

Deferred Compensation (457) and Cash Match [401(a)]

Point Sheet

Updated 03-19-09

Web: www.varetire.org

Phone: 1-VRS-DCPLAN1 (1-877-327-5261)

Commonwealth of Virginia (457) Deferred Compensation Plan

Eligible Participants	<i>All employees*</i> (salaried and wage, full-time and part-time, elected and appointed)
Maximum Amount	100% of includable compensation up to maximums defined below
Minimum Amount	\$10 per pay period
*Note: All newly hired and rehired salaried employees will be automatically enrolled within 90 days of notification by ING unless the employee has an existing 457 Plan account, self enrolls, begins contributing to a 403(b) plan or opts out of auto-enrollment using the VADCP online web site or telephone.	

Deferred Compensation (457) limits		2009	2008
	Normal deferral limit	\$16,500*	\$15,500*
	Age 50+ Catch-Up	\$ 5,500	\$ 5,000
	Standard Catch-Up (double normal limit)	\$33,000	\$31,000
* Limited only by Annual Compensation less pre-tax purchase of service credit (buyback). This is the definition of includable compensation.			

Refunds of Deferred Compensation Plan Over-Deferrals	<p><i>VRS' benefits council has determined that over-deferrals MUST be returned directly by ING to the participant. ING will be responsible for issuing the employee a Form 1099R for the year in which the over deferral occurred. If there are earnings on the over-deferral a Form 1099R will be issued for the year in which the earnings were refunded. DO NOT perform any deduction refunds in CIPPS.</i></p> <p>If you become aware of an over deferral to the 457 Plan notify the Plan Administrator at VRS immediately giving the name of the participant, amount of the over-deferral and the calendar year in which the over-deferral occurred. Do not send participant Social Security Numbers (other than last 4 digits) using email. Include your payroll center contact information (name, title, agency, agency number, mailing address, email and telephone number) in the communication to VRS.</p>
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DCP Compensation Includes	Salary	Wages	Overtime	Bonuses	Termination Pay*
	Sick Leave including Leave Share	Annual Leave	VSDP Short-term Disability Payments (Special Pay 061 only)	Other Personal Leave (Compensatory, Overtime, Recognition, Bonus, On-Call)	
For members of the General Assembly compensation also includes taxable reimbursements for office expenses.					
Except for before tax purchases of VRS service credit, other pre-tax deductions, such as, premium conversion, are no longer subtracted from the annual gross salary in determining compensation.					

Compensation does not include	Pre-tax purchase of defined benefit plan service credit	Workers' Comp or VSDP Workers' Comp Supplement; VSDP long-term disability payments	WTA severance payments
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* Termination Pay Includes	Accumulated sick pay – Non-VSDP or VSDP disability credits	Accumulated vacation/other pay	Back pay payable with the Participant's final paycheck or within twenty (20) days thereafter							
	<p>May only be contributed if the participant submits a signed One-Time Deferral Form while still employed and no later than the month prior to the month the payment would otherwise have been received. The payment must occur within the later of 2 ½ months following termination date or the end of the calendar year in which the termination occurred.</p> <p>Example:</p> <table border="1"> <tr> <td>Termination date</td> <td>April 30</td> </tr> <tr> <td>Final pay through April 30</td> <td>May 16</td> </tr> <tr> <td>Termination pay</td> <td>June 1</td> </tr> <tr> <td>Deadline to submit completed Payroll Authorization form to Payroll Office</td> <td>April 30 (the employee's term date)</td> </tr> </table>			Termination date	April 30	Final pay through April 30	May 16	Termination pay	June 1	Deadline to submit completed Payroll Authorization form to Payroll Office
Termination date	April 30									
Final pay through April 30	May 16									
Termination pay	June 1									
Deadline to submit completed Payroll Authorization form to Payroll Office	April 30 (the employee's term date)									

Availability of Funds	Upon severance of employment
	While an employee, funds are only available in cases of 1) severe financial hardship resulting from an unforeseeable emergency as defined by the Internal Revenue Service and approved by the plan administrator; 2) balance of \$5,000 or less and no contributions to the Plan in the last 24 months; 3) reach age 70 ½ and still employed; 4) purchase of approved VRS defined benefit plan service credit. At death, Plan assets are available to the beneficiary.

