Membership

VRS Employer Manual

Membership in the Virginia Retirement System (VRS) is a condition of employment for eligible employees of participating employers. Employees and employers make contributions toward the employee's future retirement.

The employee is a member on the date hired. As of the hire date, the member is covered for Basic Group life insurance and, depending on eligibility, either disability retirement, the Virginia State Disability Program (VSDP) or the Virginia Local Disability Program (VLDP).

If a member's hire date is the first business day of the month, the member receives service credit for that month. If the member's hire date is after the first business day of the month, the member begins receiving service credit the following month.

What's New?

July 1, 2025	• Language involving visas has been clarified. • The Employer Manual has a new style and format.
January 1, 2025	The third-party administrator changed to Voya Financial.
July 1, 2024	Rate information changed to reflect the Hybrid Rate Separation policy.

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Eligibility

Membership in VRS is mandatory for all:

- Full-time permanent, salaried state employees and faculty of Virginia's public colleges and universities. Part-time permanent, salaried state employees also are covered under VRS;
- Full-time permanent, salaried teachers and administrative employees of the state's local public school divisions.[1] These employees include school managers and clerical employees;
- Full-time permanent, salaried employees of VRS-participating political subdivisions, such as cities, counties, towns, authorities and commissions; this includes full-time employees of the VRS-participating local public school divisions who are not classified as teachers or administrative personnel.

The employee's position cannot be temporary, seasonal or provisional in nature. However, part-time, permanent salaried employees of agencies of the Commonwealth of Virginia, including part-time salaried teaching, research and professional faculty of Virginia institutions of higher education, are also eligible for VRS membership.[2]

NOTE

Employers should consult their human resource office or legal counsel to determine whether specific visa-holding non-U.S. residents should be reported to VRS as an eligible employee for benefits, such as retirement or group life insurance.

VRS provides guidelines for employers as to what constitutes an eligible position for retirement purposes. Employers, not VRS, classify positions as full-time or part-time and define the hours applicable to each classification.

VRS requires that retirement eligibility be uniformly applied to all employees within a job classification working the same number of hours. However, VRS has established guidelines to aid employers in determining whether an employee is full-time.

- Forty hours is considered to be a normal workweek for full-time employment; the suggested minimum is 30 hours.
- Full-time permanent employees receive fringe benefits such as annual leave, sick leave, life insurance and retirement;
- VRS-participating employers that define full-time or part-time positions must apply the definitions consistently to all employees and maintain documentation regarding their classifications.

Part-time positions typically require 80% or less of the hours of comparable full-time permanent positions. Some full-time positions may be considered non-covered if they are temporary and require 80% or less of the hours per year that would be considered full-time and permanent for that position.

- Part-time employment is generally considered to be no more than 80% of full-time employment; positions requiring less than 30 hours per week; or positions requiring less than 1,500 hours per year;
- Part-time employment can be temporary work that has a definite start and end date and generally lasts less than 12 months, such as interim or acting positions or work that requires specific services for the duration of a project;
- Part-time employees are paid on a wage or hourly basis and do not receive fringe benefits.

The determination of whether an employee is eligible for VRS benefits is separate from whether the employee must be provided health care coverage under the Affordable Care Act.

1 VRS members reported on leave-without-pay status while working for an education association are included in this category.

2 Adjunct faculty are not eligible.

Exceptions to Mandatory Membership

In the following circumstances, there are exceptions to mandatory membership:

Exceptions
An employee of a political subdivision or school board may elect to join or reject membership at the time their employer first joins VRS, regardless of age. However, an employee hired after the employer has joined VRS cannot reject membership. If an employee rejected membership and terminated employment then later returns to a covered position with that employer, they must join VRS.
An employee of a non-participating political subdivision who is promoted to a position that meets the statutory definition of "teacher" may elect to reject VRS membership in favor of the local plan within 60 days of the promotion and with the consent of the employer.
An employee of a non-participating political subdivision who has been elected to a position as a constitutional officer is no longer eligible for membership in the local system. If the individual has accumulated more than half of the total service credit necessary for a normal retirement benefit, they may reject VRS membership in favor of the local system with their employer's consent.
Qualified employees of Virginia's public colleges and universities have the option to participate in the VRS Optional Retirement Plan for Higher Education (ORPHE), rather than VRS Plan 1, VRS Plan 2 or the Hybrid plan. Employees who elect the ORPHE plan will also choose an investment provider. Employees have 60 days from their hire date to elect ORPHE; otherwise, they become members of the applicable VRS plan. The plan election is irrevocable. An ORPHE participant with a VRS member contribution account (MCA) may transfer VRS contributions to an ORPHE account.
Certain elected officials and political appointees may elect coverage in the Optional Retirement Plan for Political Appointees (ORPPA), if eligible, within 30 days of being notified by VRS of their eligibility.[3] The plan election is irrevocable unless there is a break in service or the employee moves to a position not eligible for the ORPPA. An ORPPA participant who moves to a VRS-only eligible position with the Commonwealth with no break in service may use the ORPPA account to purchase VRS service credit for the period of time the participant was covered by the ORPPA. An ORPPA participant with a VRS MCA may transfer VRS contributions to an ORPPA account.
Newly hired school superintendents in school divisions that have adopted the Optional Retirement Plan for School Superintendents (ORPSS) may elect coverage in that plan. The eligible superintendent must execute the ORPSS election within 30 days of being notified by VRS of their eligibility. The plan election is irrevocable unless the superintendent moves to another school division, to a position eligible for the ORPHE or ORPPA or to a VRS-only eligible position. An ORPSS participant with a VRS MCA may transfer VRS contributions to an ORPSS account.
Certain state employees who are eligible to participate in the Federal Employees' Retirement System (FERS) may reject VRS membership.
Employees of UVA Health hired on or after July 1, 2003 who are members of VRS may elect coverage in a plan administered by the medical center within 60 days of employment. Electing to participate in UVA Health's plan is irrevocable. An employee is automatically covered by the UVA Health if they do not elect the VRS defined benefit plan within 60 days of employment.

Continued on the next page.

3 Political appointees eligible to participate in an ORP include employees designated in subsection 3, 4 and 20 of *Code of Virginia* § 2.2-2905 and officers and employees appointed by the attorney general or lieutenant governor designated as deputy, counsel or director.

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Exceptions
Employees of the Virginia Port Authority hired on or after August 1, 1998, participate in the plan administered by the Authority. Employees in the plan are not covered by the VRS group life insurance program or health credit program and do not participate in the Virginia Sickness and Disability Program (VSDP).
Employees of the Virginia Outdoors Foundation are covered by the plan administered for retirement by the foundation. Employees are covered by the VRS group life insurance program and health credit program, but do not participate in the VSDP.

In addition, part-time (except those noted previously), temporary or provisional employees, college and university adjunct faculty and independent contractors are ineligible for VRS membership. Membership is also not available to representatives serving on school boards, boards of supervisors, city councils or town councils.

Retirees Who Return to Work

Retired VRS Plan 1, Plan 2 and Hybrid Retirement Plan members who subsequently return to work full-time in a critical shortage area as a teacher, principal, assistant principal, specialized student support personnel or as a bus driver should be reported to VRS using the appropriate form: Certification of Eligibility for Critical Shortage Teachers and Administrators (VRS-160) or Certification of Eligibility for Critical Shortage Bus Drivers (VRS-160D) or Certification of Eligibility for Critical Shortage Specialized Student Support Positions (VRS-160S).[4] Retired law enforcement officers who return to work as retiree school security officers should be reported to VRS using the Certification of Eligibility for Retiree School Security Officers (VRS-160C).

All forms are located on the Forms page of the VRS employer website. See the Service Retirement chapter of the Employer Manual for more information.

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).

The member will forfeit eligibility for all VRS benefits, such as retirement, life insurance, retiree health insurance (for state employees), health insurance credit, eligibility for VSDP or the Virginia Local Disability Program (VLDP) and long-term care. If the member is convicted after benefits begin, the benefits will stop.

The member will be eligible for a full or partial refund of employee contributions and interest based on vesting requirements for refunds, as detailed in the Refunds chapter of the Employer Manual. If the member returns to a covered position at a later date, the service lost as a result of the felony action cannot be purchased.

