Section 10 provides information for the employer with regards to the FPPA 457(b) Deferred Compensation Plan (457 DC). FPPA abides strictly by the Model FPPA Deferred Compensation Plan approved by the IRS. If your department has not already adopted this plan, and is interested doing so, please contact the Communications Team at FPPA.

Contents

A. What is a 457 DC Plan?

A 457 Deferred Compensation plan is a supplemental, voluntary savings plan offered to public employees. The FPPA 457 Deferred Compensation Plan allows employees to set aside a portion of their salary on either a pre-tax or post-tax (Roth) basis and allows their contributions grow based on their investments.

Employees or employers, through payroll deductions, can contribute up to the maximum limits each year. The maximum annual limits change periodically. For current annual contribution limits, please refer to the FPPA website.

Some unique characteristics of the 457 DC Plan are that distributions prior to age 59 ½ do not have an IRS early withdrawal penalty (distributions are taxable regardless of age) and participants who have not contributed the annual maximum may be eligible to contribute up to double the annual maximum when they are within three years of a normal retirement.

FPPA partners with Fidelity Investments to offer a wide array of investment options for the FPPA 457 DC Plan.

B. Who is Eligible to Participate?

If an employer has adopted the FPPA 457 DC Plan, active firefighters, police officers and other personnel who provide direct support to public safety departments are eligible to participate.

C. The Employer's Role "At a Glance"

1. Complete the documents to adopt the plan
2. Collect the Deferral Forms to enroll members
3. Report contributions
4. Set up a Retirement Committee
   - o The Retirement Committee reviews member requests for a withdrawal from the plan in the case of a financial hardship that results from an unforeseeable emergency.
   - o If payment is justified, the Retirement Committee authorizes FPPA to begin payments.

D. Adopting the Plan

1. The employer should contact the Communications Team at FPPA and request the official plan documents. These documents include:
   a. a Model FPPA Deferred Compensation Plan
   b. a Model FPPA Deferred Compensation Trust Agreement
   c. an Electronic Funds Transfer Authorization Agreement
2. FPPA will mail two duplicate sets of the above original documents to the employer. The employer's board and legal counsel should review these documents.
3. The employer should sign both sets of original documents, and then return both sets of the original documents to FPPA.
4. FPPA will sign both sets of documents and then return one fully executed set of the original documents to the department.

E. Enrollment

After the Employer has adopted the 457(b) Deferred Compensation Plan members can obtain an Enrollment Guide from his/her employer or FPPA. In order to enroll, members should complete the Deferral Form and submit it to the employer's payroll office. Enrollment is effective when Fidelity receives a participant's contributions.

F. Reporting Contributions

Contributions to plans administered by FPPA are due ten days following the date of payment of salary to the member. Employers must submit the required contributions and the contribution detail in order to process the deposit.

Payments are subject to a penalty if not submitted when due. The penalty is calculated at a daily rate of one-half of one percent per month on the delinquent amount. (C.R.S., 31-31-402 (4)).

G. Options for Payment of Contributions to FPPA

1. **ACH Debit Transactions:** This is the best option for payment of contributions. This allows FPPA to initiate an ACH Debit Transaction which will transfer funds, for payment of contributions, from the employer's bank account to FPPA's account.

   To use ACH Debit Transactions, contact FPPA's Contributions Team to receive an Electronic Funds Transfer Authorization Agreement. Once this agreement form is completed and returned to FPPA, ACH Debit Transactions can begin. Upon receipt of your report, FPPA will activate the ACH Debit Transaction for the amount that is reported by the employer, and the money will be taken out of the employer's bank account.

2. **Wire Transfer of Funds:** An alternative method of payment is wiring funds. This method requires that the employer contact their bank when the employer is ready to initiate a transfer of funds, for payment of contributions, to FPPA. Contact FPPA's Contributions Team to receive FPPA bank routing information.

   The difference between a Wire Transfer of Funds and an ACH Debit Transaction is that the employer initiates a Wire Transfer of Funds, whereas FPPA initiates ACH Debit Transactions.

