



ADMINISTRATIVE PROCEDURES

Procedure Number: 23-10

Effective Date: 12/01/1988

Revision Date: 07/01/2018



County Administrator

SUBJECT: **DEFERRED COMPENSATION PROGRAM**

DEPARTMENT RESPONSIBLE: **Human Resources Department**

I. STATEMENT

In accordance with internal revenue code (IRC) section 457(b) and Arizona revised statutes § 11-251, Pima County benefit eligible employees may participate in the Arizona state retirement system (ASRS) 457(b) deferred compensation program and elect to be paid a part of their salary at a later date. Therefore, that part of their salary is deferred, and so is the federal and state tax liability. The ASRS program includes both a Traditional (pre-tax) and a Roth (post-tax) 457(b) plan.

II. ELIGIBILITY

- A. Regular full-time, part-time or variable-time employees who are scheduled to work at twenty (20) or more hours per week in a benefits eligible employment classification as defined in Administrative Procedure 23-22 II.A. and who have completed thirty (30) calendar days of employment, are eligible to participate.
- B. Contributions shall be made via payroll deduction.

III. PARTICIPATION PROCEDURES

A. New Enrollments

Employees enrolling for the first time, may do so 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 by logging on to the PLAN ADMINISTRATOR'S PORTAL. Changes are effective the beginning of the following month.

C. Plan Contribution Limits

In accordance with the changes to the laws governing section 457(b) deferred compensation plans under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the plan contribution limit will be SET according to Federal guidelines.

D. Termination of Deferred Compensation Contributions

Participants may terminate deferrals at any time by logging on to the plan administrator's portal. The deduction cancellation will be effective the beginning of the following month.

E. Change in Investment Options/Funds Transfers

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

F. 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 elected, an age 50 catch-up contribution cannot be made. Catch-up contribution limits are set by Federal guidelines.

H. Rollovers

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

I. Purchase of Service Credits

Participants are allowed to transfer 457(b) 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 benefit 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 at 239-3100 and speak to a Benefits Advisor.

J. Benefits Upon Divorce

Qualified Domestic Relations Orders (QDROs) determine how benefits under 457(b) 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 distribution. 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.

K. 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 to the 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 for authorization of the transfer from Human Resources Benefits.

IV. RESPONSIBILITIES

A. Human Resources Department shall:

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1. Promote the Deferred Compensation Program to eligible employees during orientation and throughout the year.
 2. Notify employees of any Federal or State law for plan changes that may affect their benefit.
 3. 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.
 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.