One-Time Deferral

Employees can request a one-time deferral for annual leave payouts, sick leave payouts, compensatory payouts, recognition pay and bonus pay. Participants can request an additional deferral amount, either pre-tax or Roth after-tax, be added to their current deferral on the indicated pay date. Any participant with a balance in the plan may make a one-time deferral by completing the Payroll Authorization One-Time Deferral form, available at dcp.varetire.org.

The One-Time Deferral form must be submitted while the participant is still employed by the employer offering the 457 Plan, and the effective date can be no earlier than the first available pay date after the form is received by the employer. Plan rules also state that termination pay deferrals must be paid into the plan within the later of either two and one-half months following separation from employment, or the end of the calendar year in which the separation from employment occurred.

The participant must sign the Payroll Authorization One-Time Deferral form and submit it to the payroll officer who will remit the contribution to Voya through normal payroll processing. The employers should send a copy of the completed form, including a payroll signature, to Voya for inclusion in the participant's records. The form can be found at dcp.varetire.org.

Severance pay cannot be used for a one-time deferral.

Submitting Contributions

Funding options for the Commonwealth of Virginia 457 Plan are the same as the hybrid DC plans. See the *Submitting Contributions* section earlier in this publication for funding options and when to submit contributions to Voya. The plan number for the Commonwealth of Virginia 457 Plan is 626627.

Contribution Limits

Participant contributions to the 457 Plan made through payroll deduction and discretionary employer contributions to the participant's 457 Plan account count toward the IRS annual limits. The same annual contribution limits apply to pre-tax contributions, Roth after-tax contributions or a combination of both.

The IRS updates 457 contribution limits annually. Refer to IRS resources for current and historical limits.

To help monitor the limits for the Hybrid 457 Deferred Compensation Plan and the Commonwealth of Virginia 457 Deferred Compensation Plan, Voya provides a report via Sponsor Web. To access the report, log into Sponsor Web for the Hybrid 457 or COV 457 Deferred Compensation plan, go to Reports, then On Demand Reporting, open the Virginia Retirement System Folder to view the Contribution Limit Report. It is recommended that employers view this report throughout the year.

CATCH-UP CONTRIBUTIONS

Age 50+ Catch-Up

This IRS provision allows a participant who reaches age 50 or older in the current calendar year to contribute an additional amount (pre-tax, Roth-after tax or a combination of both) to the Commonwealth of Virginia 457 Plan. Since it is based on the participant's date of birth, there is no application process required. Participants can increase their deferral election directly through Voya by logging into the Voya Participant Website at dcp.varetire.org/login or by calling the VRS Defined Contribution Plans Service Center at 1-877-327-5261, option 1.

Age 60 to 63 Catch-Up

Participants may be able to make additional catch-up contributions between the ages of 60 – 63. Annual limitations are set by the IRS and are subject to change. At age 64 the annual limitation returns to the age 50+ Catch-Up level.

Standard Catch-Up Provision (SCU)

This IRS provision allows participants to catch up on contributions to the Commonwealth of Virginia 457 Plan for any year in which they were eligible to contribute but did not maximize contributions. For example, any participants contributing less than the annual limit for any year they were eligible to do so since the plan's inception in 1980, may be eligible for a catch-up contribution to make up the difference between what was contributed and the annual IRS limit.

To qualify for SCU, the participant must be eligible for an unreduced retirement benefit when the participant attains the normal retirement age elected and has available catch-up credit. The SCU cannot be used concurrently with the Age 50+ Catch-up. Based on the available credit, a participant can contribute the Age 50+ limit or the standard

catch-up credit, whichever is greater.

The SCU is available only during the three consecutive calendar years before the calendar year in which the participant reaches the selected SCU Normal Retirement Age. The SCU Normal Retirement Age selected can be no earlier than the age at which the participant is first eligible for an unreduced retirement benefit. Eligibility age for an unreduced benefit varies, depending on the participant's retirement plan.

Use of the SCU requires completion of the Standard Catch-Up Application found at dcp.varetire.org under the forms section.

Standard Catch-Up General Rules:

1. Age-based catch-up provisions cannot be used in the year(s) the Standard Catch-Up is used.
2. The SCU cannot be used in the year the participant reaches age 70½ or later.
3. The SCU cannot be used in the year the participant designates as the Normal Retirement Age.
4. The SCU can be used for a maximum of three years immediately preceding the year the participant reaches the selected Normal Retirement Age.
5. The participant may use the SCU in the year the participant retires if retirement occurs in one of the three calendar years immediately preceding the elected SCU Normal Retirement Age.
6. The participant does not have to leave service upon reaching the elected SCU Normal Retirement Age and may contribute up to the regular contribution limit that applies, including the age 50+ Catch-Up contributions, during the years the participant remains in service.
7. Wage/part-time employees are eligible for the SCU as well; Normal Retirement Age may be ages 62 through 70½.

