DCP
Virginia Retirement System

2026 NAGDCA Leadership Award
Plan Design & Administration

Auto-Escalation

in the VRS Hybrid 457 Deferred Compensation Plan

Plan Profile

The Virginia Retirement System (VRS) delivers retirement and other benefits to covered Virginia public sector employees.

VRS ranks as the 15th largest public or private pension fund in the U.S. and the 36th largest in the world, serving more than 861,000 active and inactive members and retirees across more than 800 employers. Members include public school teachers, political subdivision employees (cities, towns, special authorities and commissions), state agency employees, public college and university personnel, state police, Virginia law officers and the judiciary.

Background Information

Most full-time, salaried employees hired after January 1, 2014, are eligible for the VRS Hybrid Retirement Plan. The hybrid plan combines elements of a traditional defined benefit (DB) pension plan and a defined contribution (DC) plan.

Members contribute a mandatory 4% of creditable compensation each month to their defined benefit member contribution account on a pre-tax basis. Employers make a separate contribution to the defined benefit component based on the payroll of all covered employees.

The DC component is funded through both employee and employer contributions with a mandatory 1% employee contribution and a corresponding 1% employer contribution.

In addition, members can make voluntary contributions to the Hybrid 457 Deferred Compensation Plan, up to 4% of their creditable compensation. By making voluntary contributions, members will also receive additional employer-matching contributions.

On January 1, 2026, the Hybrid Retirement Plan's auto-escalation feature increased member contributions by 0.5% to the Hybrid 457 Deferred Compensation Plan for those not already saving the maximum 4% voluntary contribution or participating in SmartStep, a feature that automatically increases member's contributions at an amount and time of their choosing. This automatic escalation occurs every three years until members reach the maximum 4% voluntary contribution, which qualifies them for the full 2.5% employer match. Members can accept the increase by taking no action or opt out during an election window.

Goals

Automatic contribution increases help put our members on a better path to retirement security by giving them the opportunity to increase their retirement income. Increased member contributions also mean increased employer-matching contributions, further improving retirement outcomes. Success was measured by increased retirement savings rates and the percentage of members who did not opt out of the default increase.

Commentary

We are pleased with the results achieved during this year's round of auto-escalation. A low percentage of members opted out of the increase, and more are on an improved path to retirement security.

Kelly Hiers
DC Plans Administrator, Virginia Retirement System

Project Description

The auto escalation project included a coordinated communications outreach campaign designed to support employers and inform members, ensuring both groups received timely, consistent information.

Coordinating with employers was extremely important as they had to download a Deferral Change Report and implement the deduction changes in their payroll systems before the first payroll in January 2026.

Early communications established awareness and set expectations. These were followed by communications to reinforce understanding of key moments and expanded as the election period approached to support participant action.

The outreach campaign used an empowerment theme of "Boost Your Savings, Your Way" that emphasized choice and momentum in financial planning. The visuals conveyed fun, confidence, progress and self-direction, reinforcing the message that members can actively shape their savings strategy in a way that fits their own goals.

Communications Timeline

July	Employer Update (newsletter)
August	Member News (newsletter)
October	Auto-Escalation Flyer
October	DC Plan Newsletter Article
October	Account Statement Messaging
October	Employer Job Aid
October	Employer Website Banner
October	Employee Website Banner and Dedicated Auto-Escalation Section
October **November** **December**	Employer Emails
November	Auto-Escalation Mailing
November **December**	Post-Login Website Messaging
December	Auto-Escalation Email

Results

We are encouraged by the results since the auto-escalation defaults were implemented on January 1, 2026, and the vast majority of members increased their savings.

Opted out of escalation
2,012
(1.33%)

Accepted default escalation
709
(0.47%)

Opted to increase/ decrease/SmartStep
2,247
(1.49%)

Default escalated
143,804
(94.40%)

Mailer November 11, 2025
147,614

Email December 1, 2025
23,521

Unique open rate: **41.4%**
Unique click rate: **8.3%**

Feasibility of Use

Any recordkeeper should be able to facilitate the rollout of auto-escalation and assist with communicating the changes to employees.

Communication Samples

Website Banners

Auto-Escalation Flyer

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Boost Your Savings, Your Way

Auto-Escalation for Hybrid Retirement Plan Members

If you're not already maximizing your defined contribution plan savings or participating in SmartStep, your contributions will automatically increase 0.5% on January 1, 2026, to help you reach your retirement goals.

