



Distributions

VRS Employer Manual

Individuals or their beneficiaries may become eligible through certain life events to receive distributions from their VRS defined contribution plans. Throughout this chapter, usage of the term “distribution” will refer to the disbursement of contributions and net investment earnings from a VRS Defined Contribution Plan.

Eligible plans include the Hybrid 457 Deferred Compensation Plan (Hybrid 457 Plan), the Hybrid 401(a) Cash Match Plan (Hybrid Cash Match Plan), the Commonwealth of Virginia 457 Deferred Compensation Plan (COV 457 Plan), the Virginia Cash Match Plan, the Virginia Supplemental Retirement Plan and the applicable Optional Retirement Plans (ORPs). Depending on the circumstances, an individual may also be eligible for a refund from their defined benefit plan. See the [Refunds chapter](#) of the Employer Manual for details.

What's New?

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| March 2026 | Web Content Accessibility Guidelines (WCAG) tagging has been updated. |
| December 2025 | The Employer Manual has been updated to comply with WCAG. |
| July 1, 2025 | The Employer Manual has a new style and format. |

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Eligibility

In general, once a participant has separated from eligible employment and has had a break in service of one full calendar month, they are eligible for a distribution. However, some eligibility requirements vary by plan. Participants should refer to the applicable plans for eligibility information.

Hybrid Plan Defined Contribution Accounts

The Hybrid plan defined contribution component is comprised of two accounts: the Hybrid 457 Deferred Compensation Plan (Hybrid 457 Plan) and the Hybrid 401(a) Cash Match Plan (Hybrid Cash Match Plan). An individual may request distributions from one or both plans after terminating covered employment. The full balance of the Hybrid 457 Plan is available for distribution; however, the balance in the Hybrid Cash Match Plan is subject to the Hybrid plan vesting schedule for employer contributions.

In some circumstances, a participant may be eligible for an in-service distribution from the Hybrid 457 Plan while still employed. Specific requirements must be met before a distribution can be approved.



For more information, see the [VRS Hybrid page](#).

Optional Retirement Plans (ORPs)

ORPs include the Optional Retirement Plan for Political Appointees (ORPPA), the Optional Retirement Plan for School Superintendents (ORPSS) and the Optional Retirement Plan for Higher Education (ORPHE). An individual who participates in any ORP may request a distribution after terminating eligible employment.



For more information, see the:

- [ORP for Political Appointees page](#);
- [ORP for School Superintendents page](#);
- [ORP for Higher Education page](#).

COV 457 Plan and Virginia Cash Match Plan

The COV 457 Plan is a voluntary savings plan available to salaried and wage employees who work for state agencies or for political subdivisions and school divisions that offer the plan. Employees who are eligible for the Virginia Cash Match Plan will receive a cash match from their employer. Employee contributions are deposited into the COV 457 Plan while the employer match is deposited into the Virginia Cash Match Plan. A participant may request a distribution from either or both after terminating eligible employment. If the individual returns to work (including on a part-time or wage basis) in a position that is eligible for the plan, they are not eligible for a distribution.

In some circumstances, a participant may be eligible for an in-service distribution while still employed. For the COV 457 Plan and Virginia Cash Match Plan, specific requirements must be met before a distribution can be approved.



For more information, see the:

- [COV 457 Plan page](#);
- [Virginia Cash Match Plan page](#).

Virginia Supplemental Retirement Plan

A school employee enrolled in the Virginia Supplemental Retirement Plan may request a distribution after terminating eligible employment.



For more information, see the [Virginia Supplemental Retirement Plan page](#).

Terminating Employment

Upon terminating employment, the amount available for distribution is determined by the amount of contributions and the net investment earnings. A Hybrid member who terminates employment may also be eligible for a refund of their defined benefit component.

Break in Service

An individual must have a one full calendar month break in service before taking a distribution. The one full calendar month break in service must occur during a period where the employee would normally be working. For teachers and other contract employees, summer breaks or intersession periods do not count toward this break in service. However, if the employer terminates the individual, normal break-in-service rules apply, regardless of whether the individual is on a summer break or intersession.

Membership Implications

VRS benefits and membership are not impacted by taking a distribution from a defined contribution plan. A Hybrid member who takes a distribution from the defined contribution component but does not take a refund from the defined benefit component remains a deferred member.



For more information, see the [Refunds chapter](#) of the Employer Manual.

