

**If you are a GGU/SU member and you are wondering if you can defer all or part of your retroactive paycheck into your Alaska Deferred Compensation Plan account, this notice applies to you.**

**The notice explains why a deferral amount cannot be deducted from your actual retro check, but how you can achieve the same effect with other deferral methods over time:**

The Division of Retirement and Benefits has determined that the retro paychecks cannot be economically adjusted for deferral amounts due to the magnitude of successfully generating approximately 13,500 individual checks with proper deductions and tax withholding. Retro pay deferral requires manual alteration of each check, a time consuming and error prone process.

You may still defer a portion of your retro amount using other alternatives. One option is to increase your monthly deferral to off-set the retro pay over the remaining months of this year. When determining your additional deferral, remember your retro pay will be reduced by any applicable mandatory deductions for contributions to the Public Employees' Retirement System (PERS), the Alaska Supplemental Benefits System-Annuity Plan (SBS-AP), and Medicare. Tax withholding for the retro pay will be set at 25% and for GGU employees a post tax deduction of .1% will be taken for union dues.

Once your retro pay is received, the additional deferral amount can be calculated using the methods in the following examples. For Employee A in the following examples, the retro amount, less applicable deductions, is \$1,563.00:

#### **Example #1**

If the retro pay is issued in July and the employee submits a change in deferral for August, he/she could defer this amount by increasing his/her regular monthly contribution by \$313.00. This amount over the remaining 5 months would equal the retro amount.

#### **Example #2**

Establish a large monthly contribution for the full retro pay net amount that will, in addition to the regular contribution, be processed over two pay periods.

Employee A would increase his/her regular monthly contributions by \$1,563.00 (\$781.50 each pay period for two pay periods). Assuming the payroll check is sufficient to cover this increased deferral, including his/her current regular monthly deferral, the retro pay would be deferred in one month. Employee A would note on #6 of the Financial and Beneficiary Change form to decrease his/her monthly contributions to a lesser amount effective for the following month if he/she did not want to sustain the higher contribution amount.

#### **Example #3**

Defer the retro pay over two or more months.

Employee A would take the retro amount, less deductions, and divide by the number of months the deferral would be made. This amount, added to the regular monthly contribution, would be made until changed by the employee.

We commend your attention to the important work of preparing adequately for retirement. Should you choose to increase your monthly deferral, please use the [Financial and Beneficiary Changes form](#). We regret any inconvenience this decision has caused. Our staff is available to work with you to determine a method that will accomplish your desired deferral. If you have questions regarding the calculation of your deferral, please contact Kathy Carson, Retirement Operations Supervisor at (907) 465-5697 or by email at [kathy.carson@alaska.gov](mailto:kathy.carson@alaska.gov).