Michigan Public School Employees' Retirement System

A Pension and Other Postemployment Benefit Trust Fund of the State of Michigan

Archived Reporting Instruction Manual

Chapter 10 – Tax-Deferred Payment Plan

Archived on March 18, 2022
for historical reference by reporting units of the
Michigan Public School Employees' Retirement System

MICHIGAN OFFICE OF RETIREMENT SERVICES
Big Plans. Small Steps.

Prepared by
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10: Tax-Deferred Payment Plan

10.00: Tax-Deferred Payment Plan

The following sections explain the TDP program and how to report members who have a TDP agreement.

Last updated: 04/13/2012

10.01: What is the Tax-Deferred Payment Plan

The Tax-Deferred Payment plan is a voluntary program that allows members of this retirement system to purchase active duty military service credit and/or pay for a repayment of a refund, contributions for post 1992 weekly workers compensation, and MIP Window buy-back on a tax-deferred payroll-deduction basis. Reporting units were able to choose to participate any time following the program implementation on July 1, 1998.

Note: All TDP agreements that were initiated on January 1, 2004 and later are subject to 8 percent annual interest on the unpaid balance. For more information see section 10.07: TDP Annual Interest further in this chapter.

ORS received a private letter ruling from the IRS that considers these deductions as employer payments. The payments are tax-deferred as long as the deductions are withheld and sent to the retirement system before the employee receives them (Section 414(h) (2) of the Internal Revenue Code.) Therefore, it is important that the deductions from the employees' pay are made in the correct sequence. See section 10.03.05: TDP Deductions Must Be Made in Proper Sequence from the Employees' Gross Wages for more information.

Last updated: 09/29/2017

10.02.00: The Tax-Deferred Payment Plan Resolution

Before employees can participate in the TDP program, your reporting unit must have submitted a resolution to ORS for approval. Your Board of Education, Board of Trustees, or other governing body must have passed this resolution. The resolution indicates agreement to participate in the program. A copy of the Board minutes reflecting passage of the Redeposit, TDP, and *MIP Buy-Back Payroll Resolution*, as well as the *Redeposit, TDP, and MIP Buy-Back Payroll Resolution (R0414C),* must have been submitted to ORS for approval. This form also available under Reporting Forms.

Last updated: 04/13/2012

10.02.01: TDP Agreement is Binding and Irrevocable

The Internal Revenue Service approved the TDP agreement, addendum, and supplemental agreement as “salary reduction agreements.” They are contracts between your reporting unit and the employee. They authorize the reduction of the participating employee’s taxable income by the amount of the payroll deduction. The terms of these agreements must be complied with to ensure that your employees do not lose the tax deferral. If that were to happen, the employee, your reporting unit, and ORS could be subject to taxes, penalties, or both. After these forms are signed and submitted to ORS, your reporting unit may begin withholding the requested deduction. Scheduled payment deductions must continue every pay period until the agreement is paid in full or a qualifying termination event occurs.

The only valid reasons for terminating and closing a TDP agreement, addendum, or supplemental agreement are:

- Death of an employee
- Termination of employment
- Retirement
- Payment in full

If the employee terminates employment with your reporting unit, the agreement and the addendum are terminated. However, the employee does have the option to transfer the agreement and/or addendum to a new reporting unit. The employee and the new reporting unit must sign the TDP agreement/addendum within 90 days of terminating employment with the previous reporting unit.

Even though these deductions are tax-deferred, they could be subject to various contribution limits under the Internal Revenue Code. Employees should consult an attorney, CPA, or another qualified expert to determine how this program could affect other tax-deferred investments. Penalties for violating these limits include causing the employee to lose some of the tax deferral benefits and losing the IRS private letter ruling allowing the tax-deferred payment program.

Last updated: 04/13/2012

10.03.00: Who Can Participate in the TDP Plan?

Members of this retirement system are eligible to participate in the tax-deferred payment plan if they are part of the a Defined Benefit Plan or Pension Plus plan, or Pension Plus 2 plan and purchasing active duty military service credit and/or payment for a repayment of a refund, contributions for pre 1992 weekly workers compensation, and MIP Window buy-back.

Last updated: 02/01/2018

10.03.01: Obsolete - Employees Must Have Established Wage and Service Base to Participate in TDP

OBSOLETE section – This information is obsolete with the implementation of PA 92 of 2017.

To purchase service credit employees must have wages sometime during the preceding fiscal year. Some types of service credit purchases also require the employee to have at least two years of earned service credit. Detailed information about eligibility to purchase service credit is on the member website at www.michigan.gov/orsschools.

Last updated: 09/29/2017

10.03.02 Employees Must Be Active Members to Participate in TDP

Employees must be active members in order to participate in a tax-deferred payment (TDP) agreement. In other words, they must be currently working for and being paid by your reporting unit. Employees remain active while laid off for a maximum of one year or on an approved leave of absence as long as an employee-employer relationship exists and as long as the employee has earned service credit in the past two years. See section 3.01.02: Extended Leave of Absence (More Than Two Years). Substitute, part-time, intermittent, and temporary employees are considered active members only on the actual days they work. If you allow substitute, part-time, intermittent, or temporary employees to participate in the tax-deferred payment plan, a TDP agreement can only be initiated on a day that the employee is actually working for your reporting unit. An "on call" employee is not considered an active member. A substitute, part-time, intermittent, or temporary employee is an employee who:

- Does not work every pay period, but works intermittently; or
- Does not work a full year; or
- Works part-time for multiple employers; or
- Is terminated at the end of each day.

Last updated: 08/25/2015

10.03.03: Employees Must Have a Current Billing Statement to Participate in TDP

Before your employees can complete a TDP agreement, they must have a current billing statement from ORS. Employees can learn more about purchases and how to obtain a current billing statement from the member website at www.michigan.gov/orsschools.

The TDP agreement is included with the billing statement that is mailed to employees. Billings are valid until the due date that is printed on the statement. Employees that do not have a valid billing statement are not eligible to participate in the program.

Only one transaction or purchase is allowed for each billing statement. Once a billing statement's invoice number has been used to purchase service—through the TDP program, a plan-to-plan transfer, or a post-tax payment—that invoice number cannot be used for additional purchases. The employee must contact ORS to request an updated billing statement that shows the remaining service the employee is eligible to purchase and the cost of this service.

Last updated: 09/29/2017

10.03.04: Employees Must Have Sufficient Funds to Cover the TDP Deduction

Effective July 1, 2011, the minimum scheduled deduction for new agreements must be large enough to pay off the balance, plus any accrued interest, in less than 15 years (based on 21 pay periods a year), and never lower than $50. This ensures the agreement is paid off in a reasonable time frame and reduces the risk of the agreement balance increasing over time as a result of applying interest annually to the remaining balance. The maximum deduction amount is the employee's gross per-pay period wages minus social security, Medicare, and member contribution deductions. If the employee has sufficient funds to meet the above requirements, you may sign the agreement.

