

Prepared by the Personnel Management Office.
This replaces Administrative Procedure No. A9.740
dated July 1986.

February 1986

SAFETY WELFARE AND BENEFITS

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A9.740 TAX DEFERRED ANNUITY PROGRAM (TDA)

1. Purpose. To promulgate the description of the Tax Deferred Annuity Program in accordance with Section 403(b) of the Internal Revenue Code of 1954 and Section 303-2t HRS, Contract of Purchase of Annuities, and Section 303-3, BRS, Premium Withholding and Board of Regents' Policy 9-13c, Tax Deferred Annuity.
2. To prescribe policies and procedures for the University Voluntary Tax Deferred Annuity Program whereby employees may take advantage of tax benefits provided.
3. Any faculty and staff member of the University of Hawaii, including Civil Service personnel who are paid through the regular payroll may participate in the TDA program by deferring portions of such earnings to the plan(s) of their choice. However, any earnings paid through the casual payroll may not be deferred to such TDA plans. Interested individuals must contact one of the authorized companies or agents. The company or agent will enroll the employee and submit Form D-60 and TDA-1 (Attachment B) to the respective designees(s) of the Chancellors, Vice Presidents, and of the Deans and University Librarian at Manoa (henceforth, Administrative Officer). The Administrative Officer is responsible for processing Form D-60.
4. Guidelines
 - a. The University of Hawaii will process TDA contract agreements as provided for by law and BOR policy.
 - 1) For federal and state income tax purposes the amount of deferred income or salary, up to the exclusion allowance established under the Internal Revenue code, shall be excluded from the employee's current gross income for the taxable year.
 - 2) Contributions to the State Retirement System are

computed on the basis of the gross salary before income is deferred for the TDA program.

- b. Interested employees should contact any of the authorized companies or agents listed on Attachment A. Individual consultation with insurance representatives, however, is to be conducted during employee's own time or during non-working hours.
- c. Employees will be permitted to have more than one TDA plan. However, no more than one agreement or change from an annuity contract may be made during any taxable year. (AG Opinion 71-4)
- d. Agents who arrange for TDA policies are responsible for advising employees on the exclusion allowance permitted under the IRS code. Employees should request that the agent provide a copy of the exclusion allowance computation to ensure that they do not exceed the allowable amount.
- e. Any agreement reached between an employee and an authorized company agent is the responsibility of the employee. The University assumes no responsibility or tax liability which may arise from such agreement.
- f. All participating employees shall be responsible for informing their TDA plan representatives and arranging any necessary temporary cancellation or suspension of their account whenever going on leave without pay.
- g. Insurance companies and agencies that are authorized to enroll eligible employees in their TDA plan(s) must comply with applicable provisions of this Administrative Procedure, the State Regulatory Agency's Memorandum 1976-12 and other state and federal statutes and regulations as may be applicable. Non-compliance will cause to revoke authorization to enroll additional employees into its plan(s).
- h. Forms D-60 and TDA-1 may be obtained from the Personnel Management Office, Employee Welfare Section.

5. Procedures

a. Enrollment:

- 1) Refer to Attachment B, Instructions to complete

Forms D-60 and TDA-1.

- 2) Forms may be obtained by agents of authorized insurance companies or from the respective Administrative Officer.
- 3) Enrollments can be effective only on the first of the month; mid-month enrollments cannot be made.
- 4) Upon receipt of the executed forms, the Administrative Officer will check them for completeness and accuracy of required information and distribute:
 - a) The original to Department of Accounting and General Services (DAGS), Pre Audit Section, three (3) working days before the first of the month for processing the amount to be deferred. However, the forms must be in the office of the Administrative Officer eight (8) working days before the end of the month to ensure delivery to DAGS on time.
 - . For the Manoa Campus, daily delivery to DAGS is available through the Disbursing Office, Lower Campus.
 - . For other University components the form is to be mailed or delivered to:

Preaudit Section
Department of Accounting and General Services
Kalanimoku Building
1151 Punchbowl Street
Honolulu, Hawaii 96813
 - b) The agent's and enrollee's copy to the representative of the insurance company for distribution to the employee and for their record.
 - c) Retain the Employing Agency copy.

b. Changes or Adjustments:

- 1) If an employee wishes to increase or decrease the amount of the annuity contributions, this must be

accomplished through the agent in the same manner as enrolling for the first time. Follow the enrollment procedures.

