



## **Information Bulletin:**

### **Automatic Enrollment in 457 Deferred Compensation Plan Begins January 1, 2008**

This Information Bulletin contains guidance for state employers and summarizes the implementation procedures for automatic enrollment in the Commonwealth of Virginia's 457 Deferred Compensation Plan (457 Plan).

#### **All New Salaried Employees Will Be Enrolled Automatically**

Enrollment in the 457 Plan becomes automatic effective January 1, 2008. Automatic enrollment was enacted into law (HB 1830) during the 2007 session of the Virginia General Assembly. The Pension Protection Act (PPA) of 2006 enabled the implementation of automatic enrollment by clarifying certain policies related to automatic contribution arrangements.

#### **Resources**

##### **Web Sites**

VRS Web Site  
[www.varetire.org](http://www.varetire.org)

DOA Web Site  
[www.doa.virginia.gov](http://www.doa.virginia.gov)

457 Plan Web Site  
[www.vadcp.com](http://www.vadcp.com)

##### **Automated Phone System**

KeyTalk  
1-866-226-6682

##### **Newsletter**

*Explorations* - Published quarterly and mailed with participants' quarterly statements.

##### **Brochures and Guides**

Plan Features and Highlights  
Planning Guide  
Investment Guide

##### **On Site Education**

Richmond Service Center  
1-866-226-6682 (option 2)  
1-804-643-1882

#### **Who's Eligible?**

All newly hired and re-hired salaried employees of the Commonwealth of Virginia will be enrolled automatically in the 457 Plan, unless within 90 days of receiving the Automatic Enrollment Notice they:

- Actively enroll in the Plan
- Begin contributing to a 403(b) arrangement or
- Opt out of participation.

#### **How Does Automatic Enrollment Benefit Employees?**

Automatic enrollment in the 457 Plan gives employees a head start on saving for retirement. Since the deductions are automatic, the employee can save without thinking about it. The employee defers taxes on the amount saved until a later

date. Savings build up through regular deferrals. The employee has the added advantage of the employer match of up to \$20 per pay period. To get the maximum employer match, the employee needs to increase the amount of his or her deferral from \$20 to \$40 per pay period.

## **How Automatic Enrollment Will Work**

### **Online Enrollment and Deferral Changes**

The first phase in the implementation of automatic enrollment was the establishment of online enrollment and deferral changes. This functionality has been available to centralized agencies reporting through the Commonwealth of Virginia Payroll/Personnel System (CIPPS) since May 1, 2007.

Decentralized agencies may choose between two methods for implementing automatic enrollment:

1. full online functionality for all employees or
2. online functionality for current 457 Plan participants and all new hires after January 1, 2008.

Decentralized agencies that have a 403(b) automatic enrollment in place may choose not to have 457 Plan automatic enrollment offered to their employees.

### **Beginning January 1, 2008**

All eligible newly hired or re-hired salaried state employees will have \$20 per pay period automatically deferred to the 457 Plan, unless they 1) actively enroll in the plan prior to the date the first deferral would be sent, 2) begin actively contributing to a 403(b) arrangement or 3) opt out of participation. Employees who are enrolled automatically will receive a \$10 employer match to the 401(a) Cash Match Plan, for a total of \$30 to the employee's accounts per pay period.

Employees who are enrolled automatically in the 457 Plan will be invested in the default investment fund.\* Employees may change their investment options at any time.

Great-West will send a yearly notice to participants who were enrolled automatically, but who have not taken active control of their accounts, advising them that they are in the default investment and giving them instructions for redirecting their investments and for changing their deferral amounts.

\*Currently, the default investment is the Stable Value Fund; however, it is expected to be changed to the Balanced Growth Fund prior to January 1, 2008.

## **Payroll Data Interchange**

An important part of automatic enrollment is a payroll data interchange (PDI) between the employer and Great-West. The employer's payroll reporting entity (Department of Accounts for centralized agencies and the agency's payroll office for decentralized agencies) provides Great-West a file of all existing participants and employees eligible to participate in the 457 Plan. The file contains information such as name, social security number, address, employee number (if in use), gender, date of birth, eligibility indicator and 403(b) indicator.

With this required information, Great-West will set up shell records for all those who currently do not have accounts. Once all shell records are in place, current employees will be able to go online or use the automated phone system, KeyTalk, to make changes or to enroll if they are not already participating in the plan.

## **Steps in the Automatic Enrollment Process**

Following are the steps in the automatic enrollment process:

1. When an eligible employee is first hired or rehired the employer gives the employee the 457 Plan New Employee Packet. The packet contains the following:
  - 457 Plan Welcome Letter
  - Participant Enrollment form for 457(b) and 401(a) Cash Match Plans
  - Beneficiary Designation form
  - *Plan Features and Highlights* brochure
  - Planning Guide
  - Investment Guide
  - Business reply envelope
  - Investment Option Performance
2. The employer payroll office identifies the new employee on the PDI file to Great-West.
3. Great-West establishes a shell record for the new employee.
4. Great-West sends the Automatic Enrollment Notice to the new employee, describing the benefits of the 457 Plan, providing a Personal Identification Number (PIN) and directions for changing the deferral amount or investment option or opting out of the plan.
5. Unless the employee actively enrolls in the plan, begins contributing to a 403(b) or opts out, approximately 90 days after the date of the Automatic Enrollment Notice, Great-West sends the deferral feed file to the employer, indicating a \$20 deferral for the new employee.