Every three years, your contribution amount is automatically increased until your contributions reach a maximum of 4% on a before-tax basis.

The sooner you boost your savings to the maximum of 4%, the sooner you'll receive the full employer match of 2.5%.

If you don't want to wait or would like to schedule contribution increases to happen at a time of your choosing, you can use SmartStep to set the amount and the frequency of your automatic contribution increase to quarterly, semi-annually or annually.

To get started:

1. Visit **dcp.varetire.org/login** to log in to your account.
2. Select Accounts on top menu bar and choose your Hybrid Deferred Compensation Plan account.
3. Go to Contributions & Savings tab > Manage Contributions.
4. Change the amount of your contribution or choose Set Up Now to set up your SmartStep.
5. Follow the prompts to establish your desired rate of increase, confirm your election and submit.

If auto-escalation applies to you and you don't want your contribution to increase, you can opt out by logging into your account at **dcp.varetire.org/login** starting December 1, 2025 through December 31, 2025 at 4 p.m. ET. The timeframe to make an election is shorter than in previous years.

Need help?

If you need assistance, call **877–327–5261** Monday through Friday 8 a.m. to 9 p.m. ET to speak with a representative.

You may also connect with your local DC Plans Education Specialists[1] for your region by scheduling a meeting that works best for you at **dcp.varetire.org/education/dc-plans-specialists** or by calling the VRS Defined Contribution Plans Service Center at **877–327–5261**.

[1]Information from registered Plan Service Representatives is for educational purposes only and is not legal, tax or investment advice. Local Plan Service Representatives are registered representatives of Voya Financial Advisors, Inc., member SIPC. Plan administrative services are provided by Voya Institutional Plan Services, LLC (VIPS). VIPS is a member of the Voya® family of companies.

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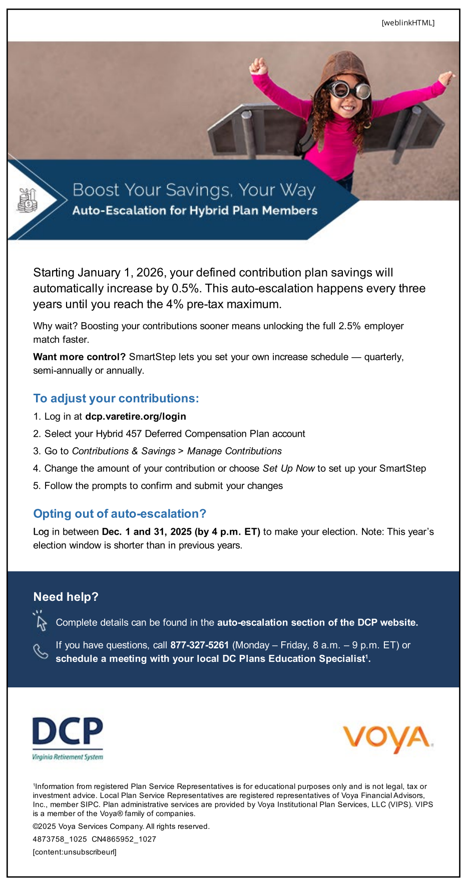
Auto-Escalation Email



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Boost Your Savings, Your Way

Auto-Escalation for Hybrid Plan Members

Starting January 1, 2026, your defined contribution plan savings will automatically increase by 0.5%. This auto-escalation happens every three years until you reach the 4% pre-tax maximum.

Why wait? Boosting your contributions sooner means unlocking the full 2.5% employer match faster.

Want more control? SmartStep lets you set your own increase schedule — quarterly, semi-annually or annually.

To adjust your contributions:

1. Log in at **dcp.varetire.org/login**
2. Select your Hybrid 457 Deferred Compensation Plan account
3. Go to *Contributions & Savings* > *Manage Contributions*
4. Change the amount of your contribution or choose *Set Up Now* to set up your SmartStep
5. Follow the prompts to confirm and submit your changes

Opting out of auto-escalation?

Log in between **Dec. 1 and 31, 2025 (by 4 p.m. ET)** to make your election. Note: This year's election window is shorter than in previous years.

Need help?

Complete details can be found in the **auto-escalation section of the DCP website.**

If you have questions, call **877-327-5261** (Monday – Friday, 8 a.m. – 9 p.m. ET) or **schedule a meeting with your local DC Plans Education Specialist[1].**

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VOYA

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Communication Samples

Auto-Escalation Cover Letter

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Dear VRS Hybrid Retirement Plan Member,

As part of our ongoing commitment to helping you reach your retirement goals, your VRS Hybrid 457 Deferred Compensation Plan savings will automatically increase by 0.5% on January 1, 2026. This automatic increase will occur every three years until your contributions reach the 4% pre-tax maximum, which qualifies you for the full 2.5% employer match.

