Town Council
Work Session
Agenda Item 3.a.

Agenda Item: **Discussion on transferring the Town of Herndon's Commonwealth of Virginia 457 Deferred Compensation Plan to a COV 457 Plan through The Virginia Retirement System (VRS)**

Meeting Date: July 14, 2026

Category: Discussion

Prepared by: Tanya Kendrick, Chief of Staff/Chief Human Resources Officer, Marjorie Sloan, Finance Director

Description:
Staff is requesting Council consider approval of a resolution to move the Town's current Deferred Compensation 457 Plan from the Retirement Plan Company (TRPC) to Virginia Retirement System (VRS). This information has been presented to the Town Manager, and he has approved of moving this forward to the Town Council.

Background/Timing Impact:
The Town has administered a 457(b) Deferred Compensation Plan for current and former employees since the early 2000s. The plan currently serves 217 participants and has an asset value of approximately $17M, through The Retirement Plan Company (TRPC). The Financial Advisor to the town for deferred compensation is Mark Ivcevich, Plan Advisor and Owner of QP Consulting. The Town is currently embarking on an effort to change the current record keeper to COV 457 through The Virginia Retirement System (VRS) for enhanced and improved customer service, better visibility in the system, lower fees for both the town and the employees, and improved financial education opportunities.

The VRS COV 457 offers target date funds, individual funds and a brokerage window to employees. This is comparable to what we offer today with target date funds, individual funds and risk-based model portfolios offered.

<u>Financial Savings, Efficiency Gains and Administrative Impact</u>
In comparison to TRPC, the VRS COV 457 Plan is anticipated to save operating expenses for both the town and plan participants, with no implementation costs for the transfer.

Financial

- Estimated cost savings to the town are approximately $30,000 per year.

Efficiency Gains and Administrative Impact

- Transfer of plan document and administration, fiduciary and trustee responsibilities from Human Resources/Finance departments to the VRS structure to include VOYA Financial as recordkeeper, reducing organizational risk, knowledge succession factors and internal oversight burden.
- Streamlined administration through a centralized platform with enhanced employer tools and automated processes.
- Improved governance and automation around age-based contribution limits introduced under the Secure 2.0 Act and other legislation, strengthening compliance controls and significantly reducing the risk of excess pre-tax contributions being posted to participant accounts.

Challenges And Considerations

- Temporary increase in workload during implementation, including payroll testing and data validation.
- Short-term adjustment period as HR, Finance and employees become familiar with new tools and processes.

While the transition requires upfront coordination, the move to VRS/VOYA is expected to reduce administrative burden, improve compliance and reduce risk to the Town, save employer and employee costs year over year, and deliver a higher level of service and accountability through system-driven processes.

Why Now?
Though the state has had the VRS COV457 plan for many years, its partnership with VOYA began in 2025, has gained participating employers considerable efficiencies with consolidation of employee investment accounts and enabling plan management, and risk to transfer under the umbrella of the state plans.

We also are preparing for succession knowledge management as staff involved in managing this plan approach retirement.

For Participants - Service Level Improvements

Research has identified significant benefits for participants with a transfer to the VRS COV 457 Plan, including:

- Enhanced employee experience through a modern, user-friendly platform with robust self-service capabilities, including beneficiary management.
- Employees are already familiar with VRS and VOYA tools, with the majority of the workforce now being VRS/VOYA Hybrid plan employees.
- Employees can manage their DCP accounts through the plan website or by using

various online tools, including the VOYA mobile app, self-service education tools and retirement calculators like myOrangeMoney.
- Access to improved retirement planning tools, education resources and dedicated customer support.
- More efficient enrollment and communication processes, supporting increased employee engagement.
- Self-Directed Brokerage Account – The COV 457 plan offers a Do-It-Myself, Self-Directed Brokerage Account.
- Lower investment fees – Do-It-For-Me target date funds total annual operating expenses cost $0.20 per $1,000 less in the COV 457 plan versus the current Herndon 457 plan.

Anticipated Implementation Plan

The implementation plan to transfer to the VRS COV 457 Plan must follow regulatory requirements. The current target date is February 1, 2027. The key implementation areas are outlined below:

- Council Resolution – A Town Council resolution is required by VRS.
- VRS has a document package; an estimated eight-week process with VRS for foundational work.
- Execute the proper and timely notifications in accordance with established regulations.
- Mapping and transfer of plan assets.
- Execute a communication plan for stakeholders including current contractual partners, plan, and participants; Voya launches an onboarding team with branded communications and information sessions.

Timing Impact:

Staff is proposing adoption of the required resolution for July 28, 2026. Go-live for the implementation is targeted for February 1, 2027.

Strategic Focus Area:

Strong Fiscal Stewardship
Good Governance

Fiscal Impact:

There will be a reduction in fees paid by both the Town and plan participants, once the implementation is complete.

Legal Impact:

As outlined in Section 6.08 of the current Herndon 457 (b) Deferred Compensation Plan, the Town of Herndon, as the employer, is allowed to transfer assets to another plan. VRS will require a Town Council Resolution. As stated above, QP Consulting, our Financial Advisor, will be the lead in the process and mapping. We anticipate a

reduction in risk by transference of plan administration and fiduciary duties to VRS/VOYA.

Staff Recommendation/Next Steps:
Staff recommends Council consider approval of the transfer of Herndon's 457 Deferred Compensation plan, to VRS/VOYA. With Council's direction, the proposed resolution will be added to the July 28, 2026, consent agenda.

Attachments:
1. COV 457 Plan Adoption Agreement for All Employees_(09_2017)_Final
2. Resolution_Def Comp 457B Plan to COV 457_July 28 2026_