



## Office Memorandum

**Date:** May 20, 2016  
**To:** Agency Payroll and Human Resources Staff  
**From:** Mary Muellner, Director, Statewide Payroll Services  
**Subject:** Deferred Compensation Conversion and Match

According to the State of Minnesota's collective bargaining agreements and compensation plans, state employees may be eligible for benefits related to their deferred compensation plans. The following information describes the various deferred compensation options and the agency's responsibilities in communicating and processing these options. Employee information is posted on the Announcements page of the Self Service website and at [http://mn.gov/mmb/assets/20150520b\\_tcm1059-233457.pdf](http://mn.gov/mmb/assets/20150520b_tcm1059-233457.pdf).

### **Deferred Compensation Options**

#### **Automatic Deferred Compensation Match**

Many of the state's collective bargaining agreements and compensation plans provide for an automatic employer-paid deferred compensation match. As a substitute for the automatic match, some agreements and plans provide an option of either a vacation conversion to deferred compensation or an optional employer-paid deferred compensation state match.

For employees in salary authorities that are only eligible for an automatic deferred compensation match (and not vacation conversion), the match occurs automatically provided the employee has a deferred compensation deduction in place. The agency does not enter a transaction nor is an employee required to complete a form to receive the match.

#### **Optional Deferred Compensation Match or Vacation Conversion**

Employees covered by the **Commissioner's Plan, Managerial Plan, Medical Specialists' Addendum to the Commissioner's Plan, or Office of Higher Education Plan** may either select the optional employer-paid deferred compensation state match or convert vacation to deferred compensation once each fiscal year. Employees may choose only one of these options and must select their option each fiscal year. June 5 is the plan-specified deadline for **employees** to enter the transaction in Self Service or to submit a Selection of Deferred Compensation Option form to their agency payroll office. **Agencies** have until 6/14/2016 to process the optional match and 6/28/2016 to process the vacation conversions for these employees for Fiscal Year (FY) 2016.

Refer to the bargaining agreements or compensation plans to find the dollar amount of the employer-paid state match or the number of hours allowable for vacation conversion to deferred compensation.

Employees covered by the **Middle Management Association** bargaining agreement and who are at the maximum of their salary range or who attain the maximum rate of their range no later than June 30 of the fiscal year are allowed to convert up to forty (40) hours of vacation to deferred compensation.

- If a supervisor elects the vacation conversion option, they should submit the Selection of Deferred Compensation Option form to their agency payroll office for eligibility verification and processing, as this cannot be entered in Self Service. June 7 is the contract-specified deadline for the employee's

submission of the form. Supervisors must have used three (3) hours of vacation in the previous fiscal year for each hour of vacation converted.

- If a supervisor elects the match option, they can enter this in Self Service on the Deferred Comp Conv/Mtch Option page or by submitting the Selection of Deferred Compensation Option form to their agency payroll office.

### **Compensatory Time Conversion**

Employees covered by AFSCME, MAPE, MMA, MNA, MGEC, and the Commissioner's Plan may choose to convert compensatory time to deferred compensation **once** each fiscal year. Refer to the appropriate bargaining agreement or plan for the number of hours eligible for conversion and the timing of the conversion of hours.

### **Processing Vacation Conversion/Deferred Compensation State Match/Compensatory Time Conversion**

#### **Agency Guidelines**

Refer to SEMA4 Help, bargaining agreements and compensation plans to determine employee eligibility, deadlines and, limitations on amounts.

Review DocumentDirect/InfoPac Report HP6512, *FIHR6512 – Employees Who Have Not Chosen a Deferred Comp Option*. This report identifies employees who are eligible to select a deferred compensation option, but have not made a selection as of the report date. MMA employees appearing on the report may not select the vacation conversion option unless they are at the top of their salary range by June 30th.

#### **Deferred Compensation Plan/Deduction Requirements**

- To receive an employer-paid **deferred compensation match**, either automatic or optional, employees are required to have a deferred compensation deduction set up before the match can occur.
- To receive a **vacation or compensatory time conversion**, employees are not required to have a deferred compensation deduction set up. Their conversion will be processed and invested in the Target Retirement Income Fund until/unless they have directed otherwise by accessing <https://www.msrs.state.mn.us/mndcp>, establishing an account, and choosing investment options.