If the member is ...	and takes a ...	then the member ...
Plan 1 or Plan 2	refund of the MCA (defined benefit)	terminates membership in VRS
Hybrid	refund of the MCA (defined benefit)	terminates membership in VRS
Hybrid	distribution of the defined contribution component	remains in VRS as a deferred member as long as they do not take a refund of the MCA (defined benefit)

Vesting

Individuals are always entitled to their own contributions made to defined contribution accounts.

Vesting is immediate for the Virginia Supplemental Retirement Plan, the COV 457 Plan, Virginia Cash Match Plan and the Hybrid 457 Plan, and all ORPs; after terminating employment, a participant can request disbursement of all funds, including those paid by their employer.

A Hybrid Cash Match Plan participant with fewer than four years of service is subject to vesting and is only eligible to receive a percentage of employer-paid contributions to the defined contribution component. The amount of the withdrawal will depend on the years of service at the time of termination.

The Hybrid Cash Match Plan non-vested money is forfeited back to the employer based on the vesting schedule below. If the member has more than one employer, the forfeited money goes to the last employer's forfeiture account at Voya Financial. The table below reflects the vesting schedule for the defined contribution component for Hybrid Cash Match participants:

Creditable Service	Vesting Schedule	Allowable Withdrawals
1 year	0% vested in the employer contributions	The member forfeits the employer contributions and the net investment earnings on these contributions if taking a distribution;
2 years	50% vested in the employer contributions	The member may be eligible to withdraw 50% of these contributions plus net investment earnings;
3 years	75% vested in the employer contributions	The member may be eligible to withdraw 75% of these contributions plus net investment earnings;
4 or more years	100% vested in the employer contributions	The member may be eligible to withdraw 100% of these contributions plus net investment earnings.

Leaving the Money in the Account

Individuals who terminate employment may choose not to request a distribution but to instead leave the money in their accounts. VRS maintains contact information for individuals who participate in the COV 457 Plan, Virginia Cash Match Plan, Virginia Supplemental Retirement Plan, ORP and in the defined contribution component of the Hybrid plan.

Employers should encourage individuals to keep their contact information current after employment so they can be contacted for any future account maintenance or distribution issues. Individuals who have left employment can continue to use myVRS to update their contact information. Those who have left employment and do not have myVRS access should submit a [Name and Address Declaration for Deferred Members](#) (VRS-3A) to update their contact information, regardless of membership status.

Individuals who choose to leave funds in their accounts can continue to make changes to their investment allocations and may also roll assets from other eligible retirement plans into applicable VRS-sponsored plans. Individuals are required to begin taking minimum distributions from their accounts by April 1 of the calendar year following the latter of:

- The year they reach age 73; or
- The year they separate from the employer who is sponsoring the plan.

An individual who is no longer employed is not allowed to make additional contributions but can continue to access accounts through their [DCP Account](#).

Requesting a Distribution

An individual must wait one full calendar month from their date of separation before they are eligible for a distribution. To request a distribution, participants visit the [DC Plans website](#) and click DCP Account to log in.

Individuals must request distributions separately from each account and may request a distribution from each account as:

- A total or partial lump sum;
- An annuity purchase;
- A periodic payment;
- A partial lump sum with remainder paid as a periodic payment or annuity; or
- A rollover to another qualified plan.



A VRS member who becomes covered by an ORP may transfer their defined benefit funds to an ORP account. For Hybrid members, this initiates a forfeiture of any non-vested employer contributions in the defined contribution component. The member uses the VRS-3ORP to initiate the transfer.

Taxes on Distributions

VRS makes every effort to provide the best information available on the tax status of a distribution, but it is ultimately the individual's responsibility to ensure compliance with all state and federal tax regulations.

For tax details regarding the COV 457 Plan and the Hybrid 457 Plan, read the tax notice for deferred compensation plans before requesting a distribution. For tax details regarding the Virginia Cash Match Plan, Hybrid Cash Match Plan, ORPs and Virginia Supplemental Retirement Plan, read the tax notice for defined contribution plans before requesting a distribution.

These publications provide information about the potential tax consequences of taking a distribution and explain how a distribution may be rolled over to an individual retirement account (IRA) or another qualified plan. Individuals with tax questions should contact the Virginia Department of Taxation or a tax advisor.



Tax notices are available in the [DCP Employer Resource Center](#).

