SUFFOLK COUNTY

PUBLIC EMPLOYEES DEFERRED COMPENSATION BOARD

Labor and Management Working as One

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This newsletter is dedicated to the modifications that have been made to The Suffolk County Deferred Compensation Plan ("Plan"). The Plan operates under the Internal Revenue Code Section 457b, the IRS Treasury Regulations and the New York State Model Plan. Earlier this year, the New York State Model Plan informed the Suffolk County Deferred Compensation Board ("Board") of changes that must be adopted in the administration of the Plan. Several of these changes were mandated by the Internal Revenue Code and some were mandated by New York State. The Board reviewed the changes and adopted them on June 22, 2011. Listed below is a summary of the substantive changes made to the Plan:

Effective Date of Participation

All deferral changes must be filed **prior to the first of the month** in which the deferrals will be deducted. For example, a participant contacts the provider on December 2 to increase his/her deferral by $100. The $100 deferral increase will be deducted from the January 12, 2012 paycheck.

Rollovers

This section clarifies that any participant that has separated from County service or any beneficiary of a deceased participant may roll all or any portion of their assets directly to a Roth IRA. In addition, the Plan can only accept rollovers from eligible retirement plans that are comprised of pre-tax assets.

Loans

The Plan permits a participant to take a loan of 50% of the assets in the account for a minimum of $1,000 to a maximum of $50,000. While this provision is in effect, several modifications have been made to the loan rules. They are:

- The $50,000 maximum limit is reduced by the highest value in the last 12 months of **any** loans the participant had outstanding from the Plan or any other eligible retirement plan sponsored by Suffolk County. For example, a participant has $100,000 in the 457 Plan. The participant has a pension loan from New York State in the amount of $20,000, the highest Plan loan amount he/she can take is $30,000.
- A participant who has defaulted on a Plan loan is not permitted to take another Plan loan until the outstanding balance on the original loan is paid in full.

- The grace period for a missed Plan loan payment has been changed. The grace period is now 90 days from the date the payment was due. If the missed Plan loan payment and accrued interest is not paid within 90 days from the date the payment was due, the loan will be in default.
- Plan loan balances can be transferred to another New York State 457 plan provided the participant transfers his/her **entire** account to the new 457 plan. The outstanding Plan loan must have been from pre-tax deferrals. In addition, the participant must not have a defaulted loan that was not paid under the Plan at the time of the loan transfer.

Beneficiary Issues

Beneficiary Designation: Spousal beneficiaries are now permitted to name a beneficiary for their assets in the Plan. Non-spousal beneficiaries, however, are still not permitted to name a beneficiary.
Distributions to Beneficiaries: In the event of the participant's death, non-spousal beneficiaries can now elect to have the assets distributed as follows:

- no later than December 31st of the calendar year containing the fifth anniversary of the participant's death. If the participant dies before age 70 ½ ; **OR**
- over a period not exceeding the life expectancy of the beneficiary provided that the distribution begins no later than December 31st of the calendar year immediately following the calendar year in which the participant dies.

Unforeseeable Emergency Withdrawals

There are strict Internal Revenue Code rules for unforeseeable emergency withdrawals. Therefore, it is important that you contact your Board representative for more information concerning unforeseeable emergency withdrawals.

A new rule in the Plan states that a participant requesting a distribution for an unforeseen emergency must provide evidence that the amount requested for the unforeseeable emergency may not fully be relieved by the following:

a. through reimbursement or compensation by insurance or otherwise;
b. by liquidation of a participant's other assets, to the extent the liquidation of the assets would not cause severe financial hardship;
c. by stopping deferrals to the Plan.

Please note: The changes to the Plan noted in this newsletter are mandated by the New York State Model Plan and the Internal Revenue Service. The Board is obligated to adopt and implement these changes in order to remain in compliance with the 457b regulations.

Please contact your Board representative or your Provider(s) for more information.

T. Rowe Price: 1-888-457-5770 or rps.troweprice.com
VALIC Retirement Services: 1-800-448-2542 or www.valic.com/suffolk
Plan's website: www.scdeferredcomp.org

Please note, the information contained in this newsletter is intended to inform you of the Plan's guidelines and is not intended to provide financial advice.