- 2) The deadlines for filing changes are the same as for new enrollments, Changes or adjustments in programs are effective only on the first of the month; mid-month changes cannot be made.
- 3) A Form D-60 which is submitted to change the amount of the TDA with the same company (same agent code) will automatically replace the current Form D-60. A separate cancellation is not required.
- 4) Before increasing the amount of a TDA plan, the employee should request recomputation of the exclusion allowance to avoid exceeding the limit.

NOTE: Incomplete or erroneous forms will be returned to the agent for correction. Employees who wish to increase the amount of their TDA plan toward the end of the calendar year to maximum the federal income tax advantage should seek advice from their insurance company's representative before October of each year. This should permit sufficient time to accomodate the desired change.

c. Termination (Cancellation of Plan):

- 1) The TDA agreement will automatically be revoked upon termination of employment.
- 2) A TDA agreement can be cancelled only by completing the Form D-60 portion of the University's combined form and submitting it to the Administrative Officer according to instructions on Attachment B. The agent's signature is not required on a cancellation; however, the employee should keep the agent informed. The form must be received by the Administrative Officer no later than eight (8) working days (excluding holidays) prior to the end of the pay period to be effective the following pay period. Mid-month cancellations can be made by transmitting Form D-60 to DAGS three (3) working days prior to the 16th. At Manoa the form must be in the Disbursing Office at least one full

day prior (4th day) so that delivery can be made on time.

- 3) An employee who wishes to cancel a TDA plan and withdraw contributions in a lump sum should consider the tax consequences of such action. Also in the case of a complete withdrawal, the request should not be sent to the insurance company until all premiums withheld have been credited. For example, if the last salary deduction is to be made from May 31 pay, the premium will normally be credited to the employee's account by approximately June 10; request withdrawal at the time.
- 4) Any participating employee who is planning to continue his or her TDA plan in another qualified institution (e.g. another university) will be responsible for making his or her own arrangement for coverage.

d. Filing of Income Tax:

- 1) All participants are responsible for filing their own income tax.
- 2) Federal Income Tax
 - (a) Form W-2 (Withholding Tax Statement) will show net salary or wages excluding deferred income to the TDA program.
- 3) State Income Tax
 - (a) Income deferred to the TDA program is not taxable by the State.


e. Questions pertaining to this policy and procedures should be referred to your Administrative Officer or personnel officer as appropriate.

6. Duplication of Procedure and Attachments. This Procedure and Attachments A and B may be duplicated and provided to participants in the TDA program and eligible employees.

INSTRUCTIONS -- To Complete Forms D-60 and TDA-1

GENERAL PRELIMINARY INSTRUCTIONS

Only one agreement or change from an annuity contract may be made during a taxable year.

All copies of the completed forms must be received by the Administrative Officer, no later than eight (8) working days (excluding holidays) prior to the end of the month to be processed the first of the following month. 

Late submittals will not be processed until the second month. Late submittals means even if its one day late.

Information requested on the forms must be legibly printed or typed or it will be returned to the agent.

A self-addressed envelope with a stamp should be attached to the forms to expedite return of copies of distribution or filing.

D-60 -- Salary Assignment/Cancellation

1. Name of Campus and/or department.
2. Employee's social security number -- **ACCURACY IS IMPERATIVE.**
3. Employee's name. Please type as it appears on their salary warrant.
4. Agent's three (3) digit code -- **MANDATORY.**
5. Check assigns or cancels -- **MANDATORY.**
6. Enter total dollar amount or percentage, **NOT** both. When entering dollar amount -- express to two decimal places. Dollar amount cannot exceed six (6) digits per pay period.

Example: \$ 9999.99 per pay period or
 \$19,999.98 monthly

7. Enter effective date:

- a) For new contract or change the effective date must be stated as the first of the month.

Example: Should be November 1, 1982
 Not November 15, 1982

Should it be an increase or decrease both the top and bottom portion of the form must be completed in its entirety.

- b) For cancellation only it may be stated as the 1st or the 16th.

Example: November 1, 1982 -- no deduction on 15th
paycheck
November 16, 1982 -- no deduction on
the 30th paycheck
Last deduction on
November 15

For cancellation -- **DO NOT CUT OFF** bottom half of the form. Simply draw a line across, however, complete line 16. Use address where form should be sent.

For cancellation only agent's signature is not necessary.