All funds are taxed except the funds on which the individual has already paid taxes, including Roth contributions to the COV 457 Plan. Required taxes are automatically withheld before the distribution is paid.

In addition to state and federal taxes, an individual who receives a distribution from the Virginia Cash Match Plan, Hybrid Cash Match Plan, an ORP or the Virginia Supplemental Retirement Plan may incur an additional 10% tax penalty imposed by the IRS if they are below the distribution age requirements for the plan. Distributions from the Hybrid 457 Plan and COV 457 Plan are not subject to the 10% penalty. If applicable, the individual is responsible for paying the 10% penalty when filing a tax return.

An individual can defer tax withholdings and avoid the 10% penalty if choosing to roll over the taxable contributions and interest directly into a traditional IRA, a Roth IRA (under certain circumstances), 403(b) plan, eligible 457 plan, 401(k) plan, or other qualified plan, as allowed by the *Internal Revenue Code*. The Hybrid 457 Plan, COV 457 Plan, Virginia Cash Match Plan and ORPs accept rollovers and can be used to consolidate assets.



For details, see the [Rollover Options for Distributions](#) section in this chapter.

Taxes on Distributions Paid to a Beneficiary

State and federal taxes apply when the surviving spouse of a deceased individual elects to receive a direct payment of the distribution.



Before electing a direct payment, beneficiaries should contact Voya at 877-327-5261 for details about tax implications.

Rollover Options for Distributions

Upon separation, an individual may elect to roll over their distribution to a traditional IRA, a Roth IRA (under certain circumstances) or to an eligible employer plan that accepts rollovers, including the Hybrid 457 Plan, COV 457 Plan and the Virginia Cash Match Plan. This postpones payment of taxes on the funds until the money is actually paid out. The payment may not be rolled over to a Simple IRA, or a Coverdell Education Savings Account (formerly known as an education IRA).

Individuals should refer to their plan provider for more information about rolling over the funds. An eligible employer plan is not legally required to accept a rollover. An individual who wants to roll over funds to another plan should check with that plan's administrator prior to requesting the rollover. It is the responsibility of the individual to verify that the recipient plan will accept a direct rollover.

Special Circumstances

The following special circumstances may apply. For details about specific circumstances, contact the employer's human resource department or Voya's employer support team.

Payment for Annual Leave

An employer's personnel policy may provide for paying a terminating employee's accumulated annual leave in a lump sum amount or to keep the individual on the payroll until the leave is exhausted. The method of payment selected affects deductions, benefits and the time when a distribution request may be submitted.

Lump-sum annual leave payments can also be deferred to a supplemental savings plan such as the COV 457 Plan, if applicable to that employer. To defer annual leave to the COV 457 Plan, an individual must submit a one-time deferral form, available on the [DC Plans website](#), to their payroll office prior to the cutoff date provided by that office.

If an individual receives a lump-sum payment for the unused leave time, VRS contributions are not deducted and creditable service is not earned. If an individual remains on the payroll until all leave is exhausted, VRS contributions continue to be paid and the individual earns service credit for the unused leave time. An individual is not eligible for a distribution until the employer completes the termination and a one full calendar month break in service has been satisfied.

The lump sum can be used for standard catch-up contributions to the COV 457 Plan.



For catch-up information and an application, visit the [COV 457 Plan page](#).

Disability Retirement

An individual who is approved for disability retirement may request a distribution and/or may continue to manage their VRS-administered DC plan(s) and withdraw funds at a later date.

Payments Procured by Fraud

Any payment to an individual or beneficiary that is later determined to have been procured on the basis of any knowingly false statement or falsification of records may be recovered from the individual or beneficiary by:

- Credit against future payments due the individual or beneficiary;
- Legal action against the individual or beneficiary; or
- Deducting any overpayment of benefits from insurance proceeds.

The individual or beneficiary is given an opportunity to dispute any such proceedings in accordance with provisions of the Administrative Process Act.

Required Minimum Distributions

Participants must begin taking required minimum distributions from their accounts by April 1 of the year following the year they attain age 73 or by April 1 of the year following the year they separated from employment, whichever is later.

Felony Convictions

If a member is convicted of a felony on or after July 1, 2011 and if the employer determines that the felony was associated with the performance of job duties in a VRS-covered position, the employer must report it to VRS using the [Employer Request for Forfeiture of Member Benefits](#) (VRS-180).