**INFORMATIONAL CIRCULAR NO.:** 17-P-004

**DATE:** September 7, 2016

**SUBJECT:** New Benefit Plan Type/Benefit Plans/Deduction Code for Deferred Compensation-Roth Option

**EFFECTIVE DATE:** January 1, 2017

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**APPROVAL:**

**SUMMARY:** New Roth Plan Type/Benefit Plans/Post-Tax Deduction Code for Deferred Compensation

In recent years, Congress extended to 457 plans the option of allowing contributions to a Roth 457 account, using post-tax contributions.  As a result of 2016 legislation, KPERS will expand the KPERS 457 plan so that participants can choose between pre-tax and post-tax contributions effective January 1, 2017.

To implement this new deferred compensation option, a new Roth post-tax deduction code, benefit plan type and benefit plans will be added to SHaRP. The first Roth deferred compensation payroll deductions will be processed in SHaRP effective for the payroll period beginning December 18, 2016, ending December 31, 2016, paid January 13, 2017.

The new Roth Deferred Compensation benefit plan type, benefit plans and after-tax deduction code are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PLAN**  **TYPE** | **DEDUCTION CODE** | **DESCRIPTION** | **SHORT DESCRIPTION** | **BENEFIT PLAN** | **BENEFIT PLAN DESCRIPTION** |
| 4R | 457DRA | Deferred Compensation-Roth | DefCompRth | 457DRA | Deferred Compensation-Roth |
| 4R | 457DRA | Deferred Compensation-Roth | DefCompRth | 457DRC | Deferred Compensation-Roth |
| 4R | 457DRA | Deferred Compensation-Roth | DefCompRth | 457DRR | Deferred Compensation-Roth |

The three new Benefit Plans are established for the following employee deferred comp categories:

**Benefit Plan Employee Category**

457DRA Roth-regular contribution (all participants)

457DRC Roth- catch-up provision for participants who are 50 years of age or older

457DRR Roth- special catch-up for participants who are within three years of normal retirement age

The contribution maximums for the benefit plans will include **both** the pre- tax and post-tax deferred compensation plans added together. Currently, the maximum contribution amounts are listed below.

Benefit Plans 457DEF and 457DRA - $18,000

Benefit Plans 457DEC and 457DRC - $24,000

Benefit Plans 457DER and 457DRR - $36,000

Note: New maximums for 2017 have not been published as of this publication.

Refer to payroll informational circular 15-P-012 for additional information on Deferred Compensation and Tax Sheltered Annuity Limits.

The Office of the Chief Financial Officer, Payroll Systems Team is responsible for making the necessary updates to the SHaRP payroll system. Regents’ institutions are responsible for ensuring that these changes are reflected in their individual systems. **In addition, Regent’s institutions should be prepared to test their payroll files for the new deduction/benefit plans by November 1, 2016.**

DH:NTR:ewb