First time enrollments	Current employees	May enroll online using www.varetire.org (Defined Contributions tab) or submit paper forms.	If forms are used, they must be submitted and verified for completion by ING no later than the month prior to the month in which the first deduction is to be made and prior to the date the compensation is payable.
	New Hires	<p>If paper forms used, must complete:</p> <p>1) Participant Enrollment Form 2) Beneficiary Designation Form</p> <p><i>Both must be sent to ING</i></p>	
	No payroll deductions can begin until the online enrollment is completed or the forms have been signed, submitted to ING, reviewed for completeness, and entered into ING's system.		

To enroll	Current employees	New Hires
Complete Participant Enrollment Form	X	X
Complete Beneficiary Designation Form	X	X
Enter enrollment information online (for current employees only) or submit both forms to ING:	no later than the month prior to the month in which the first deduction is to be made and prior to the date the compensation is payable	prior to the first day of employment if participation in the DCP is to be effective as of first day of employment
No payroll deductions can begin until the online enrollment is completed or the forms have been signed, submitted to ING, reviewed for completeness, and entered into ING's system.		

Existing Participants who want to:	Online or by Telephone	One-Time Deferral Form	USERRA Application and Payroll Authorization Form	Agency Transfer Form	Normal Retirement Age Election Form	Standard Catch-Up Credit Worksheet and Form
Increase or decrease deferral amount	X					
Suspend or reactivate deferral	X					
Elect Age 50 + Catch-Up	X					
Defer from Termination Pay		X				
Invoke Uniformed Services Leave Make-Up			X			
Continue deferrals when transferring to another Agency				X		
Elect Standard Catch-Up					X	X

Where forms are required they must be submitted *directly* to the payroll office for processing.

What	When	How
Age 50+ Catch-Up	May begin in the calendar year in which the participant turns age 50.	Participant must make the election online or via telephone.
Standard Catch-Up	Can only be elected in the three calendar years that immediately precede the year that the participant designates as his "Normal Retirement Age".	Participant must complete a Catch-Up Credit Worksheet, a Normal Retirement Age Election Form, and a Payroll Authorization Form and give to payroll office. Agency should then send a copy to VRS.
	The payroll deduction may begin immediately; however, if VRS determines that the employee is ineligible or does not have sufficient catch-up credit, the employee and employer will be notified. Any excess that occurs will be refunded to the employee by ING.	The originals of these forms must be on file with the employer with copies sent to VRS. Failure to have these properly executed forms on file will result in a refund of deferrals in excess of the annual limit and a taxable event for the participant. Copies of the Catch-Up Credit Worksheet and the Normal Retirement Age Election Form <i>must be sent to VRS</i> for review. VRS will forward to ING.

Age 50+ Catch-Up and Standard Catch-Up *cannot* be used in same calendar year

Deferrals from Payments for Certain Leave Balances (Annual, Sick, Overtime, Compensatory, Recognition, Bonus)	The signed One-Time Deferral Form must be submitted to the payroll office while the participant is still an employee and no later than the month <u>prior</u> to the month in which the payment would otherwise be made.	Participant must complete a new One-Time Deferral Form indicating the amount of the one-time deferral of Employment Termination Payout.
	The payment/deferral of unused leave must occur within the later of 2 ½ months following termination date or the end of the calendar year in which the termination occurred.	
The annual 457 Plan limits apply to ALL deferrals made during the calendar year - both from normal salary and leave payouts.		

