



SUFFOLK COUNTY

PUBLIC EMPLOYEES DEFERRED COMPENSATION PLAN

Quarterly Newsletter

March
2005

Volume 10
Issue 1

Plan Assets

One of the suggestions we took from last year's Participant Satisfaction Survey was that the Suffolk County Public Employees Deferred Compensation Board provide, via this newsletter, an annual update of the total assets held in the plan. For the record, the plan ended 2004 with \$455,626,825 in assets. For comparison, the assets at the end of 2003 were \$393,380,526. In the future, the first newsletter of the year will provide the fourth quarter figure for the previous year.

Annual Deferrals Limits for 2005

As a reminder, the annual maximum deferral limit for an employee who will not turn age 50 by the end of 2005 is \$14,000. The annual deferral limit for an employee who is age 50 or above or who will turn 50 by the end of 2005 is \$18,000 (normal maximum contribution and Age 50 Plus contribution combined). The annual maximum deferral limits for participants who are eligible for catch-up is \$28,000. A participant may not make Age 50 Plus contributions and regular retirement catch-up contributions during the same calendar year.

Why? Why? Why?

The comment section of the Participant Satisfaction Survey also contained a number of questions starting with the word "why," including: Why don't we let employees contribute as much money as they want? Why didn't we offer the plan earlier? Why do we put restrictions on the participants' ability to withdraw their money before they retire?

Deferred compensation plans, or 457 plans, are named because they are established in Section 457 of the Internal Revenue Code (IRC). We are a government 457(b) plan—a tax-deferred plan available to state and local public employees. Government 457(b) plans are voluntary, supplemental, long-term retirement programs that give public sector employees an opportunity to defer receipt of income until retirement or termination of employment. To enable public sector employees to save tax-deferred for their retirement, restrictions on accessing money until a participant leaves employment were incorporated into Section 457 of the IRC, as well as the U.S. Treasury regulations that were recently updated (July 2003). The annual maximum deferral limits are also established on the federal level, not by the Suffolk County Public Employees Deferred Compensation Board. Although other areas of the country offered deferred compensation plans before we did, this plan was offered the first year it was made available to local government employees within New York State (1986).

Amendments to Plan Document

Late in 2004, the Suffolk County Public Employees Deferred Compensation Board (Board) adopted a number of amendments to our 457(b) plan. These changes were the results of amendments made on the state level and are summarized below:

Catch Up

Only one change was made to the catch-up procedure and it impacts the determination of eligibility for catch-up—i.e., the additional contributions in the three years preceding normal retirement age. Effective immediately, the Board can only consider prior underutilization of Suffolk County deferrals, not deferrals from any other municipality, to determine catch-up eligibility. Otherwise, the catch-up procedure remains the same. Participants wishing to commence catch-up should leave a message on the Board's voice mail (3-5424) requesting a catch-up application.

Excessive Trading

In an effort to limit excessive trading, the revised plan document now permits either provider to reject an investment direction from a participant if the requested transaction would be contrary to the rules, regulations, or prospectus of the investment fund.

Loans

The revision adopted by the Board also modifies the plan document as it relates to our loan program. These amendments include the limitations on loans subsequent to a default and the status of loan requests upon the death of the participant. Due to the number of changes, the specific nature of these amendments, and the experience we have had during the 14 months we have offered loans, the Board is in the process of revising our existing Uniform Loan Rules. Loans will continue to be limited to one loan per plan, not one per provider. Participants who are interested in securing a loan are asked to contact their provider for specific details.

Purchase of Service Credits

The revised plan document will now allow participants to use plan assets to purchase retirement service credits in any governmental defined benefit (DB) plan. Previously, the plan document restricted this purchase to DB plans within New York. The procedure remains the same. Participants interested in making this trustee-to-trustee transfer must secure a Purchase of Service Credit form from their provider. At the same time, participants must request from their DB plan the estimated cost of the service credit purchase, and within 30 days must submit the documented request to the provider on the applicable form.

Rollovers In

One change to the plan document allows a spousal alternate payee to roll assets into our plan.

A second change, as mentioned in an earlier newsletter, is an amendment that permits an in-service distribution of a rollover in from a qualified retirement plan. You can receive a distribution of these assets at any time in accordance with the rules of the plan that originally held these assets. This amendment does not apply to assets rolled in from another government 457(b) plan—these assets may not be distributed until a participant is eligible for distribution under the rules of a government deferred compensation plan. This means that if you roll your 401(k) assets into our plan from your previous private sector job, you can access the assets before you leave the county's employ, but if you roll your 457(b) assets into our plan from your prior employment with the town or the state, you cannot access this money until you leave the county's employ. One technical change to the plan outlines the procedure followed if the participant should die after the request for, but prior to, the payment of this in-service withdrawal.

Quarterly Newsletter

This is the 10th year that the Board has produced a quarterly newsletter for the plan participants. We would like to thank all the participants who had either nice things to say about the newsletter or constructive suggestions about information that you would like to see incorporated into the newsletter on a regular basis.

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