4 Members of the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS) and the Judicial Retirement System (JRS) are not eligible for critical shortage provisions.

Plan Provisions

An employee hired in a VRS-covered position is eligible for benefits based on plan provisions. The plan provisions are generally based on the employee's hire date and years of service.

Plan 1

Members are covered under Plan 1 if they have a membership date prior to July 1, 2010 and were vested before January 1, 2013, and have not taken a refund. Members are covered under Optional Retirement Plan (ORP) Plan 1 if they have an ORP membership date before July 1, 2010, and maintain an account balance.

Members who have a pre-July 1, 2010 ORP account balance and move to a defined benefit plan become Plan 1 members if they have any combination of VRS creditable service and/or ORP participation that totals five years as of January 1, 2013.

Hybrid Plan

Members are covered under the Hybrid plan if their membership date is on or after January 1, 2014. This includes judges elected or appointed to an original term on or after January 1, 2014, regardless of whether vested to VRS Plan 1 or Plan 2. Some members are not eligible to participate in the Hybrid plan:

- SPORS members;
- VaLORS members;
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees and the hazardous duty alternate option.

Members hired on or after January 1, 2014 who are eligible for an ORP must elect either the ORP or the VRS Hybrid plan. If these members have prior service under VRS Plan 1 or Plan 2, they are not eligible to elect the Hybrid plan and will choose between the ORP and the applicable VRS defined benefit plan.

NOTE

Plan 1 and Plan 2 state, school division and political subdivision employees had the opportunity to make an irrevocable decision to elect the Hybrid plan during an election period held January 1 to April 30, 2014. If elected, participation in the Hybrid plan began on July 1, 2014.

Plan 2

Members are covered under Plan 2 if they have a membership date from July 1, 2010 to December 31, 2013 and have not taken a refund. Additionally, members are covered under Plan 2 if they have a membership date prior to July 1, 2010 but were not vested before January 1, 2013. Members are covered under ORP Plan 2 if they have an ORP membership date after July 1, 2010 and maintain an account balance.

Members who are covered under the Virginia Law Officers' Retirement System (VaLORS), State Police Officers' Retirement System (SPORS), with enhanced hazardous duty benefits or the Hazardous Duty Alternate Option and who were hired on or after July 1, 2010 are in Plan 2, even if their membership date is after December 31, 2013.

Employer-Sponsored Hybrid 403(b) Option for School Divisions

School divisions may elect annually to offer an employer-sponsored Hybrid 403(b) option for their Hybrid employees.

If the employer-sponsored Hybrid 403(b) option is elected, the employer must provide employees with an annual election window of November 1-30 to make voluntary contributions to the employer-sponsored plan or to the Hybrid 457 Deferred Compensation Plan (Hybrid 457 Plan) administered by VRS.

If no election is made, the employee may continue or begin to make voluntary contributions to the Hybrid 457 Plan. School divisions should contact their employer relationship manager to request a resolution packet.

Deferred Members

A member who separates from a covered position and does not withdraw defined benefit (DB) retirement contributions from their MCA is in a deferred status. When the member leaves employment, the employer must separate them in myVRS Navigator.

A Plan 1 member who defers retirement (does not take a refund) and later returns to covered employment will be rehired under Plan 1 and covered under the defined benefit plan that is applicable to their position (VRS, VaLORS or SPORS).

A Plan 2 member who defers retirement and later returns to covered employment will be rehired under Plan 2 and covered under the defined benefit plan that is applicable to their position. However, a Plan 1 or Plan 2 member who leaves covered employment and takes a refund will be rehired under the currently applicable retirement plan for that position (for rehire dates on or after January 1, 2014).

A member who was placed in Plan 2 instead of Hybrid due to being covered by hazardous duty provisions, and who defers retirement and is later rehired into a non-hazardous duty position, will become a Hybrid member.

NOTE

A member appointed to a judicial position (JRS) on or after January 1, 2014, is covered under the Hybrid plan, even if they have previous Plan 1 or Plan 2 service.