Employees cannot have constructive receipt of these funds. That is, the employees cannot have this money paid to them via cash, paper check or direct deposit. This money must go directly from the employer to ORS.

A TDP Calculator is available to help you and your employee make an educated decision in determining an affordable scheduled deduction amount. This calculator is also available on the member website, under Service Credit – How to Purchase.

Last updated: 04/16/2012

10.03.05: TDP Deductions Must Be Made in Proper Sequence from the Employees' Gross Wages

In accordance with the IRS private letter ruling (Section 414(h) (2) of the Internal Revenue Code), TDP payments are employee contributions that are picked up by the employer and therefore are considered employer contributions. This means that the deductions are withheld and forwarded to ORS without the employee ever having received them. As a tax-deferred program, the scheduled deduction for each pay period must be made in the following order:

1. Social security tax (FICA)
2. Medicare
3. Member deductions
4. TDP program deductions
5. Other pre-tax deductions (401k, 403b, etc.)
6. Federal income tax
7. State income tax
8. Local income tax

Last updated: 04/13/2012

10.03.06: Scheduled TDP Deduction Must Be Made Every Pay Period

Your reporting unit is obligated to make the entire scheduled payment according to the agreement/addendum/supplemental agreement only if there are sufficient funds in the employee's pay after any other mandatory deductions. The scheduled deductions cannot be reduced. This means that if the employee's wage isn't large enough to cover the entire deduction then no deduction should be made. A deduction reason code must be included for each pay period in the life of the agreement. Deduction codes provide the reason for the deduction, i.e. regular payment, or the reason for a nonpayment, i.e. not enough wages, or the employee is on an unpaid leave of absence. If an entire deduction cannot be withheld, a valid nonpayment reason code must be used with the zero payment. See section 13.04: TDP Deduction Reason Codes.

If an employee is on a leave of absence without pay, sabbatical, disability, or reduced hours, and the earnings are not sufficient to take the deduction, you will report no payment with a valid reason code explaining the lack of payment.

Prorated service credit and payments to purchase active duty military service are posted to the employee's retirement account as the payments are made.

Payment that cannot be prorated are for payments of a repayment of a refund, contributions for pre 1992 weekly workers compensation, and MIP Window buy back. Those types of payments are not posted to the employee's retirement account until the agreement has been paid in full.

Last updated: 09/29/2017

10.04.00: Setting Up a TDP Agreement

The following sections cover completing the TDP Agreement and submitting the TDP Agreement File.

Last updated: 04/13/2012

10.04.01: How to Set Up a TDP Agreement

The TDP agreement is the original contract between the employee and the employer that is used to purchase active duty military service credit or make payment for a repayment of a refund, contributions for post 1992 weekly workers compensation, or MIP Window buy-back, using the tax-deferred payment program. Your employees should bring a completed TDP agreement form and current billing statement to you. Some employees may request your assistance in completing the forms; however it is the employee's responsibility to ensure the agreement is completed, including the signatures.

Employees are told to bring their TDP agreements and member billing statements to their payroll office to have the deductions started. See images below.

The following steps provide instruction for setting up the agreements.

1. Verify that the TDP agreement has been filled out accurately and completely. Both you and the employee must sign and date the agreement.
2. Verify box 7 BILLING AMOUNT (TOTAL DUE) and box 8 SERVICE YEARS AVALABLE remain unmodified.
3. Verify that the employee has sufficient regular pay to cover the deduction amount.
4. Give a copy of the TDP agreement, billing statement, and any other supporting documents to the employee. Keep a copy for your reporting unit records.
5. Fax a paper copy of the billing statement and the TDP agreement to ORS at 517-284-4416.


Tax-Deferred Payment (TDP) Agreement

For School Employees Purchasing Service Credit

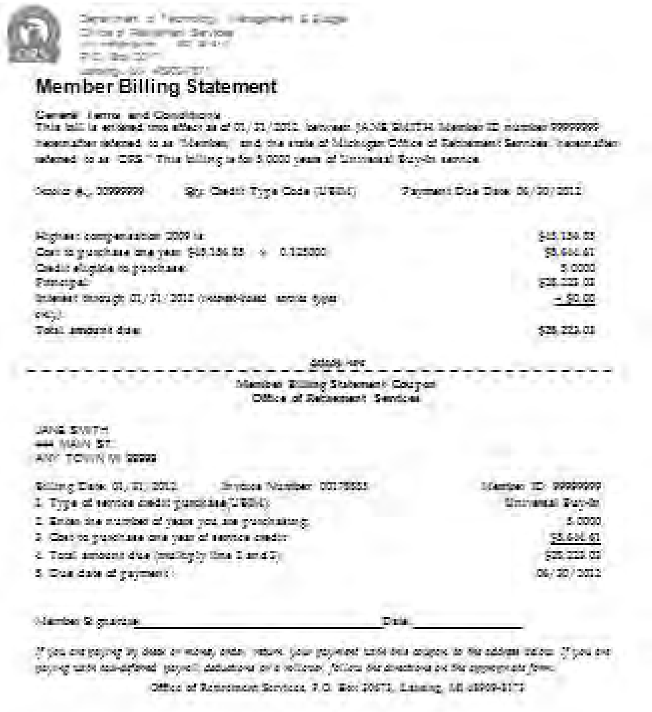
Employee and Employer Information

Minimum Scheduled Deduction

Purchase Information

Terms of Agreement

Member Billing Statement



Member Billing Statement

General Terms and Conditions

This bill is entered into effect as of 01/31/2012, between JANE SMITH Member ID number 99999999 hereinafter referred to as "Member," and the state of Michigan Office of Retirement Services, hereinafter referred to as "ORS." This billing is for 5.0000 years of Universal Buy-in service.

Invoice #: 00999999 Svc Credit Type Code (UBSM) Payment Due Date: 06/30/2012

Highest compensation 2009 is:	$45,156.85
Cost to purchase one year: $45,156.85 x 0.125000	$5,644.61
Credit eligible to purchase:	5.0000
Principal:	$28,223.03
Interest through 01/31/2012 (interest-based service types only):	+ $0.00
Total amount due:	$28,223.03

Member Billing Statement Coupon
Office of Retirement Services

JANE SMITH
444 MAIN ST.
ANY TOWN MI 99999

Billing Date: 01/31/2012 Invoice Number: 00178888	Member ID: 99999999
1. Type of service credit purchase (UBSM):	Universal Buy-In
2. Enter the number of years you are purchasing:	5.0000
3. Cost to purchase one year of service credit:	$5,644.61
4. Total amount due (multiply line 2 and 3):	$28,223.03
5. Due date of payment:	06/30/2012

Member Signature____________________ Date__________

If you are paying by check or money order, return your payment with this coupon to the address below. If you are paying with tax-deferred payroll deductions or a rollover, follow the directions on the appropriate form.