8. Date and signature of employee -- **MANDATORY.**
9. Name of company, address, zip code -- **MANDATORY.**
Use local address.
10. Date and agent's signature -- **MANDATORY.**

~~TDA-1 -- Employment Agreement Implementing Purchase of
Tax-Deferred Annuity Contract~~

11. Name of employee -- please type as it appears on their salary warrant.
12. Dollar amount or percentage to be withheld each month.
13. Effective date -- the first of each month.
14. Name of insurance carrier.
15. Signature of agent, name, address and phone number of insurance company. Use local address and phone number.
16. Date and signature of employee.
17. Date and signature of department designee.

REVERSE SIDE CAREFULLY

(USE TYPEWRITER OR BALL POINT PEN WITH HEAVY IMPRESSION)

STATE OF HAWAII		SALARY ASSIGNMENT/CANCELLATION		A9,740 p 14 of 14 Attachment B	
DEPARTMENT UNIVERSITY OF HAWAII		SUB DIVISION OR SCHOOL (1)			
FORM NO. 1-4	SOCIAL SECURITY NO. 5-14 (2)	LAST NAME, FIRST NAME, MIDDLE INITIAL 15-36 (3)	TYPE 37-38 AP	AGENT 39-41 (4)	PLAN 42-44
			I.O. NO. 45-52	DEPT 53 F	
THE UNDERSIGNED HEREBY: <input type="checkbox"/> ASSIGNS OUT OF ANY COMPENSATION FROM THE STATE OF HAWAII OR <input type="checkbox"/> CANCELS CHECK ONE BOX ONLY IF "ASSIGNS" <input type="checkbox"/> \$ (6) THE FIRST MONTH AND EACH MONTH THEREAFTER <input type="checkbox"/> PERCENT EACH MONTH (6) % (5)			• EFFECTIVE WITH THE PAYROLL PERIOD THAT BEGINS (7) / / MONTH DAY YEAR		
I CERTIFY THAT I WILL ABIDE BY THE REGULATION SET FORTH ON THE REVERSE SIDE OF THIS APPLICATION (8) DATE			TYPE AGENT'S NAME, BRANCH ADDRESS AND ZIP CODE HERE (9) (10) DATE		
EMPLOYEE OR AUTHORIZED SIGNATURE (8)			AUTHORIZED SIGNATURE OF ASSIGNEE (10)		

STATE COMPTROLLER - CENTRAL PAYROLL

STATE AND COUNTY FORMS 50
ALL FORMS REVENUE

EMPLOYMENT AGREEMENT IMPLEMENTING PURCHASE OF TAX-DEFERRED ANNUITY CONTRACT BY THE UNIVERSITY OF HAWAII FOR EMPLOYEES

By this AGREEMENT made between (11) (Employee) and the UNIVERSITY OF HAWAII, hereinafter referred to as the University, the parties hereto agree as follows:

1. The basic monthly salary \$ which the University shall pay Employee shall be reduced by the amount of \$ (12) or (12) % each month commencing on (13), 19, and continuing until the Employee revokes or amends this Agreement in writing.

2. The University agrees to apply to the (14) (Insurance Company) for an annual premium retirement annuity contract for Employee which a monthly contribution will purchase. The University further agrees to make the initial premium payment and all succeeding premium payments so long as this Agreement or any subsequent agreement is in force in consideration for the services being performed by Employee and for his continued services in the future; provided, however, that such premium payments shall not at any time exceed Employee's "contribution limitation" as that term is defined under the provisions of Section 403(b)(2) and Section 415 United States Internal Revenue Code, 1954, as amended.

3. Employee releases all rights, present and future, to receive any or all of the amounts to be used by the University as premium payments in any other form except as such right might accrue under the Tax-Deferred Annuity Program.

4. This Agreement shall be legally binding and irrevocable as to each of the parties hereto while employment continues; provided, however, that from the effective date hereof either party may terminate this Agreement as of the end of any pay period so that it will not apply to salary subsequently earned, by giving written notice of such termination in accordance with University Regulations governing reduction of income for the purchase of Tax-Deferred Annuities.

(15) _____ Signature of Agent	Signed this (16) day of (16), 19____
(15) _____ Insurance Company	(16) _____ Signature of Employee
(15) _____ Address	Signed this (17) day of (17), 19____ UNIVERSITY OF HAWAII
(15) _____ Phone Number	By (17) _____ Vice-President for Administration