Contribution Overview

Both employee and employer contributions must be submitted based on the employee's creditable compensation and the effective employee and employer rates. Creditable compensation is an employee's full salary, payable annually, not including:

- Overtime, extraordinary or bonus pay;
- Housing, travel, vehicle or cell phone allowances;
- Termination pay or annual or sick leave;
- Non-permanent shift differentials;
- Payment of a temporary nature;
- Payments for extra duties, such as pay for teachers who provide coaching or who act as advisors for special activities.

For Plan 1 and Plan 2 VRS members, all contributions are paid to the DB plan. These contributions are invested by VRS and are used to fund benefit payments in retirement. For Hybrid members, contributions are paid to both the DB and defined contribution (DC) components.

The DC component of the VRS Hybrid plan is based on contributions and net investment returns on contributions. Members manage the investments and related risk for the DC component to build on the retirement benefit provided by the DB component.

For more information regarding creditable compensation, see the Enroll and Maintain Employees chapter of the Employer Manual or the Creditable Compensation job aid and checklist on the employer website.

For information regarding ORP contributions, refer to the appropriate *Choosing Your Retirement Plan* guide from the Publications page of the VRS website.

Employee Contributions

The employee contribution is specified in the *Code of Virginia* for each plan – Plan 1, Plan 2 and the Hybrid plan.

Plan 1 and Plan 2 Employee Contributions

Plan 1 and Plan 2 members (excluding Plan 1 state elected officials and judges) are required to pay employee contributions in the amount of 5% of their creditable compensation each month on a pre-tax salary reduction basis.

Plan 1 or Plan 2 employee contributions are placed in the MCA and accrue interest at a rate of 4% per year, compounded annually on June 30. Interest is earned on balances that have been in the system for at least 12 months. Because retirement benefits are based on a formula, the amount of retirement contributions and interest in an MCA does not affect the value of the retirement benefit.

Hybrid Employee Contributions

A Hybrid member contributes to both the DB and DC components of the Hybrid plan. The member manages the investment of all contributions to the DC component. The maximum amount a Hybrid member can contribute is 9%, which includes:

- **Mandatory 4%**: The member must contribute 4% of creditable compensation per month to the DB component (this is placed in their MCA);
- **Mandatory 1%**: The member must contribute 1% of creditable compensation to the DC component each pay period (this goes to the Hybrid 401(a) Cash Match Plan).
- **Voluntary contribution**: The member may voluntarily contribute up to an additional 4% of creditable compensation each pay period, in 0.5% increments to the DC component. The employee's voluntary contributions go to the Hybrid 457 Plan.[5] Voluntary contributions are not set up automatically for new employees.

See the DC Employer Contributions section of this chapter for information on employer matches to the mandatory and voluntary contributions.

Voluntary contribution elections are made through Voya Financial and are effective monthly. Elections must be made by 4 p.m. on the last business day of the month to be effective the following month. The employee can start, stop, increase or decrease voluntary contributions at any time. However, the most recent change made at the time of the deadline is the one that will be effective for the following month.

Voya will inform VRS of voluntary contribution changes made by the member. For Cardinal Human Capital Management (HCM) reporters, this information is provided electronically to Cardinal HCM, which is managed by the Department of Accounts (DOA). Political subdivision, school division and decentralized state employers will receive quarterly email reminders to log into Sponsor Web, Voya's online system, to retrieve their Deferral Changes report.

For instructions on retrieving the Deferral Changes report, see the Sponsor Web User Guide.

5 School division employees who participate in their employer-sponsored Hybrid 403(b) make voluntary contributions to that plan. The associated employer match is also made to the employer-sponsored plan.

Auto-Escalation for Hybrid Employees

A member who is not contributing the full 4% voluntary contribution to the DC component will have the contribution rate automatically increased by 0.5% on set dates every three years until the contribution rate reaches 4%. The most recent auto-escalation date was January 1, 2023; the next date is January 1, 2026.

A Hybrid member may opt out of auto-escalation but must do so every three years during the opt-out window.

EXAMPLE

A Hybrid member was hired on August 1, 2015 and began voluntarily contributing 2% to the DC component. The member did not opt out of auto-escalation so on January 1, 2017, the voluntary contribution increased to 2.5%. The next auto-escalation date was January 1, 2020 and the member did not opt out so their voluntary contribution increased to 3%. The member still did not opt out on January 1, 2023, so their rate increased to 3.5%. If the member does not opt out of the next auto-escalation, then on January 1, 2026, the voluntary contribution will increase to the maximum 4.0% and will not increase further.

