

457 Plan Deferrals from Buydowns and Payoffs

To defer funds from your buydown or payoffs into the Section 457 Plan, you'll need to complete a *Section 457 Plan Participation Agreement*. Due to the IRS-established waiting period for contribution increases to the Section 457 Plan, you need to complete and submit the *Participation Agreement* well in advance of the pay period in which your department will process your buydown or payoffs. Contact the Deferred Compensation Program at 805.654.2620 for information on which pay period your deferral can be processed. We suggest calling at least two months before the pay period you want to make the deferral.

Instructions for completing the *Participation Agreement* are on the form. Please be sure to read the instructions completely. Sometimes, participants are confused regarding the withholding and taxation issue. The Roth option is an **after-tax** deferral so the entire amount of the buydown or payoff is subject to taxes. The Section 457 Plan **pre-tax** option isn't subject to income taxes but it is subject to applicable deductions including FICA, MEDI, SDI, and retirement contributions, and then income taxes on those amounts. These withholdings and taxes can be handled one of two ways. The following illustration applies to the pre-tax option only.

Option 1: Withheld from your regular earnings, which will maximize your deferral, but reduce your take-home pay,
or

Option 2: Withheld from your buydown/payoff, which will reduce the amount of your deferral, but not your take-home pay.

Here's an example of how this works:

Amount of buydown or payoff	\$2,500.00
FICA deduction	155.00
MEDI deduction	36.25
SDI deduction	22.50
Retirement contribution.....	<u>145.25</u>
Total estimated deductions	\$359.00
 Federal income tax on the amount of the total deductions (\$359)	 \$89.75
State income on the amount of the total deductions (\$359)	<u>21.54</u>
Total estimated income tax	\$111.29
 Total deductions.....	 \$359.00
Total income tax.....	<u>111.29</u>
Total estimated deductions and income tax	\$470.29

Option 1: \$2,500 buydown deferred into the Section 457 Plan. Deductions of \$359.00 (estimated) withheld from your regular earnings, thereby reducing your take-home pay.

Option 2: Estimated deductions and income taxes of \$470.29 withheld from the \$2,500 buydown, thereby reducing the amount deferred into the Section 457 Plan to \$2,029.71.

The Deferred Compensation Program does not process the paperwork to initiate your buydown or payoff. For approval and processing of your buydown you will need to complete the "Request for Payment of Cash in Lieu of Leave Hours" form and submit to the Auditor Controller's Office (ACO). You can request this form by contacting the ACO at 805.648.9292 or AC.Payroll@ventura.org.

Return completed 457 Participation Agreement(s) to Brown Mail #1970. If you have any questions, call the Deferred Compensation Program at 805.654.2620 or e-mail us at deferred.compensation@ventura.org.



SECTION 457 PLAN PARTICIPATION AGREEMENT

I. PARTICIPANT INFORMATION	Pay Period Effective:		<input type="checkbox"/> Married/Domestic Partner	<input type="checkbox"/> Single	<input type="checkbox"/> Contribution Increase <input type="checkbox"/> Contribution Decrease <input type="checkbox"/> Special Catch-Up Normal Retirement Age: _____ <input type="checkbox"/> Cancel Contribution
	Full Name:		Employee ID Number:		
	Department:		Bargaining Unit:		
	E-mail Address:				
	Work Phone:	Home Phone:	Birthdate:		
	Please select option: _____ Standard (Pre-tax) _____ Roth (After-tax)				

II. CONTRIBUTIONS: \$ _____ (bi-weekly payroll deduction/one-time contribution) _____ Hrs. Buydown _____ Payoffs _____ Retirement/Separation Date (For payoffs only)	WITHHOLDING AND TAX HANDLING: (for pre-tax contribution only) _____ Regular Earnings _____ Buydown/Payoffs
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III. CANCELLATION: I choose to cancel my Section 457 Plan contributions to (check): <input type="checkbox"/> Fidelity Investments and/or <input type="checkbox"/> ING Universal Life I understand that if I am canceling my contributions to ING Universal Life, I cannot reenroll at a later date. Employee Signature: _____ Date: _____
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IV. PAYROLL/FIDELITY AUTHORIZATION: I affirm that I have read, understand, and agree to the <i>Section 457 Plan Authorization Agreement</i> on the reverse of this form. I certify that the information on this form is complete and correct. Employee Signature: _____ Date: _____

V. INVESTMENT ELECTIONS: Contact Fidelity by calling them at 800/343-0860 or by logging on to their website at www.fidelity.com/atwork to set-up or change your investment elections. If you do not set up, or have not set up, your investment elections, your contributions will be invested in the Plan's default fund.
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DC Program – Keyed by: _____

INSTRUCTIONS FOR COMPLETING THE PARTICIPATION AGREEMENT

To defer funds from your buydown or payoffs into the Section 457 Plan, you'll need to complete this *Section 457 Plan Participation Agreement*. Due to the IRS-established waiting period for contribution increases to the Section 457 Plan, you need to complete and submit the *Participation Agreement* well in advance of the pay period in which the Auditor Controller's Office (ACO) will process your buydown or payoffs. Contact the Deferred Compensation Program at 805/654-2620 for information on which pay period your deferral can be processed. We suggest calling at least two months before the pay period you want to make the deferral. For approval and processing of your buydown you will need to complete the "Request for Payment of Cash in Lieu of Leave Hours" form and submit to the ACO. You can request this form by contacting the ACO at 805/648-9292 or AC.Payroll@ventura.org.

