BEN-06 One-Time Deferral Guide

Purpose

This job aid explains the one-time deferral process for 401k and 457 Deferred Compensation Savings Plans. Both 401k and Deferred Compensation Savings Plans are investment programs that employees can utilize to supplement their retirement income by contributing a portion of their monthly salary into the plan.

By participating in these plans, employees have the opportunity to build their savings on a pre-tax basis while reducing their current taxable income or on an after tax (Roth) basis. This can be beneficial upon separation, as employees may choose to roll/defer their leave payout of vacation/bonus leave or longevity into their Supplemental Savings Plan (401k or Deferred Comp/457b) to help increase their savings contributions or meet their annual savings maximum.

NOTE: This document is provided for guidance and reference purposes only. It is of general informational and educational nature and is not all inclusive. Employees should consult directly with Empower for specifics or call 1-866-627-5267.

The Deferral Process

Employees can find **One Time Contribution Forms** at North Carolina Total Retirement Plans under **Forms** for the NC 401(k) PLAN or NC 457 PLAN. Mail or fax (919-855-6861) completed forms directly to BEST Shared Services for processing.

- BEST must receive mailed or faxed forms at least 30 days prior to the check issue date to ensure processing on that month’s payroll.
- BEST cannot guarantee any deferrals submitted during the payroll initialization period will be processed in that month’s payroll.

NOTE: BEST will enter the dollar or percentage amount listed on the form and this amount will replace any normal monthly contribution amount. The one-time deferral will only be effective for the payroll date indicated on the form. The regular monthly contribution rate will resume on the next payroll cycle.

Questions concerning the deferral process and how deferrals may impact final pay can be directed to the Agency Payroll office or BEST Shared Services.

Contribution Limitations

The 2023 annual contribution general limit is $22,500 for each plan.

- 401k will only allow up to 80% of a single paycheck to be deferred.
- Deferred Comp (457b) will allow 100% of a paycheck to be deferred.

The OSC Integrated HR-Payroll System is programmed to calculate any prior contributions during the calendar year along with the deferral to ensure an employee does not exceed the annual limit.

Catch up contributions (for individuals aged 50 or older): The member may contribute an additional amount of $7,500 to either Plan for a total maximum contribution of $30,000. (401k and 457 limits are not combined.)

Last Three (3) Year Catch Up (457 ONLY): This is available to members who are within 3 years of the taxable year in which normal retirement age is attained and who did not contribute the maximum allowed in prior years. Maximum contribution is $45,000.

NOTE: This cannot be used in conjunction with the Age 50+ catch-up provision.

Tax Implications for Pre-Tax Plans

The One Time Deferral/Contribution will be tax deferred for non-Roth accounts; meaning federal and state taxes will not be taken from the deferral. Contributions and earnings are taxed when the funds are withdrawn.

TSERS (6%), Social Security (6.2%), and Medicare (1.45%) will be deducted from any earnings listed on the paycheck, which would include any leave payouts or longevity pay prior to the deferral.

Federal and State tax deductions will show on the pay stub for any portion of pay removed for taxable recurring payments and deductions that are not termed prior to the deferral (example: for any post tax insurance premiums).

Tax Implications for Roth After-Tax Plans

Contributions are taxed when made; however, earnings are tax-free upon a ‘qualified’ distribution or withdrawal.

Other Remuneration Statement Recurring Payments and Deductions

BEST Shared Services will term any applicable State Health Plan or NC Flex elections according to regular separation or termination procedures to ensure the deductions are not taken from a deferred leave payout that occurs after the last regular month’s pay.

For any other recurring payments/deductions, the employee would need to contact those vendors directly to arrange termination or continuation, to ensure the deductions are not taken from a deferred leave payout that occurs after the last regular month’s pay.

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