



SUFFOLK COUNTY

PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

Quarterly Newsletter

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Changes in Application Procedures

The Board is revamping both the loan and catch-up application procedures. At the time this newsletter is being written, the revisions to the forms and procedures are not finalized but are expected to be announced soon via the Web site (www.scdeferredcomp.org) and future newsletters. If you have any questions, please contact your Board representative (see contact list).

Revised Update Regarding Contributions From Final Checks

Almost immediately following the distribution of the August 29, 2006, all-employees memo (AEM), the Board was notified of a rule change affecting participants who plan to retire at the end of a calendar year and contribute from their final check. Based on the new information, for an employee who severs service in December 2006 and defers from a final accruals (SCAT) check cut early in 2007, the contribution will be counted toward the 2007 deferral limit. The employee does not have to be employed in 2007 to take advantage of the 2007 limit.

2007 Annual Deferral Limits

On October 18, 2006, the IRS announced the annual plan deferral limits for 2007. The limitation on deferrals to our 457 plan increased from \$15,000 to \$15,500, while the annual limitation for age 50 plus contributions remains unchanged (\$5,000).

Employees approved for retirement catch-up will be eligible to contribute a total of \$31,000 in 2007. As in the past, Age 50 plus contributions cannot be made in the same calendar year as retirement catch-up.

The all-employees memo announcing the 2007 limits is posted on the Board's Web site for reference. If you have any questions, please contact your Board representative (see contact list).

Distribution Options Booklet

A .pdf file of the Board's latest Distribution Options booklet is available on our Web site (www.scdeferredcomp.org). The Board will be revising the text based on provisions of the Pension Protection Act of 2006 (see below). But the booklet as it appears on our Web site is accurate as of today.

Pension Protection Act of 2006 (PPA '06)

The above was signed into law on August 17, 2006. There are a number of provisions in this new federal legislation that impact on public sector deferred compensation plans.

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If you are not represented by any of the Bargaining Units above, please leave a message on the Board's voice mail at 853-5424 for a callback.

The most significant provision is that the law makes permanent the pension provisions enacted as part of the Economic Growth and Tax Relief Reconciliation Act of 2001. If PPA '06 had not been passed, most of the enhancements to our plan (deferral limit parity, Age 50 plus contributions, flexibility, portability, etc.) would have expired by 2011.

New York State is awaiting guidance from the Internal Revenue Service that will confirm which amendments are mandatory and which are permissive. The following lists some of the provisions (and effective dates) contained in PPA '06 that affect Section 457 plans:

1. Permits public safety officers who have retired for service or disability to request a distribution of up to \$3,000 annually to pay for health insurance or qualified long-term care premiums for themselves, their spouse, or dependents. The distribution must be paid directly to the insurance provider. **Effective for tax years beginning on or after January 1, 2007.**
2. Permits nonspousal beneficiaries to transfer assets directly to an IRA. The current model plan document permits participants, spousal beneficiaries, and alternate payees to roll assets to a qualified retirement plan or an IRA. **Effective for distributions beginning on or after January 1, 2007.**
3. Permits the transfer of assets from a Section 457 plan to a governmental defined benefit plan for the purchase of retirement service credit even if the governmental defined benefit plan is with another governmental employer. **Effective immediately.**
4. Provides that eligible rollover distributions (lump-sum distributions and periodic payments scheduled to be made over less than 10 years) may be rolled over to a Roth IRA, provided the income of the participant is less than \$100,000. The participant will be required to pay taxes in the year of the rollover. **Effective for distributions made on or after January 1, 2008.**

As details become available or procedures developed, information will be distributed. If you have any questions, please contact your Board representative (see contact list).

Best Wishes for a Happy Holiday!

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