You don't have to wait to start getting the full employer match. If you boost your Hybrid 457 Deferred Compensation Plan contributions to 4%, you'll begin to receive the full employer match sooner.

You may also customize your contribution increases using SmartStep, which allows you to set your own schedule—quarterly, semi-annually or annually. You can adjust your settings by logging into your account at **dcp.varetire.org/login** and navigating to the "*Manage Contributions*" section under your Hybrid 457 Deferred Compensation Plan.

See the enclosed Hybrid Contributions Illustration for details on how you and your employer contribute to your retirement security.

If you wish to opt out of auto-escalation, you may do so between December 1 and December 31, 2025, by logging into your account at **dcp.varetire.org/login**. The timeframe to make an election is shorter than in previous years.

For full auto-escalation details, review the Auto-Escalation Guide at **dcp.varetire.org/pdf/vrs-dcp-auto-escalation.pdf**.

For assistance, please contact the VRS Defined Contribution Plans Service Center at **877-327-5261** or schedule a meeting with your local DC Plans Education Specialist* at **dcp.varetire.org/education/dc-plans-specialists**.

Sincerely,

Virginia Retirement System

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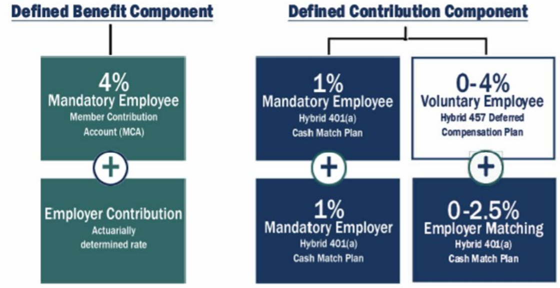
Hybrid Contributions Illustration

How Do Hybrid Retirement Plan Contributions Work?



Provides a lifetime monthly benefit based on a formula.

Employee contributions are placed in the Member Contribution Account and are used to help fund the monthly retirement benefit. The employer makes a separate contribution to VRS for all covered employees (not individuals).

VRS invests these contributions to provide monthly retirement benefits for all eligible members.

Contact VRS
varetire.org
888-827-3847
varetire.org /contact

Provides a balance to draw from in retirement based on contributions and investment performance.

All mandatory contributions, along with any employer matching contributions are placed into the Hybrid 401(a) Cash Match Plan.

All voluntary contributions are placed in the Hybrid 457 Deferred Compensation Plan, which also can accept rollovers from other qualified savings plans.

Employee manages the investments and related risk for the defined contribution component of the hybrid plan.

Contact Voya
dcp.varetire.org
877-327-5261
dcp.varetire.org/contact

02-25

Auto-Escalation Newsletter Article

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Focusing
On Your Hybrid Retirement Plan

January 2026

New Year, New Plans, Fresh Start

Happy New Year. Is getting serious about retirement planning on your resolution list for 2026?

While many resolutions may fade over time, having clear financial goals and regularly checking in on your progress could help to make your future dreams a reality. The new year is a time to reflect on how far you have come and where you want to go.

- **Know where you stand** — Log in to your DCP account at **dcp.varetire.org/login** and click *Financial Wellness* at the top of the page to take or retake your financial wellness assessment.
- **Maximize your match** — Try to save the maximum of 4% to your Hybrid 457 Plan account to get the full 2.5% match from your employer.
- **Use myOrangeMoney®** — Log in to your DCP account at **dcp.varetire.org/login** to estimate how much income you may need for retirement.[1]
- **Designate your beneficiaries** — Name, review and manage beneficiaries for all your financial accounts to help ensure your assets are distributed as you intended.
- **Don't do it alone** — Schedule an appointment with your local DC Plans Education Specialists at **dcp.varetire.org/education/dc-plans-specialists** for additional help on getting closer to achieving your future financial goals.

How much can you save in 2026?

Every year, the IRS announces the contribution limits for retirement savings accounts. Certain limits for 2026 have increased, giving you the opportunity to save even more today to help achieve your future goals.