Office of Retirement Services, P.O. Box 30673, Lansing, MI 48909-8173

Last updated: 04/27/2020

10.04.02: Obsolete - Agreement and Addendum File

Obsolete section – the TDP agreement/addendum file is no longer required.

The TDP agreement/addendum file is required to report new TDP agreements and addendums. This file is used to upload the information to the members' retirement accounts.

The layout format for the TDP agreement/addendum file is located in sections 15.01.11 and 15.01.12 TDP Agreement/Addendum File Layout.

When creating your TDP agreement/addendum file, make sure that you enter the complete agreement number and invoice number from the agreement/addendum form. If the agreement/addendum and invoice numbers do not correspond to the information on file at ORS, the deductions that you report will not post to the members' accounts. Include all of the preceding zeros in the agreement/addendum and invoice numbers. The agreement/addendum number has nine characters, and the invoice has eight characters. Both numbers are preprinted on the agreement form if the agreement is initiated after January 1, 2004.

Make sure that the information in the Frequency field (box 13 on the agreement form) indicates how many payments the employee will make each year. It should not refer to the number of payments required to pay off the balance. For example: if payroll is run every two weeks, the Frequency field should read 26. If the payroll is run monthly, it should read 12.

Using the instructions in section 14.03 Uploading Secure Files and section 15.01.10 File Naming, upload your file to the File Transfer Service (FTS). ORS will then access that file and load the information to each employee's account.

Last updated: 04/30/2020

10.05.00: Reporting TDP Deductions

The following sections cover reporting TDP deduction, both regular and adjustments to prior periods.

Last updated: 04/13/2012

10.05.01: When to Take the First Deduction

Before you take the first deduction, it's important that all information regarding your reporting unit as the employer is posted to the employee's retirement account and that the TDP agreement/addendum file reporting the new agreement or addendum has been received by ORS. This ensures that when the first deduction is reported to ORS, it will successfully pass through the edits and validations process and post to the employee's retirement account.

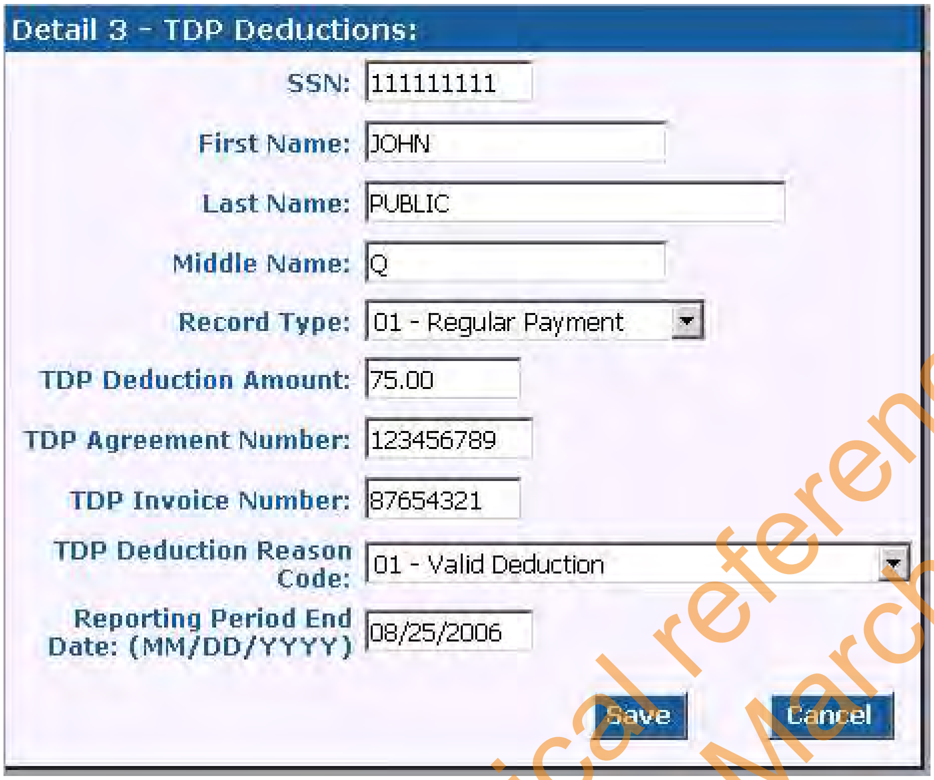
You should wait one full pay period after the agreement has been signed to take the first deduction for one of your regular employees. This allows the information from your TDP agreement/addendum file to upload to the member's account.

You should wait two full pay periods after signing the TDP agreement/addendum before taking the first deduction for an employee that is new to your school. This allows a retirement detail report that includes wages and hours for this new employee and the information from your TDP agreement/addendum file to upload to the member's account.

Last updated: 04/13/2012

10.05.02: How to Submit Detail3 (DTL3) Reports

Detail 3 (DTL3) records report TDP deductions for your employees to ORS. The DTL3 record includes the employee's social security number, name, record type, deduction amount, agreement number, invoice number, deduction reason code, and the reporting period end date. You will only submit DTL3 records for employees who have active/open TDP agreements with your reporting unit.


Detail 3 - TDP Deductions:

SSN: 111111111

First Name: JOHN

Last Name: PUBLIC

Middle Name: Q

Record Type: 01 - Regular Payment

TDP Deduction Amount: 75.00

TDP Agreement Number: 123456789

TDP Invoice Number: 87654321

TDP Deduction Reason Code: 01 - Valid Deduction

Reporting Period End Date: (MM/DD/YYYY) 08/25/2006

Save Cancel

Last updated: 04/13/2012

10.05.03: How to Submit an Adjustment to a DTL3 (TDP) Record

You can adjust a previously reported TDP deduction for a specific pay period by creating an adjustment record for the employee using the appropriate record type. Adjustments can only be made for prior pay periods.

Wage code 05 indicates a positive adjustment to one pay period for one employee.

Wage code 06 indicates a negative adjustment to one pay period for one employee. These adjustments are submitted on the Detail 3 (DTL3) record.

Positive and negative TDP adjustments are broken down by pay period. A TDP adjustment can be made for only one pay period at a time. If multiple pay periods need to be adjusted, you must submit a separate DTL3 record for each pay period.

