

MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania
Governor's Office

Subject: Deferred Compensation Program	Number: 570.14 Amended
Date: April 7, 2014	By Direction of:  David E. Durbin, Executive Director State Employees' Retirement System
Contact Agency: State Employees' Retirement System, Office of Finance and Administration, Deferred Compensation Program Division, Telephone 717.783.4892	

This directive establishes policy, responsibilities, and procedures for introducing the Commonwealth of Pennsylvania's deferred compensation program to eligible employees and for processing the payroll deduction deferrals of those employees who choose to join the program. Marginal dots are excluded due to major changes.

1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for introducing the Commonwealth of Pennsylvania's deferred compensation program to eligible employees and for processing the payroll deduction deferrals of those employees who choose to join the program.
- b. To meet the responsibility of the State Employees' Retirement System (SERS) to administer the *Retirement Code* in accordance with existing laws passed by the General Assembly, its fiduciary obligation to SERS members and its commitment to provide consultation and guidance to member agencies on all matters regarding SERS.

2. **SCOPE.** This directive applies to all departments, boards, commissions and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction that have employees who are eligible to become members of SERS. SERS' policy and the responsibilities and procedures set forth herein are the same for all SERS employers and members.

3. OBJECTIVES.

- a. To ensure that agencies understand their roles for providing information to all employees regarding the commonwealth's optional deferred compensation program.
- b. To ensure that eligible employees are made aware of their option to participate in the program and, once enrolled, their responsibilities for managing their deferred compensation account.
- c. To ensure that the payroll deferrals of those employees who choose to participate in the program are properly handled.

4. DEFINITIONS.

- a. **Deferred Compensation Program.** A program through which enrolled employees may voluntarily build retirement savings by deferring a portion of salary to selected investment options. The program is a trust and is administered in accordance with *Internal Revenue Code Section 457(b)*.
- b. **Eligible Employee.** An employee who serves in a position that requires him/her to be a mandatory member or allows him/her to become an optional member of SERS as outlined in *Management Directive 570.1, Mandatory Membership in the State Employees' Retirement System* and *Management Directive 570.6, Optional Membership in the State Employees' Retirement System*.
- c. **Paycheck Contribution Election Form.** The form necessary for commonwealth employees to defer a portion of their compensation to the deferred compensation program. General information collected on the form includes the deferral amount, effective pay date, and employee payroll data.
- d. **Payroll Deduction Deferrals.** The money that is withheld from an employee's salary and held in account for investment at the direction and on behalf of the employee.
- e. **Retirement Code.** The Pennsylvania statute that authorizes and controls the administration, policies, and procedures of SERS as well as the rights and benefits of its members. The *Retirement Code* is set forth at *71 Pa. C.S. §§ 5101-5957*.
- f. **SERS.** The organization created by the *Retirement Code* to administer retirement benefits for Pennsylvania state employees, including overseeing the pension system and, under the authority of the State Employees' Retirement Board, pursuant to the Act of November 6, 1987, *P.L. 394, No. 81, § 2, 72 P.S. § 4521.2*, managing the optional deferred compensation program.
- g. **SERS Member.** An active member, inactive member, annuitant, vestee, or special vestee who is, or has at any time, made contributions to the SERS fund. Eligibility for membership in SERS is specified in *Management Directive 570.1, Mandatory Membership in the State Employees' Retirement System* and *Management Directive 570.6, Optional Membership in the State Employees' Retirement System*.

h. Third Party Administrator. The service provider contracted by SERS through the competitive bid process to administer the deferred compensation program. Representatives of the third party administrator are not registered investment advisors and cannot offer financial, legal or tax advice. (The current third party administrator is Great-West.)

5. POLICY.

- a.** *Act 1987-81* permits the State Employees' Retirement Board, through SERS, to provide a deferred compensation program for eligible employees.
- b.** All employees are to be made aware of this voluntary program and be given the opportunity, if eligible, to make payroll deduction deferrals to the deferred compensation program.
- c.** Employees are enrolled in the program by the third party administrator.
- d.** Employees are responsible for determining how much they wish to contribute (and for changing amounts, if deemed appropriate), how sums are allocated across investment options (and changing allocations, if deemed appropriate), and monitoring their deferrals against annual legal limits.

6. RESPONSIBILITIES.

a. Human Resources Offices (Independent Agencies) shall:

- (1)** Maintain a supply of deferred compensation program literature/informational kits.
- (2)** Provide accurate information about the deferred compensation program in employee orientation.
- (3)** Assist the third party administrator by allowing agency facilities to be used for program presentations, publicizing such presentations, and being flexible with employees, within personnel rules and operational constraints, to participate in presentations.
- (4)** Receive employee's Payroll Contribution Election Form from third party administrator.
- (5)** Confirm employee's eligibility to participate in the program.
- (6)** Enter appropriate information into the payroll system for processing by the payroll office.
- (7)** Process approved leave payouts, upon receipt.

b. Human Resources Offices (under the Governor's jurisdiction) shall:

- (1)** Maintain a supply of deferred compensation program literature/informational kits.

