

DATE: January 25, 2008

TO: Agency Payroll, HR and Accounting Staff

FROM: Mary Muellner, Director
Statewide Payroll Services

SUBJ: Contributions to The Minnesota State Deferred Compensation (MNDCP) After Severing Employment

The Minnesota State Retirement System (MSRS) has provided the following information regarding the timely processing of payments that will be directed to The Minnesota State Deferred Compensation Plan (MNDCP) following an employee's separation from service.

The final Section 415(c) Treasury regulations clarify that compensation can include post-severance compensation if it is paid within the later of 2 ½ months after separation from service or the end of the calendar year in which severance occurs. MNDCP will accept post-severance compensation if received within 2 ½ months following separation from service (with exceptions).

This applies only for payments that would have been paid if the participant had continued in employment such as:

- Bona fide sick and vacation payments
- Compensatory payments
- Any salary and overtime payments
- Grievance payments – that relate to lost salary
- Leave pay – Leave related severance payments can be included only if the employee could have used the leave had employment continued.

The following types of severance payments are not eligible for deferral:

- “Golden parachute” payments such as:
 - Early retirement incentives
 - Early retirement notification incentives
- Grievance payments – not attributed to salary

If you have questions regarding post-severance compensation, please contact the MNDCP Service Center at 1-877-457-6466, option 2 and ask to speak with a Deferred Compensation Counselor.

The following is provided by Statewide Payroll Services:

Eligible employees may direct payments processed within the timeline mentioned above, and included in the table below, to the MNDCP if allowed by the bargaining agreement or compensation plan. This includes payments processed in Mass Time Entry, Current and Prior Period Adjustments and some grievance settlements.

Note:

- For most bargaining agreements and compensation plans, “Leave pay” (vacation payoff and severance) is directed to HCSP (Health Care Savings Plan) for many employees.
- This Treasury clarification continues to allow deferred compensation deductions to occur for wage related grievance payments. Normal processing of grievance payments does not include deferred compensation deductions. Special handling by Statewide Payroll Services staff must occur when deferred compensation deductions are requested.

The table below includes examples of when the payment must be processed in order to be directed to the MNDCP. Be sure to take into account the pay date **not** the pay period end date.

Employee's employment severed/terminated effective	Payment(s) must be processed no later than Pay Period End Date	Pay Date	Rule
7/14/07	9/18/07	9/28/07	Paid within 2 ½ months of employee's termination
11/21/07	1/22/08	2/1/08	Paid within 2 ½ months of employee's termination

Note that early retirement incentive payments are not eligible to be directed to Deferred Compensation Plans. Example: Some MnSCU faculty

Agency payroll or HR staff should contact Sue Rosckes in Statewide Payroll Services at 651-201-8072 or sue.rosckes@state.mn.us, if there are questions regarding how to process payments.