Important Notes
If you have a TDP adjustment that is needed for a report prior to October 1, 2002, the detail must be forwarded to ORS to make the adjustment. Those adjustments cannot be done by you via the web reporting process.
If you submit a TDP adjustment for a pay period prior to April 1, 2005, and you cannot get the record to post correctly, please contact the Employer Reporting for assistance at 800-381-5111
or ORS_Web_Reporting@michigan.gov.

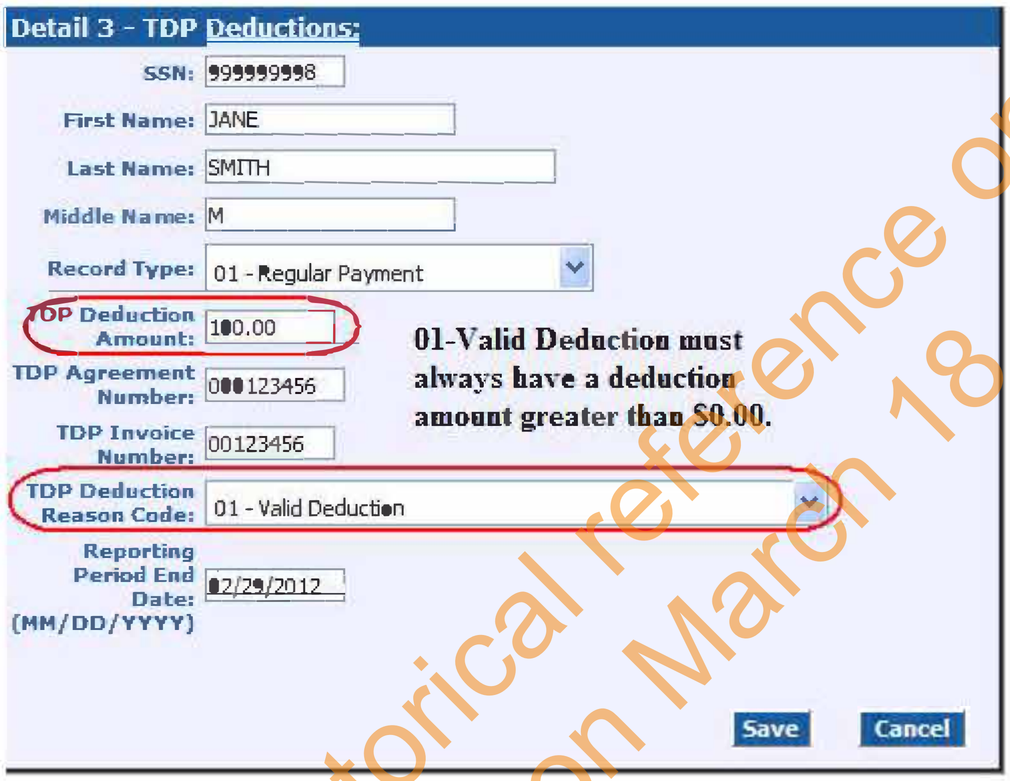
Last updated: 12/27/2018

10.05.04: TDP Deduction Codes

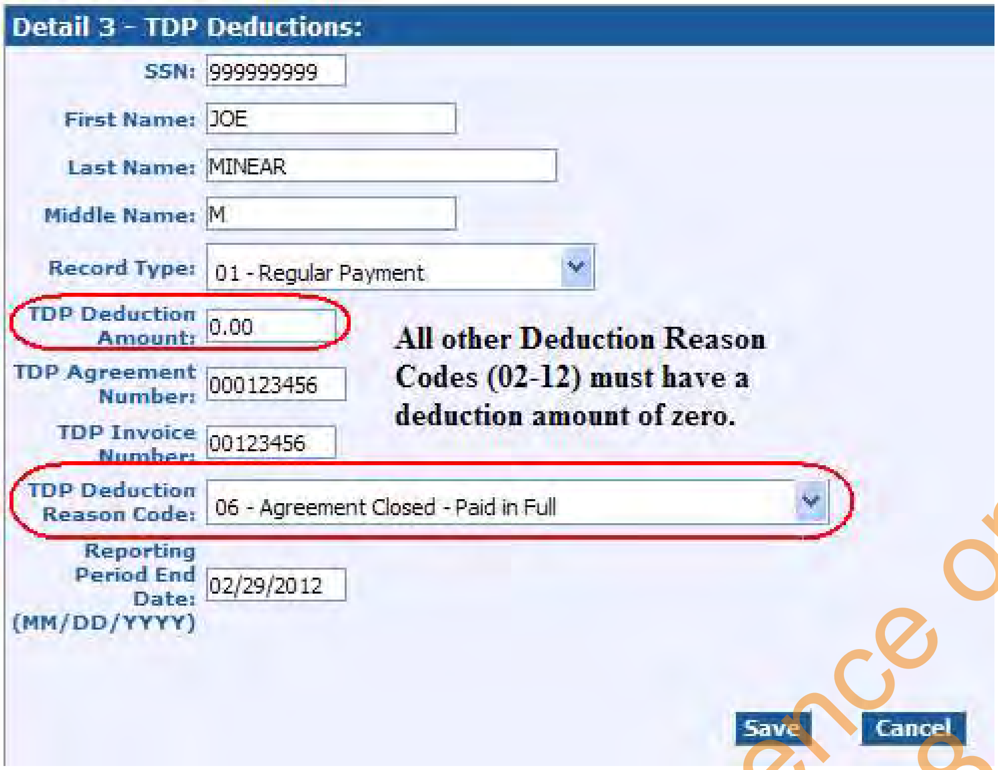
TDP deduction reason codes indicate either that you are submitting a payment or why you are not submitting a payment. It is important to use the correct TDP deduction reason code each time you submit a DTL3 record. See section 13.04: TDP Deduction Reason Codes for a complete listing of these codes.

Note the following about TDP deduction reason codes:

- Records reporting a dollar amount in the TDP deduction amount field will always use the deduction code 01 – even if it's the final deduction or a TDP adjustment.



- Records reporting deduction codes 04, 05, and 06 indicate that there will be no more deductions. Report one of these codes once with a $0 and then permanently remove the record from your report.



- Records reporting a deduction code 06 will always suspend. The error message returned will either confirm that the TDP agreement is paid in full, or it will inform you that a balance remains. If there is a balance due, use the View Employee Info link or request a TDP history from ORS to verify posted payments. For information on closing an agreement see Deduction codes used to close an agreement.
- Records reporting deduction code 02 starts the 90-day window the employee has to transfer the agreement/addendum to a new employer.
- Records reporting deduction codes 07, 08, 09, and 10 indicate an unpaid leave of absence. Continue to submit DTL3 records with one of these codes for the duration of the employee's leave of absence. When the employee returns to work, you should start using the regular 01 deduction code with a dollar amount.

