

Policy 5-307: Employee Tax Deferred Program

Revision # 1. Effective date: August 14, 1990.

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I. Purpose and Scope

A. Purpose.

To describe the tax deferred programs available to University Employees and establish procedures to be followed in setting up an individual program.

B. Scope.

[reserved]

II. Definitions

The following definitions apply for the limited purposes of this policy and any associated regulations.

- A. Employee is defined in Policy 5-001.
- B. Faculty is defined in Policy 5-001.
- C. Salary Reduction Agreement. A binding contract, as required by Treasury regulations, between the University and the Employee to accept a reduction in salary payments, or to forego receipt of an increase in salary. The unpaid portion of the Employee's compensation described in the agreement is then used to purchase supplemental annuity benefits which are tax sheltered, i.e., federal and state taxes on the premiums remitted and on the investment earnings credited to them are deferred until the Employee receives them in the form of retirement or annuity benefits. At that time, the payments received are taxed as ordinary income in the year or years in which they are received.
- D. Staff or Staff Member is defined in Policy 5-001.
- E. Tax Deferred Program. Under regulations of the Internal Revenue Service, educational institutions may establish salary-or-annuity option ("tax deferred annuity") programs, in addition to their retirement plans. Under these programs, Faculty and Staff may, through a properly drawn salary reduction agreement with their employing institution, divert part of their compensation on a tax-free basis to the purchase of supplemental annuity benefits.

III. Policy

- A. Eligibility for Participation in Tax Deferred Program
 - 1. Requirements for participation in the University's tax deferred programs are the same as requirements for participation in the University's retirement programs. (See Policy 5-302.)
 - 2. Employees enrolled in a University retirement plan may participate in any of the University's tax deferred plans.

B. Salary Reduction Agreement

1. To initiate a tax deferred program, an eligible Employee must enter into a Salary Reduction Agreement. The agreement shall continue in effect without change until terminated by either party.
2. The Employee will not be permitted to make more than one Salary Reduction Agreement with the University during a single calendar year for such Employee.
3. Reduction in salary payments pursuant to the agreement will be implemented only to the extent such amounts are earned by the Employee after the agreement becomes effective.
4. A Salary Reduction Agreement shall become effective at the beginning of the next biweekly University pay period following the date on which it is signed by the Employee, unless a different effective date is expressly stated in the agreement.
5. The amount of reduction permitted in salary payments is governed by applicable provisions of the Internal Revenue Code, and implementing federal regulations, as amended from time to time.
6. Participation in the plan will be allowed only through payroll reduction. The amount reduced can be stipulated in the Salary Reduction Agreement as a "stated amount" per pay period, subject to the limitations described in paragraph 5 above.

C. Procedure

1. Enrollment Procedures: A Faculty or Staff Member interested in participating in the tax deferred programs should contact the Benefits Office. Counselors will assist in completing all necessary forms, including the "Salary Reduction Agreement", will calculate the maximum salary reduction allowable, and will provide counsel as to options available to participants.

2. Salary Reduction Agreement Termination: To terminate a salary reduction agreement, the participant needs to provide written notice of the date of proposed termination to the Benefits Office. Following termination of a salary reduction agreement, the Employee will not be permitted to enter into another agreement to participate in the tax deferred program until the following calendar year.
3. Employee's Tax Obligation: Participation in a tax deferred program approved by the University does not modify or otherwise affect the personal obligation of the participant to discharge all tax liabilities and to file all necessary tax returns as a personal obligation with respect to the Internal Revenue Service or the cognizant taxing authorities.

Sections IV- VII are for user information and are not subject to the approval of the Academic Senate or the Board of Trustees. The Institutional Policy Committee, the Policy Owner, or the Policy Officer may update these sections at any time.

IV. Policies/ Rules, Procedures, Guidelines, Forms and other Related Resources

- A. Policies/ Rules. [*reserved*]
- B. Procedures, Guidelines, and Forms. [*reserved*]
- C. Other Related Resources. [*reserved*]

V. References

- A. Policy 5-001: Employee Definitions
- B. Policy 5-302: Retirement Programs

VI. Contacts

The designated contact officials for this Regulation are

- A. Policy Owner(s) (primary contact person for questions and advice): Director of Benefits for Human Resources

B. Policy Officer(s): Vice President for Human Resources or designee

See Rule 1-001 for information about the roles and authority of policy owners and policy officers.

VII. History

Revision History.

A. Current version. Revision 1.

1. Approved by – Institutional Council February 9, 1976 with effective date of August 14, 1990 (due to editorial revisions).
2. Editorial Revisions
 - a. Editorially revised April 18, 2023 to move to current regulations template.
 - b. Editorially revised October 11, 2011 to reflect changes in employee definitions as set forth in Policy 5-100.

B. Renumbering

1. Renumbered from Policy and Procedures Manual 2-47.