Complete Section I and indicate that it's for a "contribution increase." In Section II, either write the number of hours for your buydown, or check that this is for your payoff. Also, enter your Retirement/Separation Date if this is for your payoffs. Then, if you have a specific dollar amount in mind, enter it on the line that says "biweekly payroll deduction/one-time contribution." As another option, you can elect to defer a percentage of your buydown or payoffs. We'll convert that percentage to a dollar amount once we know the amount of your buydown or payoffs. (This will be during the payroll calculation process.) Just indicate the percentage you want to defer on the line that says "biweekly payroll deduction/one-time contribution."

The amount you elect to defer from your buydown or payoffs will replace your regular contribution (if any) to the Section 457 Plan. If the Section 457 Plan contribution from the buydown or payoffs would put you over the annual contribution limit for the year, we will decrease the deferral amount you have designated.

You also need to decide how deductions and taxes will be handled. Although the amount that goes into the Section 457 Plan isn't subject to income taxes, it is subject to applicable deductions including FICA, MEDI, SDI, and retirement contributions, and then income taxes on those amounts. These withholdings and taxes can be withheld one of two ways:

- From your regular earnings, which will maximize your deferral, but reduce your take-home pay, or
- From your buydown or payoffs, which will reduce the amount of your deferral, but not your take-home pay. ~over~

We'll do our best to ensure that withholdings and taxes are withheld from either the buydown/payoff amount or your regular earnings. However, we cannot guarantee that our calculations will be 100% accurate for your particular tax situation. It is also important to note that our calculations are based on the assumption that your buydowns/payoffs are being paid as part of your regular biweekly check – not as a separate check. If your buydown/payoffs are being paid as a separate check, all withholdings and taxes will come out of the buydown/payoff.

After you decide how you want the withholding and taxation handled, please indicate your choice in Section II of the *Participation Agreement* under “tax handling.”

If you're deferring funds from a buydown, you'll need to complete a second *Section 457 Plan Participation Agreement* to cancel or reduce your contribution the pay period following your buydown. On the second *Participation Agreement*, complete Section I. If you're reducing the amount of your contribution, check the box in Section I that says “contribution decrease,” then enter the amount of your contribution in Section II. If you're canceling your contribution, check the box in Section I that says “cancel contribution” and sign in Section III. **If you do not submit the second *Participation Agreement*, the payroll system will take your contribution again.** This could result in a significantly reduced or zero paycheck.

If you have any questions, please contact the Deferred Compensation Program at 805/654-2620. Submit your completed *Participation Agreement(s)* to the Deferred Compensation Program at brown mail #1970.

SECTION 457 PLAN AUTHORIZATION AGREEMENT

I understand that I must elect and make any changes to my investment elections by telephone or online notification to Fidelity Investments under such rules and conditions as they may prescribe. In making such modifications, I agree that the elections made shall be modified as though I had done so in writing. And, in consideration of the right to make such modifications, upon making such modifications, I agree to indemnify and hold harmless the County of Ventura from all damages resulting therefrom.

I understand that if I have contributed to another employer's Section 457 plan this year, or if I am currently making contributions to another employer's Section 457 plan, it is my responsibility to ensure that I do not exceed the Internal Revenue Code annual individual contribution limit. I understand that, if I am enrolled in the Special Catch-Up Program, it is my responsibility to adjust my contributions throughout the program, and at the end of the 3-year period.

I hereby agree to the terms of the Ventura County Section 457 Plan. I hereby authorize the County to reduce my salary by the amount specified in Section II and contribute this amount to the Section 457 Plan and authorize Fidelity Investments to invest this amount in the manner directed by phone or online with Fidelity. This authorization will continue until I submit a timely cancellation.

IMPORTANT POINTS TO REMEMBER

Waiting Period: Pursuant to Internal Revenue Code guidelines, initial enrollments and contribution increases cannot be processed until the first pay day in the month following the month you sign this *Participation Agreement*. This includes contributions made from vacation/annual leave buydowns and payoffs at separation from service.

Contribution limit: You can contribute up to 100% of your available salary, expressed as a dollar amount, up to the Internal Revenue Code's annual individual contribution limit.

Baby Boomer Catch-up: If you are 50 or older, you are eligible to make additional contributions to the Section 457 Plan. You are automatically enrolled in the Baby Boomer Catch-up Program. If you do not want to participate in the Baby Boomer Catch-up Program, you **MUST** contact the Deferred Compensation Program at 805/654-2620 each year you do not wish to participate.

Special Catch-up: If you haven't contributed the maximum amount each year you were eligible to participate in the deferred compensation plans, you may qualify to make additional contributions (“catch-up”) the three years preceding your Normal Retirement Age. You must elect your Normal Retirement Age to participate in this program. Contact the Deferred Compensation Program at 805/654-2620 for more information or to enroll in the Special Catch-up Program.

Note: you cannot participate in both the Baby Boomer Catch-up and Special Catch-up Programs in the same year.