Last updated: 04/13/2012

10.05.05: How to Submit Multiple TDP Deductions on One DTL3 Record (for Summer Pays)

You can report a one-time, lump sum TDP deduction that represents a payoff of multiple summer pay periods. When you pay out summer wages (the last 5 to 7 pay cycles of the school year) in one paycheck, you can submit one DTL3 record reporting TDP deductions for those pay cycles.

The deduction must equal the scheduled deduction amount times 5, 6, or 7 (the number of pay cycles being combined into one paycheck). However, if the remaining balance is less than up to 7 times the scheduled deduction, then the remaining balance amount can be submitted.

If the deduction amount does not match the scheduled deduction (times 5, 6, or 7) or the exact balance on the TDP agreement, the record will not post.

Remember, the summer pay deduction increase can only occur one time per year, per employee.

If a summer payoff multiple deduction is reported, the employee is not eligible to have additional summer TDP payments reported.

This increased TDP deduction amount will post only for TDP payments included in retirement detail reports with end dates no earlier than May 15 and no later than July 15.

If you have summer payoff deductions that don't meet this criteria, please contact Employer Reporting.

Last updated: 05/30/2017

10.05.06: How to Resolve Suspended DTL3 (TDP) Records

Occasionally, you may have a suspended DTL3 record on your retirement detail report.

You can use the Download TDP Agreement Details link on the Employer Reporting website to help you resolve suspended DTL3 records. This link opens a spreadsheet that allows you to view all active TDP agreements with your reporting unit. You can sort this spreadsheet by any column. See section 10.06 How to Use the TDP Download Detail Link for instructions.

The following table will assist you in resolving these suspended records. It lists the most common error messages you may receive when a DTL3 record is suspended and what you can do to fix the record.

Suspended DTL3 Record Messages and Solutions

S– This record indicates the agreement is paid in full, yet there is still a balance remaining on the account.	Find the SSN on the Download TDP Agreement Details spreadsheet. Verify the current TDP balance. If you agree with the balance, either adjust the deduction amount on your DTL3 record to match the scheduled deduction amount or change the amount to reflect the remaining balance. Save the record and accept your report for posting. Any money deducted from the employee's pay above the remaining balance should be refunded to the employee. If you do not agree with the TDP balance, call the Employer Reporting at 800-381-5111 for assistance or submit an email to ORS_Web_Reporting@michigan.gov requesting a TDP history.
S – Agreement number does not exist with this employer processed.	Find the SSN on the Download TDP Agreement Details spreadsheet. Find the agreement number on the spreadsheet for the SSN. Change the agreement number on the DTL3 record to match what is on the spreadsheet. Save the record and accept your report for posting. If the SSN is not on the spreadsheet, then ORS has not received the agreement. Please call Employer Reporting at 800-381-5111 for assistance.
S – The payment is received for an invoice that has been completely paid.	This message means that ORS shows the invoice has been paid in full. Delete the DTL3 record from your payroll report and do not submit a DTL3 record for this invoice on any future reports. Any money deducted from the employee's pay that exceeds the remaining balance should be refunded to the employee. If you do not agree that the invoice has been paid in full, call the Employer Reporting at 800-381-5111 for assistance or submit an email to ORS_Web_Reporting@michigan.gov requesting a TDP history. If you identify that there is an error in the payment detail, submit an email to ORS_Web_Reporting@michigan.gov requesting an adjustment to the TDP record.
S – Invoice Number xxxxxxxx does exist for SSN being processed but billing is not in accepted status.	Find the SSN on the Download TDP Agreement Details spreadsheet. Verify that you are using the correct agreement AND invoice numbers, including the leading zeroes. Change the agreement and/or invoice numbers on the DTL3 record to match the spreadsheet. Save the record and accept your report for posting.

S – Invoice number does not exist in the system for the SSN being processed.	Find the SSN on the Download TDP Agreement Details spreadsheet. Verify the invoice number for the agreement. Change the invoice number on the DTL3 record to match the spreadsheet. Save the record and accept your report for posting.
S – Invoice number exists for SSN but invoice number does not match the invoice number for the reported agreement number.	Find the SSN on the Download TDP Agreement Details spreadsheet. Find the invoice number on the spreadsheet. Change the invoice number on the DTL 3 record to match the number on the spreadsheet. Save the record and accept your report for posting.
S – The deduction amount is greater than the balance remaining on the invoice.	Find the SSN on the Download TDP Agreement Details spreadsheet. If the spreadsheet shows unposted deductions, you must subtract the unposted deductions from the remaining balance shown on the spreadsheet to determine the correct remaining balance. Enter the remaining balance on the DTL3 record. Save the record and accept your report for posting. Note: Any money deducted from the employee's pay above the remaining balance should be refunded to the employee.
S – The deduction amount is less than scheduled deduction amount and it is not final payment.	Find the SSN on the Download TDP Agreement Details spreadsheet. If the spreadsheet shows unposted deductions, you must subtract the unposted deductions from the remaining balance shown on the spreadsheet to determine the correct remaining balance. If you agree with the TDP balance, enter the remaining balance on the DTL3 record. Save the record and accept your report for posting. Note: The reporting unit is responsible for collecting the money due from the employee. -OR- You recently submitted a supplemental TDP agreement, and the new deduction amount was entered before all deductions of the lower amount posted. Contact the Employer Reporting at 800-381-5111 for assistance with getting the payment posted. -OR- If you do not agree with the TDP balance, call the Employer Reporting at 800-381-5111 for assistance or submit an email to ORS_Web_Reporting@michigan.gov requesting a TDP history.
S – This is a duplicate pay period end date for the same agreement.	There is more than one DTL3 record on your payroll report for the same agreement/invoice for the same SSN with the same pay period end date. Only one record type 01 DTL3 record per agreement per payroll report is allowed. Delete any duplicate DTL3 records. If you are trying to adjust a prior pay period, contact Employer Reporting at 800-381-5111 for assistance. It is also possible that the same agreement and/or invoice numbers were incorrectly used on a DTL3 record for another employee. If two employees have suspended DTL3 records with the same error message, check each one to make sure the agreement and invoice numbers are correct.

10.06: How to Use the TDP Download Detail Link

This feature allows you to view all open TDP agreements for active members under your reporting unit that have a balance due. You cannot view agreements with other reporting units.

On the View Employee Information screen, click on the Download TDP Agreement Details link.