## How Employees Can Opt Out of the Plan

Employees may opt out of the plan within the first 90 days of receiving their Automatic Enrollment Notice from Great-West. They may opt out by going online or by using KeyTalk, the automated phone system and following the instructions in the notice. There will be no paper form. No deferral will be taken if the employee opts out within the first 90 days from the date of the notice.

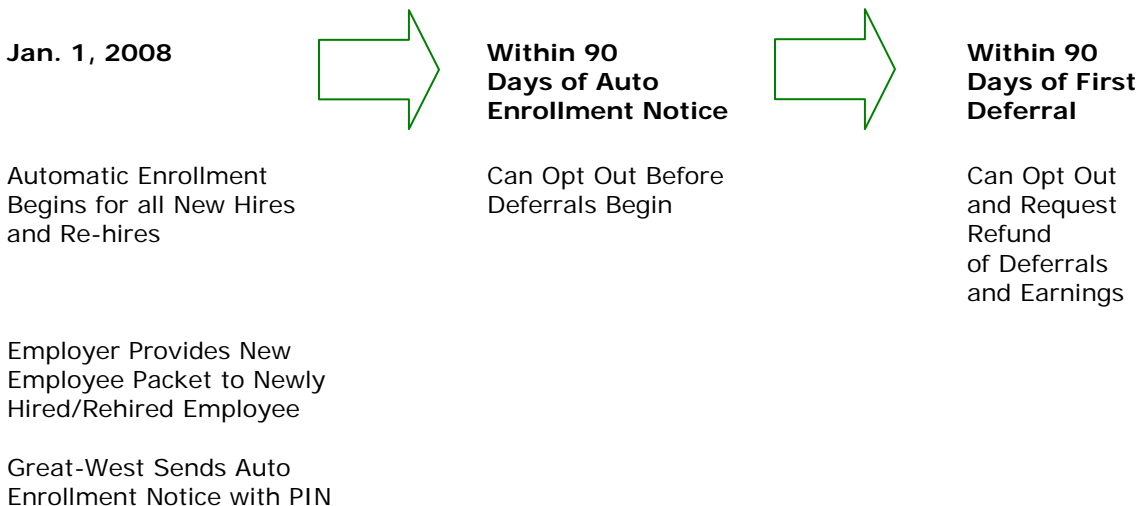
The employee also may opt out within 90 days after deferrals have begun. In this case the employee may receive a refund of the deferrals and any earnings. If Great-West receives the refund request within 90 days of the first deferral pay date, the employee will have the deferrals and earnings refunded.

If the employee receives a refund, Great-West will send the employee a form 1099 reflecting the refund and any earnings. The employer does not issue a revised W-2 form. The cash match will be returned to the employer.

### Opt-Out Deadlines

Eligible employees may opt out of the DCP within the first 90 days of the date of the Automatic Enrollment Notice and no deferrals will be taken. After deferrals begin, employees may opt out of the plan within 90 days of the first deferral and request a refund of the deferrals, provided the request is received within 90 days of the first deferral pay date.

### Timeline for Automatic Enrollment



## **Employees of State Colleges and Universities**

Employees of state colleges and universities who participate in 403(b) arrangements may participate in both the 403(b) plan and the 457 Plan, but they will not be enrolled automatically. They must actively enroll in the 457 Plan by submitting a paper enrollment form to the plan record keeper, Great-West.

### **What You Can Do to Help Employees Achieve a More Secure Retirement**

You can help make the automatic enrollment process a smooth one by:

- Providing the 457 Plan New Employee Packets to all newly hired and re-hired salaried employees, beginning January 1, 2008.
- Scheduling informational meetings, so employees can better understand the features and benefits of the 457 Plan and how to select their investments. Great-West registered representatives conduct on-site educational meetings. Contact the Richmond service center at 866-226-6682 (option 2) or 804-643-1882 to schedule on site education. Representatives typically schedule 30 to 60 days in advance, so call early for the training dates of your choice.
- Making sure employees are aware of the resources available to them, including quarterly statements, newsletter, Web site at [www.vadcp.com](http://www.vadcp.com) and automated phone system at 1-866-226-6682.

Be sure to communicate the advantages of participating in the 457 Plan throughout the year in your internal communications:

- Tax-deferred savings and tax-deferred growth
- Reduction in current taxable income
- Matching employer contribution up to \$20 per pay period
- Wide array of investment options
- Early start on savings that will maximize retirement income
- Ability to actively manage their accounts, including increasing deferral levels or changing investment options online.