#### **Selecting a Match or Conversion Option**

Employees who have the option of an optional deferred compensation match, vacation conversion or compensatory time conversion must indicate their selection(s) on the Deferred Comp Conv/Mtch Option page in Self Service or by submitting the Selection of Deferred Compensation Option form to their agency payroll office. This must be done no later than the pay period end date in order to be processed in that pay period. The optional match will occur as soon as possible, provided the employee has a deferred compensation deduction in place.

For additional information, please refer to Minnesota Management & Budget Operating Policy and Procedure PAY0042, [Deferred Compensation Conversion/Match Options](#). For assistance in entering a conversion or optional match, see SEMA4 Help. In the Index, type and select *deferred compensation*. Then select and review *Add a Deferred Compensation Conversion/Match Option - Steps*.

#### **Forms**

The Selection of Deferred Compensation Option form is available on the:

- Minnesota Management & Budget webpage at <http://mn.gov/mmb/accounting/payroll/forms/index.jsp> under Other Forms
- Payroll Forms page in Self Service (Other Payroll > Payroll Forms) at [www.state.mn.us/employee](http://www.state.mn.us/employee)

Employees who need to enroll in the Minnesota State Deferred Compensation Plan can find plan information and an enrollment form at <https://www.msrs.state.mn.us/mndcp>.

**Taxes**

Most employees are subject to FICA, Medicare and retirement on a leave conversion and FICA and Medicare on an employer match.

- A leave conversion generally increases the amount subject to FICA, Medicare and retirement. (Retirement deductions are only taken on the first 40 hours of vacation and/or comp time converted in a fiscal year.)
- An employer match generally increases the amount subject to FICA and Medicare.

If employees have questions about how a conversion or match will affect their paycheck, the Net Pay Calculator allows “what if” calculations and can assist in answering employee questions. The Net Pay Calculator is available at <http://mn.gov/mmb/accounting/payroll/calculators/>.

**Deferred Compensation Deadlines**

Vacation conversions or optional deferred compensation matches **must be entered** in Self Service or SEMA4 **no later** than the dates listed below.

PPE DATE	DEADLINE
6/14/2016	Last pay period to process a deferred compensation match for FY 2016.
6/15/2016	First day to select a deferred compensation match for <b>FY 2017</b> .
6/28/2016	Last pay period to process a vacation conversion for FY 2016.
7/12/2016	This is the split pay period. <ul style="list-style-type: none"> <li>• Vacation leave conversion <b>cannot</b> be processed on the split pay period of any year.</li> <li>• Compensatory time conversion <b>may</b> be processed on the split pay period. Compensatory time conversions with effective dates of June 15-30 will apply to FY 2016, and those with effective dates of July 1-12 will apply to FY 2017. (In Self Service, the effective date is the date of entry.)</li> </ul>
7/13/2016	First day to select a vacation conversion for <b>FY 2017</b> .
6/13/2017	Last pay period to process a deferred compensation match for FY 2017.
6/27/2017	Last pay period to process a vacation conversion for FY 2017.
7/11/2017	This is the split pay period. <ul style="list-style-type: none"> <li>• Vacation leave conversion <b>cannot</b> be processed on the split pay period of any year.</li> <li>• Compensatory time conversion <b>may</b> be processed on the split pay period. Compensatory time conversions with effective dates of June 14-30 will apply to FY 2016, and those with effective dates of July 1-11 will apply to FY 2017. (In Self Service, the effective date is the date of entry.)</li> </ul>

**Questions**

If you have questions about:

- Processing deferred compensation options, contact Lynda Hanly, MMB, Statewide Payroll Services, 651.201.8074 or [lynda.hanly@state.mn.us](mailto:lynda.hanly@state.mn.us)
- Deferred compensation plans, contact Minnesota State Retirement System, 651.296.2761 or 1.800.657.5757
- Deferred compensation eligibility, contact your agency Human Resources staff.

❖ **PLEASE SHARE THIS INFORMATION WITH APPROPRIATE AGENCY STAFF** ❖