A spreadsheet will open that includes the following columns:

	A	B	C	D	E	F	G	H	I
1	Posted TDP Agr	RU Num: 0	RU Name: ACME PUBLIC SCHOOL SYSTEM						
2	SSN	Name		Scheduled Deduction Amount	Agreement Number	Invoice Number	Balance as of 03/13/2012	Unposted Payment(s)	Total TDP Interest Amount
3	xxx-xx-0002	ROE	SALLY	100	'001022662	'00081059	4687.41	No	0
4	xxx-xx-0003	COE	JANICE	50	'000109574	'00085573	29114.63	No	0
5	xxx-xx-0004	COCO	BEV	250	'000126835	'00126835	310.27	No	5371.53
6	xxx-xx-0005	ROCOCO	JEANNE	100	'001096191	'00086876	29130.41	No	0
7	xxx-xx-0006	NOGO	MELISSA	50	'001022731	'00087248	3689.52	No	0
8	xxx-xx-0007	SOHO	ERIN	50	'001097171	'00078181	9773.61	No	0
9	xxx-xx-0008	HOHO	CHRIS	100	'001097161	'00088961	11399	No	0
10	xxx-xx-0009	ONO	WALTER	50	'001097162	'00090293	18594.68	No	0
11	xxx-xx-0010	POGO	BELINDA	50	'000120728	'00120728	2131.53	No	1590.97
12	xxx-xx-0011	SLOWPOKI	VERNA	150	'000114688	'00114688	30597.46	No	13701.66
13	Reminder:								
14	Balances do not include any unposted TDP Payments.								

- Social security number (last 4 digits only)
- Employee name
- Scheduled deduction amount
- Agreement number

- Invoice number
- Balance as of (current date) Note: The balance will only include payments that have been posted to the employees' retirement accounts.
- Unposted TDP payment indicator
- Total interest amount

	J	K	L	M	N	O	P	Q	R	S
1										
2	TDP Interest Date A	TDP Interest Amount A	TDP Interest Date B	TDP Interest Amount B	TDP Interest Date C	TDP Interest Amount C	TDP Interest Date D	TDP Interest Amount D	TDP Interest Date E	TDP Interest Amount E
3		0		0		0		0		0
4		0		0		0		0		0
5	7/1/2011	319.28	7/1/2010	703.04	7/1/2009	1095.4	7/1/2008	1458.71	7/1/2007	1795.1
6		0		0		0		0		0
7		0		0		0		0		0
8		0		0		0		0		0
9		0		0		0		0		0
10		0		0		0		0		0
11	7/1/2011	187.52	7/1/2010	221.78	7/1/2009	253.5	7/1/2008	282.87	7/1/2007	310.06
12	7/1/2011	2355.37	7/1/2010	2325.34	7/1/2009	2297.54	7/1/2008	2271.79	7/1/2007	2247.96

- Annual interest posting effective date (detail available for previous 5 postings only)
- Annual interest posting amount (detail available for previous 5 postings only)

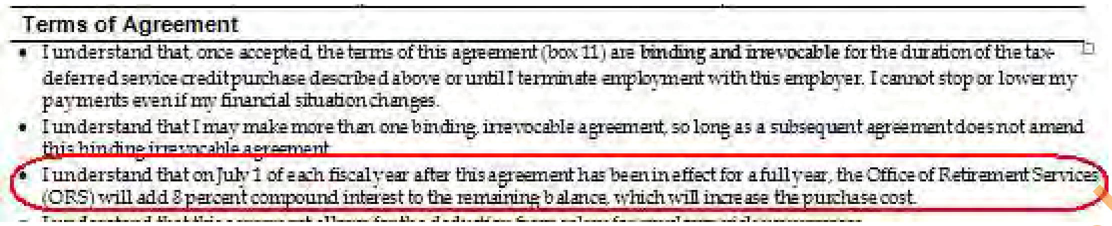
This spreadsheet can be sorted by any column. Each time the TDP Agreement Details spreadsheet is opened from the website, the Balance as of column will have updated from the most recent night's processing.

You may save this spreadsheet to your own computer, a CD, or a diskette. You may also print it out.

Last updated: 04/13/2012

10.07: TDP Annual Interest

TDP agreements that were initiated on or after January 1, 2004, are subject to 8 percent compound interest that will be applied annually on July 1 to the unpaid balance. This is included in the Terms of Agreement of the completed TDP agreement.


Terms of Agreement

- I understand that, once accepted, the terms of this agreement (box 11) are binding and irrevocable for the duration of the tax-deferred service credit purchase described above or until I terminate employment with this employer. I cannot stop or lower my payments even if my financial situation changes.
- I understand that I may make more than one binding, irrevocable agreement, so long as a subsequent agreement does not amend this binding irrevocable agreement.
- I understand that on July 1 of each fiscal year after this agreement has been in effect for a full year, the Office of Retirement Services (ORS) will add 8 percent compound interest to the remaining balance, which will increase the purchase cost.

As the employer, it is your responsibility to update the employee's remaining TDP balance with the TDP Interest each year after July 1. The interest appears in the Interest Amount column of the TDP Agreement Details spreadsheet.

The spreadsheet provides total accumulated TDP interest as well as yearly detail for the last five TDP interest postings.

Please note the following important items concerning TDP interest:

- Do not add the total accumulated interest amount to your balance, as this may represent more than one year's worth of interest. Instead, use the balance shown by ORS, or add only the most current interest posted on the employees account to your balance.
- BEFORE you accept ORS's balance as your own, verify the following.
  - Are there any missing deductions?
  - Are there any adjustments?
  - Are your reports up-to-date?
  - Have all the deductions posted?
- The interest is calculated on the remaining balance of the agreement as of June 30, including any payments submitted with that end date. If a payment is submitted to ORS but is suspended or hasn't posted, the balance will not reflect that payment. The interest amount will adjust automatically when either of the following happens:
  - A suspended TDP payment (DTL3 record) for a pay period ending on or before June 30 is edited and subsequently posts.
  - A TDP payment (DTL3 record) is adjusted for a pay period ending on or before June 30 and subsequently posts.

Last updated: 04/13/2012

10.08.00: How to Increase the TDP Deduction

Your employees may permanently increase the deduction amount on an existing Tax-Deferred Payment Agreement. This is done by completing and submitting a Supplemental TDP Agreement form. Once the deduction has been increased, the new deduction amount is binding and irrevocable, and cannot be lowered.

Last updated: 04/13/2012

10.08.01: Using the Supplemental TDP Agreement Form

The *Supplemental Tax-Deferred Payment (TDP) Agreement (R0654C)* must be completed by the employee and signed by both the employee and the employer in order for you to initiate an increase in the deduction amount. The form is also available on the member website at www.michigan.gov/orsschools under Forms & Publications.

