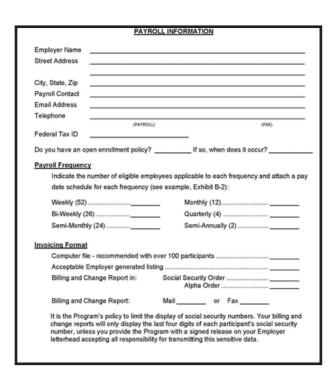


PAYROLL PROCEDURES

The following describe the steps to take as a public employer to process payroll withholdings for employees wishing to participate in the Ohio Deferred Compensation Program.

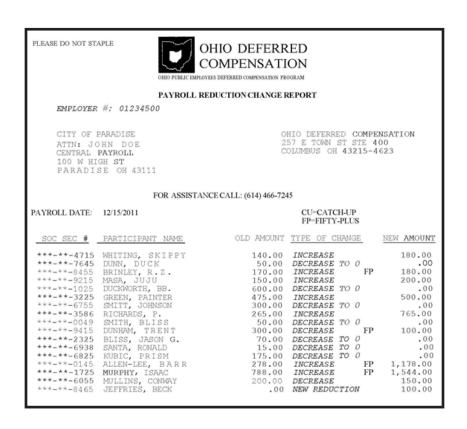
1. Provide the **Payroll Information** and sample **Schedule of Pay Dates** (see examples below) to Ohio Deferred Compensation (Ohio DC), and update this information as it changes. These pages are included at the end of your **Plan Adoption Agreement (pages 4 and 5)** and also on the employer website under the **Plan Information** tab.





2. The Internal Revenue Code (IRC) 457 payroll contributions for participating employees are calculated as a **pre-tax deduction** for state and federal taxes. **Set up your payroll system so that federal and state taxable income are reduced by the deferred compensation contributions before calculating these tax withholdings.** Please note that IRC 457 contributions do not reduce gross income for local income tax calculations.

3. Please note that the IRC requires employee deferral agreements to be entered in the month before the deferrals start. For example, if your employee signs a deferral agreement on January 15, we will assign an effective date for your first regularly scheduled pay date falling after February 15. Ohio DC will forward a Payroll Reduction Change Report (see below) to your payroll department which shows all employees who are initiating deferrals or changing their deferral amounts.



We will mail or fax this report at least 10 days before the effective date. You can also download this information from the Ohio Deferred Compensation section of the Ohio Business Gateway website at business.ohio.gov instead of receiving the information in the mail or through fax.

Employees can change their deferral amounts at any time, but they must go through the Ohio DC Service Center by calling **877-644-6457** or by logging into their account at **Ohio457.org**. Employees **cannot** make changes to their deferral amount directly through their employer payroll department without possible violation of the IRC regulations.

Employers **cannot make any deferral changes** until the effective date specified on the Payroll Reduction Change Report, except to prevent deferrals from exceeding the maximum annual deferral limits (see section 8 below), or in the following situations when an employee:

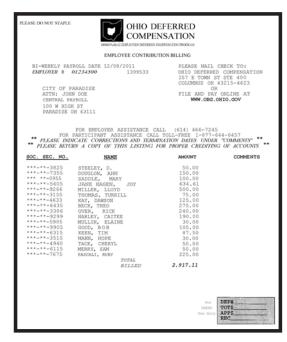
- has not worked enough hours to cover a deferral,
- does not have enough pay to cover a deferral,
- has terminated employment (retired, resigned or been fired), or
- has scheduled a lump sum deferral at termination, but the employee's final pay is insufficient to cover the entire lump sum amount.

4. **Deferral Reporting Methods:** You can use one of the following methods for reporting deferred

amounts:

A. Computer file. This confidential data file must be uploaded to the Ohio Business Gateway website and should not be sent in the U.S. mail or via email. Please note that the use of computer files is recommended for employers who have more than 100 participants in the Plan (see Payroll Deferral Record Layout on the right). This page is included at the end of your Plan Adoption Agreement and also on the employer website under the Plan Information tab.

- B. Pre-Billing Invoice. The employer can obtain this information from the Ohio Business Gateway website or the employer can choose to receive the Pre-Billing Invoice ("Employee Contribution Billing") by mail or fax. Ohio DC will invoice the employer prior to each pay period and list each employee's name, last four digits of the Social Security number and dollar amount of the deferral. The employer will reconcile their payment amount and the bill amount, and note any changes on the Pre-Billing Invoice prior to returning it to Ohio DC.
- 5. **Transmitting Deferrals Quickly:** Employees' payroll deferrals should be sent to Ohio DC as soon as administratively possible. Please keep in mind that the sooner we receive your employees' deferrals, the sooner we can get their retirement savings invested.
- 6. **Payment Methods:** For each pay date, forward an automated clearing house (ACH) payment or check (payable to "Ohio Deferred Compensation") for the gross amount of deferrals with supporting deferral documentation. Use one of the following methods for remitting deferrals:



Field Name	Data Type	Start	End Pos.	Contents
Transaction Type	X(3)	1	3	'114'
Employer ID	X(6)	4	9	Ohio DC will assign this number
Pay Date*	9(8)	10	17	Your payroll date
Social Security5	9(5)	18	22	First 5 digits of social security number
Social Security4	9(4)	23	26	Last 4 digits of social security number
Termination Code	X(2)	27	28	Does participant still work for you? Yes = SPACES No = 'TT'
Filler	X(8)	29	36	Spaces
Termination Date*	9(8)	37	44	Date employee was terminated or zeros for current employees
Transaction Amount**	9(7)	45	51	Deferral amount 9999999
Name	X(25)	52		Participant name
Filler	X(4)	77	80	Spaces
* All dates must use CC			,	
	unt must <u>not</u> as 0012500.	include	,	al point. For example, a \$125.00 deferral

- A. ACH debit: Use the Ohio Business Gateway, business.ohio.gov.
- **B. ACH credit:** Ohio DC will provide our banking information to employers using this method. Employers will need to use their own banking relationships and systems to initiate these transactions and are responsible for any banking fees associated with these transactions. Contact the **Ohio DC Finance Department at 614-466-7245** to receive our banking information.
- C. Check mailed to:

Ohio Deferred Compensation 257 E. Town St., Suite 400 Columbus, OH 43215-4623

The ACH debit, ACH credit or check amount must be exactly equal to the total amount of deferrals on the detailed deferral report.

7. **Correcting Errors:** If deferrals were made incorrectly on behalf of an employee and the money must be returned to your participating employee, you may not use amounts to be refunded to the employee as an off-set or credit against the gross amount of deferrals for the next pay period. You must notify Ohio DC in writing of the incorrect deferrals and the Board will return the money to the employer.

You must use the **Refund Request Form (see below)** to process your refund. The refunded deferral will be returned to the employer, so the employer can determine the correct disposition and record the refund because the refund might not have been previously included as taxable income to that participating employee. The Refund Request Form is available on the website as a fillable PDF.

	_ 1
	OHIO DEFERRED COMPENSATION
	OHIO PUBLIC EMPLOYEES DEFERRED COMPENSATION PROGRAM
	MEMORANDUM
TO:	Ohio Deferred Compensation
VIA FAX:	614-728-2601
FROM:	Employer:
	Employer Contact:
SUBJECT:	Refund Request
	a refund of the amount(s) specified below for the named participant:
Employee N	
Last 4 of SS	N: XXX-XX
Payroll Date	b(s):
Amount(s) t	o be Refunded:
The reason	(s) for requiring this refund is/are (check one):
	loyee's check was voided
	ment was made to Ohio Deferred Compensation but was not withheld from employee's check
	ment was made to Ohio Deferred Compensation for an amount other than t was withheld from the employee's check
Emp	oloyee was credited for a deduction withheld from another employee's check
Indic	cate employee who should have been credited the deduction (if applicable):
Nam	ne: Last 4 of SSN:
Oth	er reason – please specify:
Signature	Date
-gradu'c	L-MIN.
	257 East Town Street, Suite 400, Columbus, Ohio 43215-4623
	Telephone: (614) 466-7245 — Fax: (614) 728-2601

8. **Annual Deferral Limits:** Consistent with IRS regulations, the employer is responsible for ensuring that the participant's annual deferrals do not exceed the annual limit as allowed by the IRC.

Participating employees age 50 and older ("50-Plus") and participating employees in their three years prior to Normal Retirement Age ("Catch-up") may be eligible for higher annual deferral limits.

Ohio DC will annually provide notice to the employer regarding such limit changes. Ohio DC will be careful to enroll the participant for deferral amounts that will not exceed the IRS's maximum limits. If events occur (requested changes to deferral amounts are not made in a timely manner, a year with 27 bi-weekly pay periods, etc.) whereby those limits could be exceeded, we will work with the participating employee and employer to adjust deferral amounts accordingly.

- 9. If the employer offers alternative deferred compensation programs in addition to Ohio DC as permitted under Section 148.06 of the Ohio Revised Code, then the employer should be careful t that employees do not exceed the maximum deferral limits under IRC Section 457(b).
- 10. The employer is responsible for issuing a correct Form W-2 at year-end, which will identify the gross amount of wages subject to federal and state taxes and the gross amount of wages subject to local taxes. The employer will list on the participant's W-2 the amount of deferred compensation deferrals for the year, as required by the IRS.

Please note: All deferred compensation contributions, whether employee or employer generated, must be payroll deductions and reported on the W-2 form.

- 11. **Ohio DC** is responsible for overseeing the disbursement of all withdrawals from the Program to the participating employee or the participating employee's beneficiaries and to discharge on behalf of the employer all reporting and withholding responsibilities required by federal and state regulatory authorities.
- 12. **Ohio DC will provide the employer with a quarterly statement** that includes the total amount deferred by their participating employees during the quarter and the total value of deferred amounts held on behalf of the participating employees.

Note: Amounts may not always coincide or agree with the employer's deferral records due to timing of deposits and transfers into and out of individual accounts.

13. The employer should maintain the confidentiality of individual participating employee deferrals and related account information. For security purposes, use only the last four digits of employees' Social Security numbers in your communications; never mail or transmit electronically the entire Social Security number.