Employers do not need to calculate the increase or track deferral changes and opt-outs, which will be done by Voya. At the end of the opt-out period, all employers will follow the normal process for making deferral changes. Decentralized state agencies, school divisions and political subdivisions should download the Deferral Changes report via Sponsor Web to see the new deferral amounts and process payroll changes ahead of January. State agencies using Cardinal HCM will follow the normal payroll certification process.

Employers should ensure that the associated employer match is also set up in payroll and should reconcile all voluntary contribution amounts and the associated employer match amounts within their payroll.

For instructions on retrieving the Deferral Changes report, see the Sponsor Web User Guide.

Employer Contributions

The DB plan and DC plan are administered as separate plans; contributions are calculated differently and employers must make separate contributions for each.

DB Employer Contributions

The VRS plan actuary calculates a fixed DB contribution rate every two years for Plan 1, Plan 2 and the DB component of the Hybrid plan. The DB rate is calculated based on DB activity only, including future liabilities and expected benefits. To find the current rate for each employer population, see the Contribution Rates page on the VRS employer website. Political subdivision and school board employers can download rate letters directly from myVRS Navigator.

Each month, employers remit DB contributions to VRS based on the actuarially determined amount. These DB contributions go into the employer's retirement allowance account (RAA) and are invested, along with employee contributions, to provide retirement benefits. VRS manages the investment and related risk for all DB contributions (Plan 1, Plan 2 and the DB component of the Hybrid plan).

DC Employer Contributions

Employers also pay contributions for the DC component of the Hybrid plan. DC funds are sent to Voya and are made up of mandatory contributions plus the employer match to employee voluntary contributions. Contributions are remitted with each paycheck. Employment status changes (e.g., mid-month salary updates, enrollments and separations) are reflected immediately.

Contributions are submitted with each payroll cycle regardless of the length of an employee's contract.

EXAMPLE

A teacher on a 10-month contract paid over 12 months has defined contribution deductions withheld in summer months.

All employer contributions to the DC component are directed to the Hybrid Cash Match Plan. Contributions are broken down as follows:

- **Mandatory 1%**: The employer must contribute 1% of each Hybrid member's creditable compensation;
- **Employer match on employee voluntary contributions**:
    - ◊ **Match on first 1%**: The employer must match the first voluntary contribution completely. If the Hybrid member makes a voluntary contribution of 1% to the defined contribution component, the employer must match that 1%. However, if the member contributes 0.5%, the employer must match the 0.5%. Later, if the member decides to contribute another 0.5%, the employer must also match that amount;
    - ◊ **Match on remaining voluntary contributions**: For every additional 0.5% the Hybrid member contributes, the employer must match 0.25%. The maximum match is 2.5% for a member who has elected the maximum voluntary contributions of 4%. The employer's total contribution for the defined contribution component is 3.5%, which includes the 1% employer mandatory contribution;
    - ◊ **Employer-sponsored 403(b) option for school divisions**: If the employee elects the employer-sponsored Hybrid 403(b) for voluntary contributions, the employer will contribute the corresponding employer match to an employer-sponsored Hybrid 403(b) or 401(a) plan.

The employer is responsible for calculating the employer match on voluntary contributions in the organization's payroll system. The following chart demonstrates the employer match for the different employee contribution amounts.

Hybrid Contributions for DC Component					
Member mandatory DC	**Employer mandatory DC**	**Member voluntary DC**	**Employer DC match**	**Total member DC *(mandatory plus voluntary)***	**Total employer DC *(mandatory plus match)***
1.0%	1.0%	0	0	1.0%	1.0%
1.0%	1.0%	0.5%	0.5%	1.5%	1.5%
1.0%	1.0%	1.0%	1.0%	2.0%	2.0%
1.0%	1.0%	1.5%	1.25%	2.5%	2.25%
1.0%	1.0%	2.0%	1.5%	3.0%	2.5%
1.0%	1.0%	2.5%	1.75%	3.5%	2.75%
1.0%	1.0%	3.0%	2.0%	4.0%	3.0%
1.0%	1.0%	3.5%	2.25%	4.5%	3.25%
1.0%	1.0%	4.0%	2.5%	5.0%	3.50%