The amount of the SCU contribution will be the ***lesser of:***

(A) The IRS maximum SCU contribution limit for the applicable year; or

(B) The sum of the regular annual limit for the applicable year and the total Catch-Up Credit as determined on the Standard Catch-Up Credit Worksheet.

Visit dcp.varetire.org/457 for the current year's IRS maximum Catch-Up contribution limit.

UNIFORMED SERVICES EMPLOYMENT AND REEMPLOYMENT RIGHTS ACT OF 1994 (USERRA)

Who is eligible?

When civilian employees participate in uniformed service, they are eligible for certain benefits defined in the USERRA. Upon reemployment, the civilian employee is entitled to Commonwealth of Virginia 457 Plan benefits that would have accrued had the employee not been absent due to uniformed service.

What are the requirements?

USERRA extends continued benefit rights to most employees absent from work because of "service in the uniformed services." For purposes of USERRA, "uniformed service" includes the United States Army, Navy, Air Force, Marines, Coast Guard, Space Force and the reserve components of these services; the commissioned corps of the Public Health Service; the National Guard; the National Disaster Medical System; and any other category of persons

designated by the President in a time of war or emergency.

"Service" for purposes of USERRA means active duty, active duty for training, initial active duty for training, inactive duty training, examination to determine fitness for duty, funeral honors and full-time National Guard duty. Service may be voluntary or involuntary.

What are the qualifications?

The following conditions must be met for 457 Plan participants to claim USERRA benefits:

1. The employee gives the employer advance written or verbal notice of the service, unless precluded by military necessity.

   The employee has no more than five cumulative years of absence from the employer for uniformed service. However, this limitation is subject to exceptions. Most notably, uniformed service resulting from an order to active duty because of war or national emergency declared by the President or Congress does not count against the five-year limit.
2. The employee must not have separated from the uniformed service under dishonorable or other punitive condition.
3. The employee must return to employment with the original employer within the following specified time frames based on the length of uniformed service:

Period of service 30 days or less	The employee must report to work no later than the beginning of the first full work period on the first full calendar day following discharge, plus reasonable time required to return home safely and an 8-hour rest period.
Period of service more than 30 but less than 180 days	The employee must return to employment no later than 14 days following discharge.
Period of service of 180 days or more	The employee must return to employment no later than 90 days following discharge.

In each instance, if the employee is unable to meet the deadline through no fault of their own, the deadline is extended to a time that is as soon as possible. In addition, the preceding deadlines are extended for up to two years for an employee who is hospitalized or convalescing.

What is the time limit?

Make-up deferrals must be made within a statutory period of time, not exceeding three times the period of uniformed service, but in no case more than five years. This period begins the day the employee returns to work. The statutory period applies to each separate instance of leave.

Example: A participant is on uniformed service leave from July 2023 through November 2024. He or she returns to work in December 2024. The length of the uniformed service was 17 months. Therefore, the participant has 51 months from December 2024 to make up the contributions missed.

If the employee is re-employed and then required to return to uniformed service before completing the uniformed service leave make-up, the remaining make-up time is frozen and reactivated when the employee again returns to the original employer and qualifies for USERRA benefits. The employee must independently qualify to make up deferrals for each period of uniformed service leave. The period between the end date of the uniformed service and the date the employee returns to work with the original employer must be included in determining the number of deferrals that can be made up.

Deferrals can be made up only while the individual is an employee of the original employer. If the employee leaves

that employer but returns to that employer within the statutory make-up period, make-up deferrals may continue until the end of the statutory period.

WAGE/PART-TIME EMPLOYEES

At the time of adoption of the Commonwealth of Virginia 457 Plan, employers determine which of their employees are eligible to participate. Unless specified otherwise, all employees are eligible to participate, including wage or other non-benefited employees.

All wage employees of centralized state employers are eligible to participate in the plan.

Should a wage employee want to participate in the 457 Plan, the employee must complete and return the Wage/Hourly Participant Enrollment Form to Voya. The form is available at dcp.varetire.org.

Employers/Security Administrators must provide Voya with their wage (non-covered) employee's employment separation date via email to DCPERSupport@voya.com. Be sure to include the plan number, participant's name, last 4 of SSN, date of separation as well as the written direction to update the wage participant. Please note that the employment separation date for VRS-covered positions must be reported to VRS via myVRS Navigator.

Upon receipt of a separation date, Voya will automatically decrease the participant's contribution amount to $0. Wage employees will then be able to receive a distribution from the plan once there is a bona fide break in service of at least one full calendar month.

