



NEWS TO USE

A newsletter for PERSI employers

October 2010

- Limits Testing
- Military Leave and PERSI Benefits

EMPLOYERS RESPONSIBLE FOR LIMITS TESTING

All tax-deferred retirement plans are subject to limits on the amount of compensation that can be deferred or otherwise contributed by or on behalf of a participant. If an employer offers multiple defined contribution plans or other retirement saving vehicles to its employees, care must be taken to coordinate the different applicable limits.

Some employers offer supplemental defined contribution plans, including 457, 403(b), or 401(k) plans, to their employees. PERSI members are offered the Choice 401(k) Plan as an additional way to save for retirement by making voluntary contributions to a personal account. If an employer offers no supplemental plans other than the Choice Plan, the limit testing is done by PERSI and ACS HR Solutions, the plan's record keeper. But when an employer offers other supplemental plans, they have an obligation to coordinate limits testing among all the plans. PERSI does not have deferral information on any plans other than the Choice 401(k) Plan; only the employer and member know where other payroll deferrals are being made.

Coordinating With The Choice Plan

Many members participating in the Choice Plan also participate in other plans through their employer. When a member is contributing to multiple plans, employers must be mindful of limits. For example, when a member is making contributions to the Choice Plan and a 403(b) plan, the employer must carefully monitor the contributions in both plans so the member does not exceed the limits set by law. The limits apply to combined contributions.

Elective Deferral Limits

Although the limits may change in 2011, currently the amount of money an employee can contribute

(defer from salary) during a calendar year is \$16,500. (The Internal Revenue Service may adjust this amount annually in increments of \$500.) This means in 2010, someone contributing to the Choice Plan and a 403(b) plan may make **combined contributions** of \$16,500. If someone is participating in the Choice Plan and a 457 plan, they may contribute up to \$16,500 **to each plan**.

Catch-Up Provisions

If the member is at least age 50 during 2010, he/she may contribute an additional \$5,500 in catch-up contributions to a 403(b) and/or a 401(k) account. Again, the amount is combined for limit purposes. A member participating in a 457 plan may contribute an additional \$5,500 in catch-up contributions; this is not coordinated with other plans.

The table below should be helpful in understanding deferral limits and catch-up contributions.

2010 DEFERRAL LIMITS	Under Age 50	Age 50 or Older Catch Up	Total	Comments
401(k) Plan Only	\$16,500	\$5,500	\$22,000	
403(b) Plan Only	\$16,500	\$5,500	\$22,000	
457 Plan Only	\$16,500	\$5,500	\$22,000	
401(k) and 403(b) Plans	\$16,500	\$5,500	\$22,000	Combined limit
401(k) and 457 Plans	\$33,000	\$11,000	\$44,000	Separate limits
403(b) and 457 Plans	\$33,000	\$11,000	\$44,000	Separate limits

Limits testing can be complicated when a member is contributing to multiple plans. PERSI encourages members and employers to consult with a qualified tax professional to ensure applicable limits are not exceeded. Failure to comply with limits could result in penalties for both the participant and the employer.

At the beginning of each calendar year, employers should check on the deferral limits so your employees can avoid issues relating to excess contributions.

MILITARY DEPLOYMENT

-- what employers should do and what employees should know--

Last month, 2700 members of Idaho's 116th Cavalry Brigade Combat Team boarded a plane at Gowen Field to begin a year-long deployment to Iraq. Some of these individuals may be PERSI members. When a PERSI member is on a leave of absence because of military duties, the employer has an obligation to submit an RS109 *Notice of Change in Employment Status* form to PERSI. This form is available from the "Quick Links" section of the homepage on the PERSI Web site at www.persi.idaho.gov.

Employers may want to provide PERSI's *Military Service* brochure to employees in the military or direct them to the PERSI Web site for the brochure and other information on how military leave affects PERSI benefits.

Qualifying for Military Service Credit

To qualify for military service credit, an eligible member with more than 5 months of service, must be a PERSI employee during the 90 days prior to starting a military leave of absence and must return to employee status with a PERSI employer within 90 days of discharge – although the reemployment does not need to be with the same employer.

Earning PERSI Credits While on Active Duty

Members may earn PERSI credit for the period while they are on active duty, and may not be required to pay contributions to receive credit for eligible military service. PERSI credit may be earned for the period while the member is on active duty if:

- They begin service within 90 days of leaving PERSI-covered employment, AND
- They return to PERSI employment within 90 days of being released from active duty.

Although members are entitled to credit for military service at no charge (no contributions), some employers may continue to pay full or partial salary while an employee is on active duty. The employment status and pay dictate whether contributions are continued or stopped.

Full-Time Salary: If wages equivalent to more than 15 days per month or 20 hours per week are paid to an employee on military leave, both member and

employer contributions are required and the employee will receive regular service credit for the month.

Part-Time Salary: If wages equivalent to less than 15 days per month or 20 hours per week are paid to an employee on military leave, contributions are not required on the salary, and the employee will be eligible to apply for military service credit.

Returning to Work, Then Terminating or Retiring

To receive credit for military service, a member must reestablish employee status. To reestablish employment, he/she must work enough days to accrue service credit for at least one month. Days worked may be combined with accrued vacation days to achieve the one month of PERSI service required. After meeting the one month criteria, the member may terminate or retire and still receive the military service credit.

No Positions Available Upon Return

An employee who attempts to return to PERSI employment within 90 days after his/her military service ends, but finds no positions are available at that time, is entitled to credit for the time served in the military. The time will be awarded when the employee returns to eligible status. The delay in returning to work would not be considered the employee's fault.

What to Do When an Employee Returns to Work

When an employee returns from a military leave of absence, the employer should:

- Submit another RS109 *Notice of Change in Employment Status* form to PERSI indicating the employee has returned to work.
- Submit a copy of the employee's DD214 - *Certificate of Release or Discharge from Active Duty* to PERSI to confirm the orders and release date.
- Include the employee on the next transmittal to PERSI.

Military deployment can be hard on members and their families. PERSI wants to work with employers to ensure military personnel receive all the benefits to which they are entitled.