Department of Technology, Management & Budget
Office of Retirement Services
www.michigan.gov/ors (800) 381-5111
P.O. Box 30171
Lansing MI 48909-7671

Supplemental Tax-Deferred Payment (TDP) Agreement

For Public School Employees

MEMBER'S NAME (LAST, FIRST, M.I.)	MEMBER ID OR SSN
REPORTING UNIT NAME	REPORTING UNIT #

Supplemental Payment Information

Complete this form with the payroll office if you wish to permanently add an additional amount to an existing TDP agreement.

1. Apply my supplemental payments through payroll deduction to **Invoice #/TDP Agreement #** ____________
2. The **service credit type** I am purchasing with this agreement is (e.g. universal buy-in, maternity/paternity leave, etc.) ____________
3. **My current payroll deduction** per pay period for the above invoice # is *(include any other supplemental payment agreements)* $ ____________
4. The **permanent supplemental payment** that I wish my employer to deduct from my earnings each pay period is $ ____________
5. My revised total permanent payroll deduction per pay period for the above invoice # will be *(Add lines 3 and 4.)* $ ____________
6. The first increased payroll deduction will be reported on the **pay period ending** date of *(Payroll deduction amounts before this date must be equal to line 3.)* ___/___/___

Terms of Agreement

- I understand that the terms of this supplemental agreement are binding and irrevocable for the duration of the tax-deferred service credit purchase described in this agreement or until I terminate employment. I cannot stop or lower my payments even if my financial situation changes.
- I understand that all the terms and conditions of the original agreement and any supplemental agreements remain in effect.
- I understand that I may make more than one binding, irrevocable agreement, so long as a subsequent agreement does not amend this binding and irrevocable agreement.
- I understand that this agreement allows for the deduction from salary for employer pick-up purposes.
- I understand that for the effective period of this agreement, my employer must make the revised scheduled deduction each pay period. While this agreement is in effect, ORS will only accept payments from my employer.
- I understand that my employer is obligated to make payment according to this agreement only if there are sufficient funds from my earnings after any other mandatory deductions.
- I understand that it is my responsibility to ensure that the deductions I agreed to are made as specified in this agreement. I will review my pay stubs to ensure that the deduction has been initiated and is the correct amount and contact my payroll representative and ORS immediately if there are any discrepancies.
- I understand that if I terminate employment prior to the payoff of this agreement, I will receive only a prorated amount of service credit (if incremental years can be purchased), or possibly no service credit (if purchase requires full payment).

By my signature below, I agree to the payment terms and conditions specified in this agreement.

Member's Signature ____________ Daytime Phone Number ____________ Date ____________

Payroll Officer's Signature ____________ Daytime Phone Number ____________ Date ____________

Last updated: 08/28/2015

10.08.02: How to Process the Supplemental TDP Agreement

ORS advises your employees to bring the supplemental TDP agreement to their payroll office for processing. To process the supplemental agreement:

1. The employee must bring a completed supplemental TDP agreement form to you.

Supplemental Tax-Deferred Payment (TDP) Agreement

For Public School Employees

MEMBER'S NAME (LAST, FIRST, M.I.)	MEMBER ID OR SSN
JANE SMITH	XXX-XX-0000
REPORTING UNIT NAME	REPORTING UNIT #
ACME PUBLIC SCHOOL SYSTEM	00001

Supplemental Payment Information

Complete this form with the payroll office if you wish to permanently add an additional amount to an existing TDP agreement.

1.	Apply my supplemental payments through payroll deduction to invoice #/**TDP Agreement #**	000123456
2.	The **service credit type** I am purchasing with this agreement is (e.g. universal buy-in, maternity/paternity leave, etc.)	Universal Buy-In
3.	My **current payroll deduction** per pay period for the above invoice # is *(include any other supplemental payment agreements)*	$ 145.38
4.	The **permanent supplemental payment** that I wish my employer to deduct from my earnings each pay period is	$ 54.62
5.	My revised total permanent payroll deduction per pay period for the above invoice # will be *(Add lines 3 and 4.)*	$ 200.00
6.	The first increased payroll deduction will be reported on the **pay period ending date** of *(Payroll deduction amounts before this date must be equal to line 3.)*	06/01/2012

2. Verify that the information is correct, and then approve and sign the agreement. NOTE: The original agreement number does not change.

By my signature below, I agree to the payment terms and conditions specified in this agreement.

Jane Smith	517-555-5555	April 3, 2012
Member's Signature	Daytime Phone Number	Date
Wanda Rosemond	517-555-6666	April 9, 2012
Payroll Officer's Signature	Daytime Phone Number	Date

3. Fax a paper copy of the agreement to ORS at 517-284-4416. You do not need to submit the supplemental agreement to ORS on the TDP agreement file.

4. Locate the new revised total payroll deduction amount on line 5 of the supplemental agreement form. Update your system to begin withholding the revised total permanent payroll deduction (Line 5) as of the date indicated (Line 6).

Last updated: 04/27/2020

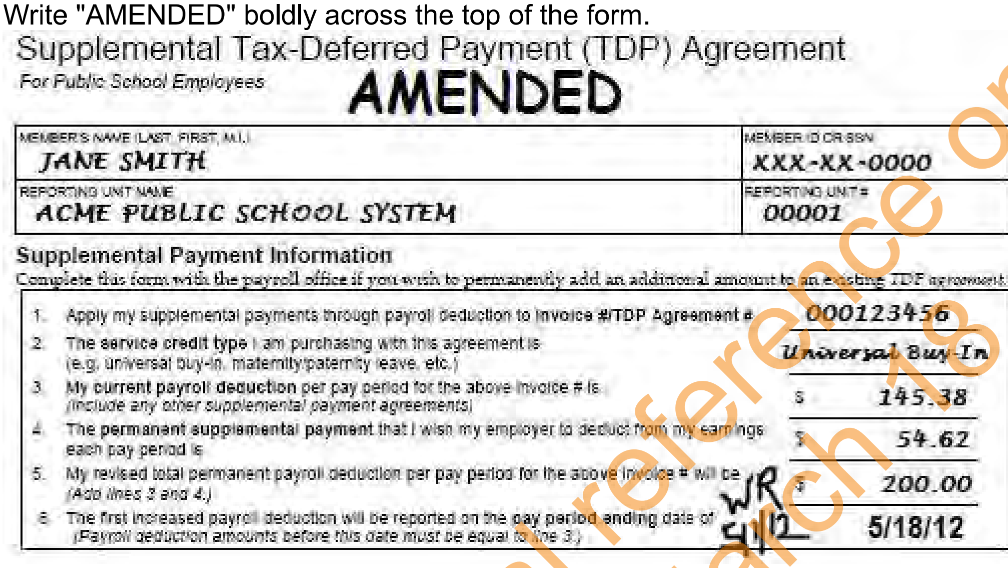
10.08.03: How to Correct the Supplemental TDP Agreement

In the event a Supplemental TDP Agreement form is submitted with an incorrect date on Line 6, you are allowed to make a correction to the form.