DUAL EMPLOYMENT

If an employee works for more than one employer offering the Commonwealth of Virginia 457 Plan, Voya will handle the deferral changes only for the primary employer. Employees wishing to make contributions through the secondary employer may access the Dual Employment Form at dcp.varetire.org/forms. The employee should complete the form indicating the amount of the contribution per pay period from the secondary employer and submit the form to the secondary employer. Once processed in the payroll system, the secondary employer should sign and submit a copy of the completed form to Voya for inclusion in the employee's record.

PARTICIPANTS RETURNING TO WORK

Upon receiving a separation date, Voya will change a participant's contribution amount to $0.00. Voya then sends a Termination Notification to the member that confirms their contribution rate has been changed to zero. Participants who later return to work, either with the same employer or another employer that participates in the Commonwealth of Virginia 457 Plan, will need to re-elect a deferral amount. Employees must call the VRS Defined Contribution Plans Service Center at 877-327-5261 (option 1) or log in to the participant website at dcp.varetire.org/login to elect their deferral amounts. Elections made by the last business day of the month will be effective the first available payroll after month end.

VIRGINIA CASH MATCH PLAN

If the employer has adopted the Virginia Cash Match Plan, which is a 401(a) plan, the cash match formula the employer sets must be provided to VRS. The employer also must notify VRS if there are any subsequent changes to the cash match formula, to include suspension for any reason. A combination of pre-tax and Roth after-tax 457

contributions count toward determining the amount of the cash match.

State employers, both centralized and decentralized, are automatically eligible for the Virginia Cash Match Plan. The current cash match amount for state agencies is 50% of the member's 457 contribution or $20, whichever is less. A combination of pre-tax and Roth after-tax 457 contributions count toward determining the amount of the cash match. For example, a participant elects $20 deferral for pre-tax and $20 deferral for Roth so the cash match would be $20.

Please note that a match may not begin to the Virginia Cash Match Plan for a Hybrid Retirement Plan employee until the employee has reached and maintains the 4% voluntary contribution to the Hybrid 457 Deferred Compensation Plan.

ACCOUNT CORRECTIONS

Employers are responsible for ensuring timely and accurate contributions to the Commonwealth of Virginia 457 Plan and the Virginia Cash Match Plan, if the employer has adopted the plan. The *Code of Virginia* Section 51.1-124.22(A)(14) provides that employers are liable for penalties, interest, compliance fees or other charges associated with failing to follow state and federal laws and regulations. VRS follows the correction procedures as outlined in the Commonwealth of Virginia 457 Deferred Compensation Plan and Virginia Cash Match Plan Correction Policy, which is available at dcpemployers.varetire.org.

If the employer believes that a 457 Plan or a Virginia Cash Match Plan contribution error has occurred, then a Defined Contribution Plans Request for Account Review form must be completed and returned to VRS at DCPlans@varetire.org. The form can be found at dcpemployers.varetire.org under Forms.

Commonwealth of Virginia 457 Deferred Compensation Plan and Virginia Cash Match Plan Employer Resources

	Voya Plan Administration	VRS Plan Administration
Website	dcp.varetire.org	dcp.varetire.org
Email	DCPERSupport@voya.com	DCPlans@varetire.org
Fax	844-833-4545	804-371-1881
Address	Voya Financial Attn: VRS P.O. Box 389 Hartford, CT 06141	Attn: DC Plans Department P.O. Box 2500 Richmond, VA 23218
Overnight Address	Voya Financial Attn: VRS One Orange Way Windsor, CT 06095	Attn: DC Plans Department 1200 E. Main Street Richmond, VA 23219

APPENDIX A – PLAN NUMBERS

Hybrid 401(a) Cash Match Plan – 626621
Hybrid 457 Deferred Compensation Plan – 626622 Commonwealth of Virginia 457 Plan – 626627
Virginia Cash Match Plan – 626628