While contributions to the Hybrid Retirement plan are capped at 4%, the contributions count toward the same limit as other 457 contributions you may make through another plan, such as the COV 457 Plan or a plan sponsored by your employer. Your voluntary contributions and employer match may stop early if you do not plan ahead.

	2026	2025
Elective Deferral Limit (Age 49 and under)	$24,500	$23,500
Ages 50-59 or 64+ catch-up	Additional $8,000 (Maximum $32,500)	Additional $7,500
Ages 60-63 catch-up	Additional $11,250 (Maximum $35,750)	Additional $11,250
457 Standard catch-up	Up to an additional $24,500 (Maximum of $49,000)	Up to an additional $23,500

Visit **dcp.varetire.org/hybrid#irs-contribution-limits** for the latest contribution limits for 2026.

Auto-Escalation Statement Message

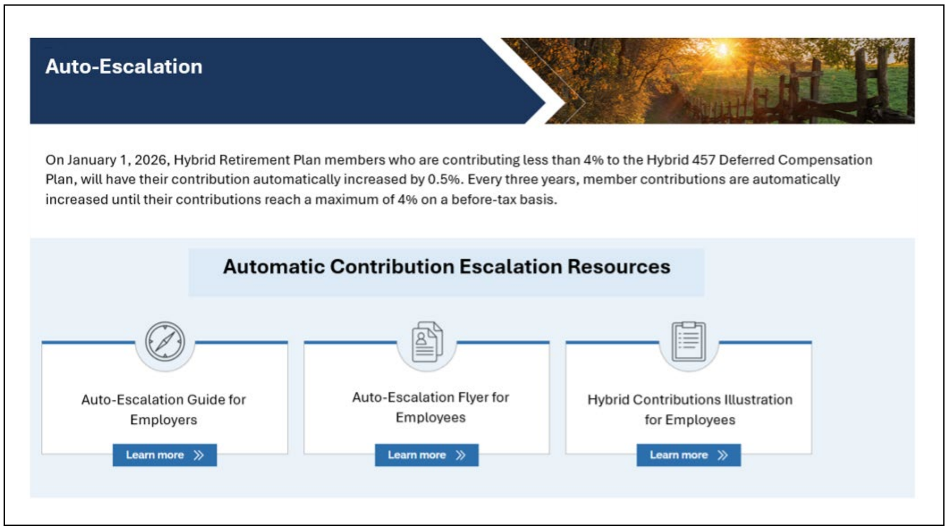
Important Information

Please read this statement carefully. Any error must be reported within 30 days.

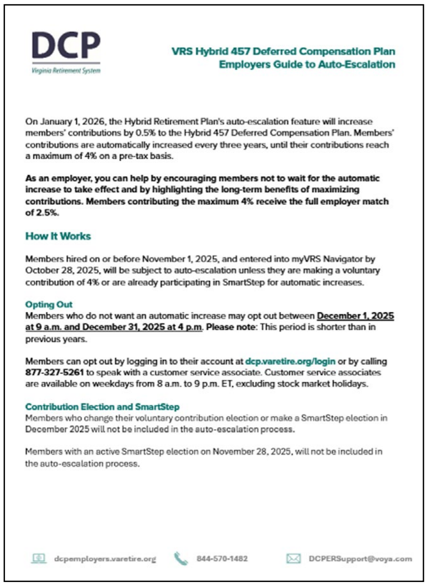
On January 1, 2026, your voluntary Hybrid Retirement Plan contribution will increase by 0.5% if you are saving less than 4%. You can accept the increase or change your contribution by logging into your DCP account between December 1 and 31, 2025.

Communication Samples

Auto-Escalation Resources for Employers



Employer Auto-Escalation Guide



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VRS Hybrid 457 Deferred Compensation Plan
Employers Guide to Auto-Escalation

On January 1, 2026, the Hybrid Retirement Plan's auto-escalation feature will increase members' contributions by 0.5% to the Hybrid 457 Deferred Compensation Plan. Members' contributions are automatically increased every three years, until their contributions reach a maximum of 4% on a pre-tax basis.

As an employer, you can help by encouraging members not to wait for the automatic increase to take effect and by highlighting the long-term benefits of maximizing contributions. Members contributing the maximum 4% receive the full employer match of 2.5%.

How It Works

Members hired on or before November 1, 2025, and entered into myVRS Navigator by October 28, 2025, will be subject to auto-escalation unless they are making a voluntary contribution of 4% or are already participating in SmartStep for automatic increases.