Taxability of the Contributions

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

	Applicable IRS Code Section - Employee Deferral	Federal & State Income[6] Tax Taxable	FICA & Medicare Taxable	W-2 Reportable[7]
DB component (Plan 1, Plan 2 and Hybrid)				
Member:	414(h)	No	Yes	Optional Box 14[8]
Employer:	N/A	No	No	No
DC component (Hybrid)				
Member:				
• Mandatory contributions to the Hybrid Cash Match Plan	414(h)	No	Yes	Optional Box 14[9]
• Voluntary contributions to the Hybrid 457 Plan	457(b)	No	Yes	Box 12 Code G[10]
Employer:				
• Mandatory contributions to the Hybrid Cash Match Plan	N/A	No	No	No
• Match contributions to the Hybrid Cash Match Plan	N/A	No	No	No

6 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.

7 See the IRS-issued Instructions for Forms W-2 and W-3 for additional information.

8 See the IRS-issued Instructions for Forms W-2 and W-3 for additional information.

9 The Internal Revenue Service (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.

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

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Vesting

To be eligible for the retirement plan's benefits, the member must earn a minimum amount of creditable service.

Plan 1 and Plan 2 Vesting

Vesting occurs when a member has at least five years of creditable service. If vested, an employee is eligible to receive a monthly retirement benefit once they reach age and service requirements.

Hybrid Plan Vesting

A Hybrid member becomes vested in the DB component after accumulating five years of creditable service. If vested to the DB component, a Hybrid member is eligible to receive a monthly retirement benefit after reaching age and service requirements.

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. Upon retiring or leaving covered employment, the employee may be eligible to withdraw a percentage of employer contributions.

The amount of employer contributions the employee can withdraw is based on the years of service in the plan. See the chart at right.

Vesting Requirements for the Hybrid Plan	
DB Component	**DC Component**
5 years creditable service	4 years creditable service[11] • 1 year – 0% • 2 years – 50% • 3 years – 75% • 4 years – 100%

Forfeiture

If a Plan 1 or Plan 2 employee is not vested, any employer-paid member contributions made after July 1, 2010 will be forfeited back to the employer who made the contributions.

See the Refunds chapter and the Distributions chapter of the Employer Manual for information about the money that an employee is eligible to receive when terminating employment and choosing to take a refund and/or distribution.

Hybrid members who are not 100% vested in the employer contributions portion of the DC component forfeit non-vested funds back to the employer when they:

- Request a distribution from the Hybrid Cash Match Plan;
- Request a refund of the MCA under the DB component of the Hybrid plan;
- Die.

When a forfeiture occurs for non-vested DC funds, the member's last employer will receive the forfeited employer contributions. If a member requests a distribution of the Hybrid 457 Plan, no forfeiture occurs since the plan only includes employee funds.

11 Applies to employer contributions only. Members are entitled to their own contributions regardless of vesting.

Borrowing

An employee may not borrow from the defined benefit plan, the Hybrid 457 Plan or the Hybrid Cash Match Plan. The employee can only access the balance through a refund or distribution when separating from covered employment. The employer's DB contribution is not credited to any specific employee's account, but is placed in the employer's RAA, which is not refundable to the employee.

Deferred Compensation and Cash Match

The Commonwealth of Virginia 457 Deferred Compensation Plan (COV 457 Plan) is a supplemental plan to the VRS defined benefit plan, Hybrid plan and optional retirement plans. The COV 457 Plan allows employees to defer income taxes on their savings until the money is withdrawn, with the exception of Roth contributions, which are made on an after-tax basis and may be withdrawn tax-free.

The COV 457 Plan covers employees of state agencies. Political subdivisions and public school divisions may adopt the COV 457 Plan and can determine which of their employees are eligible to participate at the time of adoption. Unless specified otherwise, all employees are eligible to participate, including wage or other non-benefitted employees.

For more information about the COV 457 Plan, visit the 457 Plan page on the VRS website.

