



ADMINISTRATIVE PROCEDURES

Procedure Number: 23-10

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Revision Date: 07/10/2013

C. D. Dubel

County Administrator

SUBJECT: **DEFERRED COMPENSATION PROGRAM**

DEPARTMENT RESPONSIBLE: **Human Resources Department**

I. STATEMENT

In accordance with the Internal Revenue Code (IRC) Section 457 and Arizona Revised Statutes §11-251(34), Pima County has established a deferred compensation program. Eligible Pima County employees may elect to be paid a part of their salary at a later date. Therefore, that part of their salary is deferred, as well as the Federal and State tax liability.

II. ELIGIBILITY

- A. Regular full-time, part-time and variable-time employees who are scheduled to work at least 20 hours per week or 40 hours per pay period and who have completed thirty (30) calendar days of employment are eligible to participate.
- B. Contributions must be made via payroll deduction. Eligible employees may contribute to one or more plans at a time.

III. PARTICIPATION FEATURES

A. New Enrollments

Employees enrolling for the first time may do so at any time during the year, following thirty (30) calendar days of employment.

B. Increases/Decreases in Deferred Compensation Contributions

Participants may increase/decrease their deferral at any time during the calendar year. Employees must contact their deferred compensation provider for appropriate paperwork.

C. Plan Contribution Limits

In accordance with the changes to the laws governing Section 457 deferred compensation plans under the Economic Growth and Tax Relief Reconciliation Act

of 2001 (EGTRRA), the plan contribution limit will be lesser of (1) 100% of taxable compensation or (2) a dollar amount according to Federal guidelines.

D. Loan Provision

Pima County's Deferred Compensation Plans allow eligible plan participants the ability to borrow funds from their plan account balance. Generally, the minimum loan amount is \$1,000 and the maximum is \$50,000. Loan origination and annual fees may apply. Loan terms are generally 5 years. Interested and eligible employees should to contact their Plan providers directly for loan applications and other specific information. **Note:** Taking a loan from a deferred compensation plan will have an impact on your account balance. Plan participants are urged to consult a financial advisor prior to applying for a loan regarding tax consequences. All risks are assumed by the Plan participants.

E. Termination of Compensation Contributions

Participants may terminate deferrals at any time.

F. Change in Investment Options/Funds Transfers

Changes are allowed at any time. They will be governed by the plan provisions.

G. Catch-Up Contributions

Participants who are within three (3) years of Normal Retirement Age may make total contributions of up to twice the limit in effect for normal contributions. Participants who are age 50 and older may make catch-up contributions up to a specified dollar limit. This special catch-up contribution may be made only once in each of the three (3) years prior to reaching Normal Retirement Age. In a year in which the special catch-up contribution is selected, an age 50 catch-up contribution cannot be made. Catch-up contribution limits are set by Federal guidelines.

H. Plan to Plan Transfers

Participants who separate from service and begin service with another public employer that has established a 457 plan and whose plan allows for this provision may transfer their funds from plan to plan. Conditions which govern transfer of assets are as follows:

1. The transfer is an elective option of the participant;
2. Both the previous employer and the new employer must be operating under a plan documents that allows for plan to plan transfers;
3. The entire value of the participant's account must be transferred; and
4. Participants must receive required forms from their plan provider and obtain a signature for authorization of the transfer from the Pima County Human Resources Benefits Manager.

I. Rollovers

Amounts paid from a 401 or 403(b) plan or Traditional IRA, may be rolled over to the 457 deferred compensation plans. Participants may roll 457 deferred compensation assets to another plan or Traditional IRA upon termination when the employee is eligible to take a distribution from the plan.

J. Purchase of Service Credits

Participants are allowed to transfer 457 deferred compensation assets on a pre-tax basis, to purchase service credits in a defined benefit pension plan (i.e., Arizona State Retirement System) or to repay the defined benefits pension plan prior withdrawal of employee contributions. To determine potential service credit purchase or amount of contributions forfeited, an employee may contact the Arizona State Retirement System by logging in on-line at <https://www.azars.gov> or by calling the call center in Tucson: (520) 239-3100 or by making an appointment with the Tucson office at 7660 E. Broadway, Suite 108 Tucson, AZ 85710-3775.