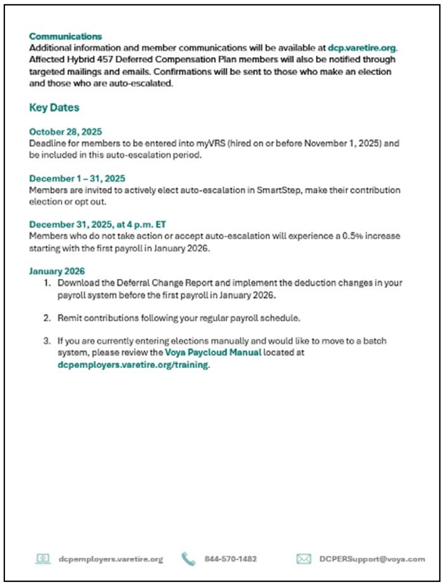
Opting Out
Members who do not want an automatic increase may opt out between **December 1, 2025 at 9 a.m. and December 31, 2025 at 4 p.m**. **Please note**: This period is shorter than in previous years.

Members can opt out by logging in to their account at **dcp.varetire.org/login** or by calling **877-327-5261** to speak with a customer service associate. Customer service associates are available on weekdays from 8 a.m. to 9 p.m. ET, excluding stock market holidays.

Contribution Election and SmartStep
Members who change their voluntary contribution election or make a SmartStep election in December 2025 will not be included in the auto-escalation process.

Members with an active SmartStep election on November 28, 2025, will not be included in the auto-escalation process.

dcpemployers.varetire.org 844-570-1482 DCPERSupport@voya.com



Communications
Additional information and member communications will be available at **dcp.varetire.org**. Affected Hybrid 457 Deferred Compensation Plan members will also be notified through targeted mailings and emails. Confirmations will be sent to those who make an election and those who are auto-escalated.

Key Dates

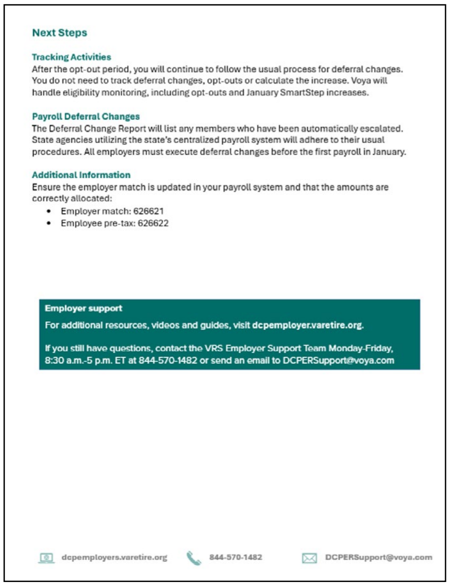
October 28, 2025
Deadline for members to be entered into myVRS (hired on or before November 1, 2025) and be included in this auto-escalation period.

December 1 – 31, 2025
Members are invited to actively elect auto-escalation in SmartStep, make their contribution election or opt out.

December 31, 2025, at 4 p.m. ET
Members who do not take action or accept auto-escalation will experience a 0.5% increase starting with the first payroll in January 2026.

January 2026
1. Download the Deferral Change Report and implement the deduction changes in your payroll system before the first payroll in January 2026.
2. Remit contributions following your regular payroll schedule.
3. If you are currently entering elections manually and would like to move to a batch system, please review the **Voya Paycloud Manual** located at **dcpemployers.varetire.org/training**.

dcpemployers.varetire.org 844-570-1482 DCPERSupport@voya.com



Next Steps

Tracking Activities
After the opt-out period, you will continue to follow the usual process for deferral changes. You do not need to track deferral changes, opt-outs or calculate the increase. Voya will handle eligibility monitoring, including opt-outs and January SmartStep increases.

Payroll Deferral Changes
The Deferral Change Report will list any members who have been automatically escalated. State agencies utilizing the state's centralized payroll system will adhere to their usual procedures. All employers must execute deferral changes before the first payroll in January.

Additional Information
Ensure the employer match is updated in your payroll system and that the amounts are correctly allocated:
- Employer match: 626621
- Employee pre-tax: 626622

Employer support
For additional resources, videos and guides, visit **dcpemployer.varetire.org**.

If you still have questions, contact the VRS Employer Support Team Monday-Friday, 8:30 a.m.-5 p.m. ET at 844-570-1482 or send an email to DCPERSupport@voya.com

dcpemployers.varetire.org 844-570-1482 DCPERSupport@voya.com