- (2) Provide accurate information about the deferred compensation program in employee orientation.
- (3) Assist the third party administrator by allowing agency facilities to be used for program presentations, publicizing such presentations, and being flexible with employees, within personnel rules and operational constraints, to participate in presentations.

c. Human Resources Service Center (HRSC) shall:

- (1) Maintain a supply of deferred compensation program literature/informational kits.
- (2) Provide accurate information about the deferred compensation program in the commonwealth's on-boarding process and in the SAP employee self-service knowledgebase.
- (3) For agencies under the Governor's jurisdiction, receive employee's Payroll Contribution Election Form or electronic version of the same information from third party administrator.
- (4) Confirm employee's eligibility to participate in the program.
- (5) Enter appropriate information into the payroll system for processing by the payroll office.
- (6) Process approved leave payouts, upon receipt.

d. Employees shall:

- (1) Review materials to decide whether or not to enroll.
- (2) Enroll in the program.
- (3) Actively monitor and manage their deferred compensation account.

e. Third Party Administrator shall:

- (1) Create accurate literature/informational kits to educate employees about the commonwealth's deferred compensation program; promptly provide such materials, in sufficient quantities, to agencies upon request.
- (2) Present the program to interested employees at their request.
- (3) Create and maintain www.SERS457.com to provide up-to-date information about the program and to provide online means to allow enrolled employees to change payroll deferrals and investment allocations.
- (4) Assist the employees in preparing any required program forms, making as many processes as possible available at www.SERS457.com.

- (5) Receive employees' Paycheck Contribution Election Forms and promptly provide them to each employee's Human Resources Offices or HRSC, as appropriate.
 - (6) Provide ongoing communication to enrolled employees, pursuant to contract requirements.
 - (7) Work with Human Resources Offices, HRSC, and SERS to execute deferral and allocation changes as well as disbursements pursuant to program requirements and applicable laws.
- f. **State Employees' Retirement Board**, through SERS, shall implement and monitor the program in accordance with applicable state and federal laws.

7. PROCEDURES.

a. **Human Resources Offices** (Independent Agencies).

- (1) Maintain a supply of deferred compensation program literature/informational kits. (Currently, these may be obtained by contacting Great-West KeyTalk, 1-866-SERS457, 1-866-937-7457.)
- (2) Inform all employees of the availability of payroll deduction deferral for the deferred compensation program. Current employees will be made aware of the program through employee emails, literature distribution, posters, and online information at www.myWorkplace.state.pa.us. New employees are to be introduced to the program through benefits materials provided upon hire.
- (3) Provide employee with earnings statement, upon request.
- (4) Enter data from the Paycheck Contribution Election Form into the payroll system to process employee payroll deduction deferrals.

b. **Human Resources Offices** (under Governor's jurisdiction).

- (1) Maintain a supply of deferred compensation program literature/informational kits. (Currently, these may be obtained by contacting Great-West KeyTalk, 1-866-SERS457, 1-866-937-7457.)
- (2) Inform all employees of the availability of payroll deduction deferrals for the deferred compensation program. Current employees will be made aware of the program through employee emails, literature distribution, posters, and online information at www.myWorkplace.state.pa.us. New employees are to be introduced to the program by literature distributed during the initial orientation meeting with the Human Resources Office.
- (3) Enter data from the Paycheck Contribution Election Form into the payroll system to process employee payroll deduction deferrals.

c. Human Resources Service Center.

- (1) Inform all employees of the availability of payroll deduction deferral for the deferred compensation program. Current employees will be made aware of the program through employee emails, literature distribution, posters, and online information at www.myWorkplace.state.pa.us. New employees are to be introduced to the program through benefits materials provided with the appointment letter.
- (2) Provide employee with earnings statement, upon request.
- (3) Enter data from the Paycheck Contribution Election Form into the payroll system to process employee payroll deduction deferrals.
- (4) Provide an estimate of the potential sum and process salary deferral of annual/sick leave payout, upon employee request.

d. Employee.

- (1) Contact third party administrator (currently Great-West) at 1-866-SERS457 to request more information, schedule an appointment with a counselor, request forms or download forms from www.SERS457.com.
- (2) Secure an earnings statement to properly complete forms.
- (3) Remit all forms to third party administrator for processing.
- (4) Actively monitor and manage their deferred compensation account, including visiting www.SERS457.com to change payroll deduction deferral amounts and/or allocations across investment options, if deemed appropriate.
- (5) Monitor total deferrals against annual legal limits and complete all tax filing pursuant to applicable law.
- (6) If requesting salary deferral of annual/sick leave payout, contacts Human Resources Office to obtain an estimate of the payment amount.
- (7) Complete and submit forms required by third party administrator to direct the disbursement of funds from the deferred compensation account, pursuant to program rules and applicable laws.

e. Third Party Administrator.

- (1) Provide employee with requested information.
- (2) Ensure that employee has earnings statement to properly complete paperwork.
- (3) Counsel the employee regarding deferrals of leave payout.

- (4) Assist employee in completing the Paycheck Contribution Election Form and/or provide verification to the employee for electronic submission of forms.
- (5) Process Paycheck Contribution Election Form for input into the record keeping system and forward appropriate information to the agency Human Resources Office or HRSC.
- (6) Provide online means to allow enrolled employees to change payroll deferrals and investment allocations.
- (7) Provide quarterly statements to enrolled employees.
- (8) Upon receiving appropriate forms from the enrolled employee, direct SERS to disburse funds pursuant to program rules and applicable laws.

f. State Employees' Retirement Board.

- (1) Contract with a third party administrator to administer the deferred compensation program.
- (2) Select array of investment options available to employees enrolled in the deferred compensation program.
- (3) Engage the Treasury Department as custodian of funds in the deferred compensation program; ensure adequate controls and reconciliation.
- (4) Upon receiving appropriate authorization from the third party administrator, direct the Treasury Department to disburse funds pursuant to program rules and applicable laws.
- (5) Audit deferred compensation program and produce audited financial statements.
- (6) Ensure that the deferred compensation program adheres to applicable laws.

Enclosure 1 – Paycheck Contribution Election Form
[\(Form GWRS FSALDF 06.19.13\)](#)

This directive replaces, in its entirety, *Management Directive 570.14*, dated March 25, 2005.