Virginia [401(a)] Cash Match Plan

Eligible Participants	Salaried employees only	No waiting period
Maximum Amount	The cash match is equal to 50% of the employee deferral per pay period; maximum of \$20 semi-monthly pay period or \$40 monthly. Annual maximum on the cash match is \$480.00.	If employee is in less than a 12-month contract, the match is adjusted to equal the same annual amount not to exceed 50% of employee's deferral each pay period.
Minimum Amount	participation is automatic for salaried employees who defer at least \$10.00 per payday to the DCP.	
Limitations	Employees receiving a cash match based on deferrals to a 403(b) plan may not receive a contribution to the Virginia Cash Match Plan. Deduction Codes 45 and 46 may not be active at the same time.	Employer Cash Match contribution can only be made for a payday on which the participant deferred at least \$10.00 to the 457 Plan. (If the participant defers up to the 457 limit prior to the end of the calendar year no additional cash match contributions may be made for the participant).
	Cash match is not allowed on contributions from leave pay-outs.	

Reports

Deferred compensation and cash match deductions are established automatically through an interface between ING and DOA. Agencies should review the reports created from that interface for appropriateness.

Report Number/Name	Purpose
U062- DC/CIPPS Deferred Comp/Cash Match Update Listing	Identifies employees for whom adjustments are made via the automated process. Adjustments may be to activate, change amount, or suspend contributions for Deferred Comp. (Based on the employee profile, corresponding adjustments are made to the cash match deduction.) This report should be reviewed for appropriateness.
U063 - DC/CIPPS Deferred Comp/Cash Match Error Report	Identifies employees for whom transactions were passed from the DC vendor but the transaction could not be processed. This may be due to an employee identification number not matching, the wrong agency number passed, or a terminated employee status. This report should be reviewed to determine if manual action is required.

Agencies are responsible for compliance monitoring of Deferred Compensation and Cash Match. Reports to assist compliance monitoring follow:

Report Number/Name	Purpose	Frequency
U143 - Cash Match Exception Listing	Identifies employees with cash match deductions that are either a) greater than 50% of their deferral or b) cause the YTD to be greater than annual limits or c) have no corresponding Def Comp deduction.	Semi-monthly
855 - Deferred Compensation Excess Deduction Report	Identifies employees who <i>may be</i> exceeding annual 457 limits.	As requested on HSRUT
906 – Potential Cash Match Exceptions	Identifies employees whose cash match deductions are not active but who have active Deferred Comp deductions.	As requested on HSRUT
933 - Def Comp Cash Match Audit Report	Provides a listing of all Deferred Compensation participants with current and YTD DC and Cash Match amounts.	As requested on HSRUT
942 - Cash Match Audit Report	Identifies employees for whom the cash match should be deactivated due to the deferred compensation goal having been met.	As requested on HSRUT

Additional Notes

If a Social Security Number must be corrected in CIPPS, complete a Social Security Number Change Request for Active Employees form and fax in to ING so that historical records can be transferred to the correct SSN. This should be performed *even if* the employee is not contributing to Deferred Compensation.

Many faculty are actually employed full-time at one State agency and part-time (adjunct) at another. The DC plan rules require elected deferrals to be taken from the full-time employment record when dual-employment exists. When dual-employment exists and both employing agencies are on CIPPS, the Department of Accounts identifies the appropriate employing agency for ING's records. However if dual-employment exists and one agency is CIPPS and the other is a decentralized agency such as UVA, JMU, or VCU, ING is unable to verify the appropriate agency to post in the record system.

If you receive a Report U062, DC/CIPPS DEFERRED COMP/CASH MATCH UPDATE LISTING, documenting an update to CIPPS for an adjunct faculty member, you are asked to inquire to determine if the employee has full-time employment at another (non-CIPPS) agency. If so, please deactivate the Deferred Compensation deduction established by the automated update process and contact VRS.

VRS Contact Information for Deferred Compensation (to include Automatic Enrollment) Items:

- ✓ Bridgette Watkins bwatkins@varetire.org
- ✓ Jacqueline Gilliam jgilliam@varetire.org
- ✓ Steve Cerreto scerreto@varetire.org
- ✓ June Dennis JDennis@varetire.org