

## Frequently Asked Questions (FAQs)

The Twelve Month Faculty Pay Plan provides for faculty under a 9, 10, or 11 month appointment to spread the payment of wages earned during your appointment period over 12 months (24 pay periods). For example, assume your annual compensation for a 9-month academic year is \$54,000. Your typical semi-monthly gross pay as a 9-month faculty is \$3,000 per pay period for 18 pay periods (\$54,000/18). If you choose to be paid over 24 pay periods, your monthly gross pay would be \$2,250 (\$54,000/24). The amount deferred for the first 18 pay periods is \$750 per pay period (\$3,000 - \$2,250) which is then paid out during the summer, over the last 6 pay periods.

*Please note this Q&A is a brief summary of deferred compensation and its attributes. It is not intended to provide you with tax advice. You should consult with your own advisor regarding any tax implications of your election to defer salary over 24 pay periods.*

### **1. A faculty member who provides service for 9 months but is paid over 12 months (9/12) is employed beginning in August. Must the employee be paid out in 24 equal installments?**

No, the decision to be paid out over 18 pay periods can be made. The cancellation notice must reach the Human Resources office by July 1, immediately preceding the academic year to which it pertains. The cancellation notice must be completed in full.

### **2. When does the 9-month deferred pay begin?**

The 9-month deferred pay begins the same pay date as the 9-month regular pay. It will continue for 24 pay dates.

### **3. What if I decide in the middle of the year that I want to stop my deferral?**

Your election for the academic year is irrevocable after the commencement of the academic year. This is per the Internal Revenue Code - IRC 409A.

### **4. How will this affect my benefit deductions?**

Your benefit deductions that are in effect for 12 months (i.e. medical, dental, etc.) will be deducted over the entire 12 months instead of 9. Retirement deductions and university contributions to retirement as well as tax withholdings will be based on wages paid, not wages earned.

Any deduction that is specifically for the academic period, such as parking, will continue to be deducted over the 9-month period.

### **5. How will any summer or additional assignments affect my 9-month deferral?**

Your summer assignment or any additional service assignments during the 9-month academic year are not part of your deferred compensation. Only your primary 9-month assignment is eligible for deferral.

### **6. How will this affect my taxes?**

Your tax withholdings will continue to be based on the latest W-4 UCA has on file for you and will be calculated on the amount of wages paid, not the earned amount. Your W-2 will reflect only the wages paid during the calendar year, not the wages earned or deferred.

### **7. Will I need to complete a cancellation form every year?**

Your election to cancel the 12 month deferral will remain in effect unless you submit an additional form to enroll prior to July 1 of the new academic year.

### **8. What if my faculty assignment ends at the end of the academic year?**

Any earned but unpaid compensation will be paid in a lump sum, less any applicable deductions in the next payroll cycle. If you have questions concerning your benefits and their end date(s) please contact Human Resources at 501-450-3181

**9. Where should I submit my cancellation form?**

The cancellation form should be submitted to the Human Resources Office. The office is located on the first floor of Wingo Hall, room 106. Or you may scan the completed signed form and email to payroll@uca.edu.

**10. Who should I contact if I have any questions?**

Please contact the Human Resources Office at 501-450-3181.

**11. Why is there an income limit of \$144,000 to be eligible to elect 9 month deferred pay?**

The IRS regulates deferred compensation. Individuals who defer \$18,000 or less in a calendar year are not considered to be subject to 409A rules regarding additional interest and penalties on the deferred compensation. UCA has concluded that employees who elect to defer who make \$144,000 or less annually will meet the IRS annual deferred constraints of less than \$18,000 in the calendar year and avoid the additional tax.

**12. How did UCA arrive at the income limit of \$144,000?**

A 9-month faculty is paid over 9 pay periods in calendar year 1 and 9 pay periods in calendar year 2. If paid over 24 pay periods, the compensation paid in year 1 is 9/24 of the total. The amount deferred cannot exceed the 402(g) limit in year 1 (\$18,000).

Therefore, at a salary of \$144,000:

The amount earned in year 1 is \$72,000 ( $\$144,000/18 \times 9$ ) The amount paid in year 1 is \$54,000 ( $\$144,000/24 \times 9$ )

The difference in amount earned vs. amount paid is \$18,000 ( $\$72,000 - \$54,000$ ) which does not exceed the IRS limit.