APPENDIX B – CONTRIBUTION LIMIT MATRIX

General Application of the IRS Limits

IRC Section 401(a)(17) Compensation Limit	IRC Section 415 Limit Annual Limit on Contributions or Benefits	457 Limit
Treas. Reg. Section 1.401(a)(17)-1(b)(1) says a plan does not satisfy 401(a)(17) unless it provides that compensation taken into account for any employee in determining plan allocations or benefit accruals for any plan year is limited to the annual compensation limit. Treas. Reg. Section 1.401-1(b)(3)(i) says the annual compensation limit is applied to compensation for the plan year on which the allocation or benefit accrual is based. Where the plan year is different from the calendar year, Treas. Reg. Section 1.401(a)(17)-1(b)(3)(ii) says the compensation limit for a plan year is the limit in effect for the calendar year in which the plan year BEGINS. Persons who were employees of a plan before April 9, 1996 are considered Grandfathered. Treas. Reg. Section 1.401(a)(17)-1(b)(3)(iii)(B) says that no proration of the limit is required merely because the participant is covered under the plan for less than 12 months.	For a defined contribution plan, the limit on "annual additions" for any limitation year is the lesser of 100% of total compensation or a fixed dollar amount that is indexed to the cost of living. Where the limitation year is different from the calendar year, the fixed dollar amount is based on the limit in effect for the calendar year in which the limitation year ENDS. Annual additions include both employer and employee contributions made to all 401(a) qualified defined contribution plans including: 1. ORP (including ORPs sponsored and maintained separately by the institutions) 2. Cash Match 3. Supplemental 4. DC Hybrid including employer match 5. Any supplemental tax qualified DC plans sponsored or participated in by an employer Annual additions do not include contributions to: 1. 403(b) plans* 2. 457(b) plans including hybrid 457 3. 457(f) plans	The limit on the total of both employer and employee contributions to a 457 (b) plan for any "taxable year of the participants (i.e., calendar year) is the lesser of 100% of includable compensation or a fixed dollar amount that is indexed to the cost of living. A 457 standard catch-up and an age 50 catch-up applies. The age 50 catch-up is a fixed dollar amount indexed to the cost of living (IRC Section 414(v)). The 457 standard catch-up applies in the three years before the participant reaches normal retirement age and is equal to the lesser of two times the normal 457 limit or the "underutilized amount" (based on unused limit amounts in prior years when the opportunity to contribute was available). Under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees aged 60, 61, 62 and 63 who participate in these plans. For 2025, this higher

Plan by Plan Limit Treas. Reg. Section 1.401(a)(17)-1(c)(3) says that the compensation limit applies separately to each plan of the employer. This is not the case if the plans are treated as a single plan. A single plan is defined as the plans that are included in the IRC 410(b) testing group. **Multiple Employers in Same Plan** In addition, Treas. Reg. Section 1.401(a)(17)-1(b)(4) says that the limit applies separate with respect to compensation of an employee from each employer maintaining the plan – instead of applying the limit to the total of compensation from all employers maintain a multiple employer plan.	**415(m) excess plans** Do not include rollovers, transfers or loan repayments. Consult plan documents for the order in which reductions are accomplished if limit is exceeded – generally Commonwealth plans are always reduced last. Commonwealth plans should never exceed the limit based on the contribution percentages. **Multiple Employers in Same Plan** According to Treasury Reg. Section 1.415(a)-1(e), for participants in a plan that is maintained by more than one employer, allocations to such participant from all employers must be taken into account. Thus, employees who work for more than one employer during a year only get one 415 limit for a year. **Special 403(b) Rule** ***** Per Treasury Reg Section 1.415(f)-1(f)(1), the participant on whose behalf a 403(b) annuity contract (including a custodial account described in 403(b)(7) or retirement income account described in 403(b)(9)) is purchased, is considered, for purposes of Section 415, to be maintaining the 403(b) annuity contract. The participant's employer is not treated as maintaining the 403(b) plan – even if the employer makes contributions to the 403(b) plan. **Thus, the 403(b) plan is not aggregated with the qualified plans considered maintained by the employer.** (There is an exception to this where the participant controls the employer.) The 403(b) plans treated as maintained by the participant are aggregated to determine if the 415 limit applicable to the 403(b) plan are met, but they are not aggregated with the qualified plans considered as maintained by the employer.	catch-up contribution limit is $11,250 instead of $7,500.

Application to Individual Plans

Plan	IRC Section 401(a)(17) Compensation Limit	IRC Section 415 Limit Annual Limit on Contributions or Benefits	457 Limit
Hybrid 401(a) Cash Match Plan	Plan year – 7/1 through 6/30 For example, the year ending June 30, 2024, the compensation limit in effect is the 2023 calendar year limit of $330,000 (or the grandfathered limit of $490,000). (See IRS resources for current limits.)	Limitation Year = Plan Year Paragraph 4.3(e) For example, the limitation year ending June 30, 2024, the annual addition limit in effect is the 2023 calendar year limit of $66,000. (See IRS resources for current limits.)	N/A
Hybrid 457 Deferred Compensation Plan	N/A	N/A	Plan Year – Calendar Year (See IRS resources for current limits.)
Commonwealth of Virginia 457 Deferred Compensation Plan	N/A	N/A	Plan Year – Calendar Year (See Appendix B for current limits.)
Virginia Cash Match Plan – 401(a)	Plan year – 7/1 through 6/30 Paragraph 1.20 For example, for the year ending June 30, 2024, the compensation limit in effect will be the 2023 calendar year limit of $330,000 (or the grandfathered limit of $490,000). (See IRS resources for current limits.)	Limitation Year = Plan Year Paragraph 5.3(e) For example, for the limitation year ending June 30, 2024, the annual addition limit in effect is the 2023 calendar year limit of $66,000. (See IRS resources for current limits.)	N/A