K. Benefits Upon Divorce

Qualified Domestic Relations Orders (QDROs) determine how benefits under 457 plans are taxed upon divorce. Distribution is allowed to be made to the ex-spouse or other payee prior to the time the participant is entitled to a distribution (i.e., before the participant terminates employment). In addition, the ex-spouse will pay tax on the distributions. This rule was established with EGTRRA and does not apply to QDROs issued prior to January 1, 2001, unless the domestic relations order is amended.

L. Withdrawal Provisions

Participants may withdraw contributions only in the event of termination, retirement, disability, death or unforeseeable emergency. Withdrawals may be taken in whole or in part; depending upon the reason for withdrawal. For processing information and conditions in which exceptions may be made for withdrawal provisions, the employee must contact his/her deferred compensation plan provider. **Note:** Accounts will be valued on the day of receipt of the request by the plan provider. Participants must receive required forms from their plan provider and obtain a signature authorizing the transfer from the Human Resources Benefits Division Manager.

IV. FORMS PROCESSING

A. Enrollment information, enrollment agreements, loan application agreements and change forms may be obtained from the plan providers. The names and telephone numbers of the local representatives for each participating providers are available from the Department Benefits Representative and Human Resources. The national headquarters contact information for the participating providers is as follows:

1. ICMA – Retirement Corporation: www.icmarc.org (800) 669-7400
2. Nationwide Retirement Services: www.NFSFORU.com (877) 677-3678

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3. Prudential Retirement Services: www.prudential.com/online/retirement
(800) 833-5761

- B. Employees shall complete the enrollment agreement and/or change forms and submit them to Pima County Payroll/Finance Department.
- C. Employees shall complete forms for emergency withdrawals, distribution payment schedule selection (upon retirement and/or termination) and plan transfers and submit to Human Resources for signature and distribution.

V. **RESPONSIBILITIES**

- A. The Human Resources Department responsibilities:
 1. Human Resources shall promote the deferred Compensation Program to eligible employees during orientation and throughout the year;
 2. The Human Resources Benefits Manager is the designated Plan Sponsor and may, from time to time or as needed, revise and/or amend the Plan document for to reflect changes in State or Federal law or other necessary changes. The Plan Sponsor executes Plan documents as the "designated official" for Pima County. In the event the Benefits Plan Manager is not available the following Human Resources staff may act in his/her stead: Human Resources Benefits Supervisor, Human Resources Classification and Compensation Manager, the Human Resources Director or his/her designee;
 3. Human Resources shall notify employees of any Federal or State law for plan changes that may affect their benefits; and
 4. Human Resources shall process and submit withdrawal agreements and plan transfers to the appropriate plan location.
- B. Finance and Risk Management Department shall:
 1. Deduct deferral amounts identified by the employee from each paycheck; and
 2. Transmit employee deferrals to the plan location in a timely manner.
- C. Deferred Compensation Plan participants shall monitor their investment allocations and ensure that their allocations are made by the plan administrator(s) in accordance with their instructions.

Administrative Procedures 23-10: DEFERRED COMPENSATION PROGRAM

Administrative Procedure 23-10 gives direction on Pima County's Deferred Compensation Programs. The three participating providers offering Deferred Compensation Programs for Pima County are:

- **ICMA – Retirement Corporation;**
- **Nationwide Retirement Services; and**
- **Prudential Retirement Service**

Recently, Pima County employees have expressed interest in including a loan element to the Deferred Compensation Plans. Revisions to Administrative Procedure 23-10 include a Loan Provision (see: Section III. D) for eligible Plan Participants; and the designation of the Human Resources Benefits Manager as the Plan Sponsor (and other alternate Human Resources managers) who may, from time to time, revise or amend the Plan document.