The Virginia Cash Match Plan is an employer-paid cash match program for qualified employees who are making regular contributions to the COV 457 Plan. The Virginia Cash Match Plan is available to all salaried state employees who contribute to the COV 457 Plan, as well as to salaried employees of political subdivisions and school divisions that have adopted the Cash Match Plan and who are making regular contributions to the COV 457 Plan.

A Hybrid member is not eligible for a match in the Virginia Cash Match Plan unless making the maximum 4% voluntary contribution to the Hybrid 457 Plan.

Employee Enrollment

The employer should enroll a new employee in myVRS Navigator on or before the scheduled start date so Voya can establish the employee's account. The eligible employee signs up by logging into their DCP Account and then electing a deferral amount (per pay period) through Voya online or by phone. A wage employee who wants to participate in the COV 457 Plan must submit the Wage Participant Enrollment Form to Voya.

Automatic Enrollment

Salaried state employees in Plan 1 and Plan 2 are automatically enrolled in the COV 457 Plan. Political subdivisions and school divisions that participate in the COV 457 Plan can elect to have new employees automatically enrolled in the plan upon employment or re-employment. However, Hybrid members are not eligible for automatic enrollment.

Each semi-monthly pay period, $20 is automatically deducted from the employee's pay on a pre-tax basis and the employer cash match for these contributions is $10 per pay period.

A new or rehired salaried state employee is not automatically enrolled if one of the following conditions apply:

- The employee self-enrolls;
- The employee begins making continuous contributions to a 403(b) plan provided by the employer prior to the date the employee is due to be automatically enrolled;
- The employee opts out of participation using the methods prescribed by VRS;
- The employee is covered by the Hybrid plan.

If the employee chooses to contribute more to the 457 Plan, the maximum cash match available is $20 per pay period.

A new hire or rehire has 90 days from the date of employment to opt out of the COV 457 Plan by following the online or telephone instructions provided by Voya. An employee may also withdraw from the COV 457 Plan within 90 days of the first automatic contribution posting to the account and may request to have the deferral(s) refunded as an Eligible Automatic Contribution Arrangement (EACA) distribution. The cash match is then forfeited.

Deferral Changes

To change both the pre-tax and Roth after-tax deferral amounts, an employee can log into their DCP Account. Federal regulations require that any change is effective no earlier than the first pay date of the following month. For political subdivisions and school divisions and decentralized state agencies, Voya sends a reminder email at the beginning of each month to prompt the employer to pull the Deferral Changes report from Sponsor Web.

For instructions on retrieving the Deferral Changes report, see the Sponsor Web User Guide. DOA provides a report to Cardinal HCM employers.

Contribution Limits

The IRS announces the allowable contribution limits on an annual basis, which apply to both pre-tax and Roth after-tax contributions. Current contribution limits are available on the DCP page of the VRS website. Select the appropriate plan to view its IRS contribution limits.

Employers should monitor the limits for the Hybrid 457 Plan and the COV 457 Plan using the Contribution Limit report provided in Sponsor Web. Although these are two separate plans, the combined deductions of both plans cannot exceed the annual contribution limit.

Catch-Up Provisions

The Age 50+ Catch-Up Provision allows an employee who reaches age 50 or older in the current calendar year to contribute an additional amount to the COV 457 Plan. Since the provision is based on the employee's date of birth, there is no application process.

The employee should adjust the per-pay-period deferral amount to contribute additional catch-up funds. Catch-up contribution limits are available in the How To Contribute section on 457 Plan page of the VRS website. These limits apply to both pre-tax and Roth after-tax contributions.

The Standard Catch-Up (SCU) Provision allows an employee to catch up contributions to the COV 457 Plan for any year in which the employee was eligible to contribute but did not reach the contribution limit. An employee may contribute twice the annual IRS contribution limit or the regular IRS contribution limit plus the SCU credit, whichever is less. The SCU credit is the amount an employee was eligible to contribute but did not contribute in previous years.

The SCU cannot be used concurrently with the Age 50+ Catch-Up Provision limit. The SCU is available only during the three consecutive calendar years prior to the calendar year in which the employee has reached the selected SCU normal retirement age. The SCU normal retirement age selected can be no earlier than the age at which the employee is first eligible for an unreduced retirement benefit. The member and employer must complete the Standard Catch-Up Application and submit it to VRS.