



# The Traffic Cone

*“Guiding you over and around the bumps of your payroll journey”*

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## *Deferred Comp Plans Revisited*

Following a long discussion between Retirement, some State Agencies, and State Accounting, it was decided to restructure the Deferred Compensation Plans to allow for smoother management. Please refer to the question and answer of an earlier Traffic Cone (11-08a dated July 6, 2011) –

**1. Should I move the funds from DBA 1350 to 1351 when the employee reaches the cap on 1350?**

*No, a cap has been placed on DBA 1350 to disallow further contributions when the cap of \$16,500 is reached by the employee. DBA 1351 will allow the employee to contribute an additional \$5,500 to the Deferred Comp plan but only if the employee is age 50 or older. When set up, contributions will continue into the next level once the initial level is reached instead of being refunded to the employee.*

Using this plan to manage the DCP resulted in unforeseen complications with the contributions and additional work for the agency when correcting the error. After review, it was decided that the three DCP funds should be set up in individual silos instead of the previous method described above.

**DCP 1350** - If the employee is 48 years old or younger they must enroll in the base where they will be allowed to contribute a total of \$16,500 into the plan before hitting the cap or contribution limit for the plan.

**DCP 1351** - If the employee is 49 years old or older, when they request enrollment, they would qualify for the additional contribution of \$5,500 or a total limit of \$22,000. Agency staff should enroll the employee directly into this plan. Or, if the employee has already been set up with the 1350 plan above and now qualifies for the higher limits, they will need to submit a request to switch to the higher plan. Staff should enroll the employee into account 1351, transfer the entire balance of funds contained in the 1350 account into the new 1351 account and stop the DBA for the 1350 account. This will occur only one time and will release the staff from watching all DCP accounts to determine which employees will hit the cap of the first plan and when they will need an adjustment to start the second plan.

**DCP 1352** - The same transfer of funds process should be followed when an employee brings documentation from Retirement requesting to enroll into the higher “Catch up” plan. This plan allows the employee to contribute an additional \$16,500 to Deferred Comp for a total of \$33,000. Set up the DCP 1352 and transfer all funds previously contributed into the new plan.

The change will be effective immediately. If you have employees set up under the previous system, please make the changes noted to bring them in line with the new plan.

I apologize for the confusion but assure you that this will be a smoother process for all.