H. Setting up a Retirement Committee

The Employer selects a committee of not less than three persons to carry out the discretionary functions of administering the Plan. One discretionary function of the Retirement Committee is to review the Unforeseeable Emergency Provision when a member requests a withdrawal due to an unforeseeable emergency.

I. Unforeseeable Emergency Provision

According to the Model FPPA Deferred Compensation Plan, Section 5.01(b)(1), a participant may, at any time, whether active or retired, request a withdrawal for a financial hardship that results from an unforeseeable emergency. He/she should submit a written request to the employer's Retirement Committee, accompanied by evidence that his/her financial condition warrants an advance release of funds and results from an unforeseeable emergency which is beyond the participant's control. The Retirement Committee reviews the requests and makes the determination whether payment is justified. The amount of payment is limited to the amount reasonably needed to meet the emergency. If payment is determined to be justified, the Retirement Committee authorizes FPPA to begin payments. FPPA will do everything possible to expedite payment to the member. FPPA can give Fidelity authorization to release the funds on the same day a complete application is received. Fidelity generally disburses checks two days after receiving authorization from FPPA.

Unforeseeable Emergency Defined

"Unforeseeable Emergency" means the participant experiences a severe financial setback resulting from a sudden and unexpected event. This may include:

- a sudden and unexpected illness or accident of the participant or a dependent of the participant;
- a casualty loss of the participant's property (which may include damage as a result of a sudden and unexpected incident such as a storm, flood, fire, or earthquake)
- imminent foreclosure of, or eviction from, a participant's primary residence
- the need to pay for unexpected and sudden medical expenses (including non-refundable deductibles and prescription medicine)
- the need to pay funeral expenses for a family member, or
- other similar extraordinary and unforeseeable circumstances arising from events beyond the participant's control

Deciding if circumstances constitute an unforeseeable emergency is determined on a case-by-case basis.

If a participant's hardship can be relieved through reimbursement or compensation by insurance, liquidation of the participant's assets (to the extent that this liquidation wouldn't cause a severe financial hardship), or by stopping Deferrals to this Plan then payment for the hardship from the 457(b) Plan cannot be approved.

Additionally, unforeseeable emergencies shall not include the payment of college tuition or purchase of a residence. Refer to the Model FPPA Deferred Compensation Plan Section 5.01(b)(2) for the full, legal definition.

J. Loan Provision

Although the FPPA 457 (b) Deferred Compensation Plan is intended for the future, members may borrow from their account.

- The minimum loan amount is $1,000, and a loan must not exceed $50,000 or 50% of the member's vested balance, whichever is greater.
- Members may have one loan outstanding at a time.
- There is a loan initiation fee and a quarterly loan maintenance fee. The initiation and maintenance fees are deducted from the member's plan account.
- The interest rate is 1% over the prime rate as verified by Fidelity.
- Members then pay the money back into their account, plus interest, on a monthly basis using the Automate Clearing House (ACH). Loan repayments are made electronically by transferring funds from the member's personal bank or credit union account.

K. Employer Information Changes

FPPA communicates with the employers by maintaining an employer contact system. The system includes names and addresses of city/district personnel designated as key contacts. Please advise FPPA of any changes.

L. Member Information Changes

Changes to a member's name or address should be submitted to FPPA through the Employer Reporting System by the employer. However, the member should also submit any name or address changes to Fidelity.

Changes to the member's beneficiary designation must be submitted to Fidelity. The member can update their beneficiary information online through the Fidelity NetBenefits website, or by completing the Fidelity beneficiary form which they can obtain by contacting Fidelity. FPPA and Fidelity do not share beneficiary information or changes.

This document is intended to be a plain language overview of FPPA administered plans and procedures. It should be used in conjunction with the applicable FPPA Rules and Regulations, plan documents and the Colorado Revised Statutes. Alone, this guide can only be considered a summary and not a comprehensive reference to retirement, disability and survivor benefits provided by FPPA. This plain language document is intended for informational purposes only. Official interpretations or determinations are based upon the applicable plan documents, the Colorado Revised Statutes, and FPPA Rules and Regulations that govern the plan.