1. Correct the date on Line 6.

2. Initial and date your correction.

3. Write "AMENDED" boldly across the top of the form.



Supplemental Tax-Deferred Payment (TDP) Agreement
For Public School Employees

AMENDED

MEMBER'S NAME (LAST, FIRST, M.I.)	MEMBER ID OR SSN
JANE SMITH	XXX-XX-0000
REPORTING UNIT NAME	REPORTING UNIT #
ACME PUBLIC SCHOOL SYSTEM	00001

Supplemental Payment Information
Complete this form with the payroll office if you wish to permanently add an additional amount to an existing TDP agreement.

1.	Apply my supplemental payments through payroll deduction to **invoice #/TDP Agreement #**	000123456
2.	The **service credit type** I am purchasing with this agreement is (e.g. universal buy-in, maternity/paternity leave, etc.)	Universal Buy-In
3.	My **current payroll deduction** per pay period for the above invoice # is *(include any other supplemental payment agreements)*	$ 145.38
4.	The **permanent supplemental payment** that I wish my employer to deduct from my earnings each pay period is	$ 54.62
5.	My revised total permanent payroll deduction per pay period for the above invoice # will be *(Add lines 3 and 4.)*	$ 200.00
6.	The first increased payroll deduction will be reported on the pay period ending date of *(Payroll deduction amounts before this date must be equal to line 3.)*	WR 5/1/12 ~~5/1/12~~ 5/18/12

4. Fax a paper copy of the agreement to ORS at 800-381-5111. You do not need to submit the supplemental agreement to ORS on the TDP agreement file.

Note: An amended Supplemental Agreement will not be processed if it attempts to lower the scheduled deduction amount below the amount already on file.

Last updated: 12/27/2018

10.09.01: How to Process the TDP Addendum

To transfer a TDP agreement from an old employer to a new employer, the following steps must be completed. Because of legislative changes, a member whose TDP agreement is canceled or who does not submit the TDP Agreement Addendum form to the employer within 90 calendar days of termination cannot begin a new agreement, as he or she could before 5:00 p.m. EDT, September 29, 2017.

It is the **employee's** responsibility to complete the following steps:

1. Transfer the current TDP agreement to the new employer within 90 days of terminating with the previous employer. If the employee does not transfer the agreement before the end of the 90-day period, a new billing statement must be obtained from ORS at the updated cost to purchase the remaining service for the purchase of active duty military service credit and payment for a repayment of a refund, contributions for post 1992 weekly workers compensation, and MIP Window buy-back only. The 90-day period begins with the termination date.

2. Complete the employee portions of the TDP Addendum and provide the new employer with both the addendum and the original TDP Agreement.

3. Provide the balance due obtained from the previous employer.

MEMBER'S NAME (LAST, FIRST, M.I.)		MEMBER ID OR SSN
Jane Smith		xxx-xx-0000
MAILING ADDRESS		DAYTIME PHONE NUMBER
123 Main Rd		(517)555-5555
CITY, STATE, ZIP CODE	TDP AGREEMENT #	PAYROLL DEDUCTION AMOUNT
Any Town, MI 99999	000123456	$200.00

Complete this form with your new payroll office if you have changed public school employers and wish to transfer a TDP Agreement. Transferring your agreement from one public school employer to a new school district allows you to continue your service credit purchase under the terms of your original agreement, without a recalculation of the purchase price.

To complete the transfer, provide your new Michigan public school employer with your original TDP Agreement. You and your new payroll officer must also complete and sign this addendum **within 90 days of your termination from your previous public school employer.**

Previous Employer Information		New Employer Information	
Reporting Unit Name:	ACME PS	Reporting Unit Name:	
Reporting Unit #:	00001	Reporting Unit #:	
Termination Date:	05/31/2012	Payroll Officer Name:	
*Final Deduction Pay Period End Date:	June 22, 2012	*First Deduction Pay Period End Date:	

*No payment will be allowed from the new employer until after the date of the final deduction from the previous employer.

4. Sign the addendum and ensure that the payroll official signs it before the 90-day period expires.

Jane Smith		June 15, 2012
Member's Signature		Date
Payroll Officer's Signature	Daytime Phone Number	Date

It is the **employer's** responsibility to complete the following steps:

1. Verify that the information on the TDP Addendum is correct and that the form is signed and dated. NOTE: The deduction amount must be equal to the amount that was previously deducted by the old employer.

2. Complete the New Employer Information section, including the reporting pay period of the first TDP deduction.
   NOTE: *You are prohibited from beginning deductions until the former employer's deductions have stopped.*
   Please wait two full pay periods after signing the TDP agreement/addendum before taking the first deduction for an employee that is new to your reporting unit. This allows a retirement detail report that includes wages and hours for the new employee and the information for the TDP agreement/addendum to post to the employee's account. ORS cannot process agreements/addendums if wages from your reporting unit are not posted to the employee's account.

MEMBER'S NAME (LAST, FIRST, M.I.)		MEMBER ID OR SSN
Jane Smith		xxx-xx-0000
MAILING ADDRESS 123 Main Rd		DAYTIME PHONE NUMBER (517)555-5555
CITY, STATE, ZIP CODE Any Town, MI 99999	TDP AGREEMENT # 000123456	PAYROLL DEDUCTION AMOUNT $200.00

Complete this form with your new payroll office if you have changed public school employers and wish to transfer a TDP Agreement. Transferring your agreement from one public school employer to a new school district allows you to continue your service credit purchase under the terms of your original agreement, without a recalculation of the purchase price.

To complete the transfer, provide your new Michigan public school employer with your original *TDP Agreement*. You and your new payroll officer must also complete and sign this addendum within 90 days of your termination from your previous public school employer.

Previous Employer Information		New Employer Information	
Reporting Unit Name:	ACME PS	Reporting Unit Name:	Sunshine Schools
Reporting Unit #:	00001	Reporting Unit #:	00008
Termination Date:	05/31/2012	Payroll Officer Name:	Susie Seys
*Final Deduction Pay Period End Date:	June 22, 2012	*First Deduction Pay Period End Date:	July 13, 2012

**No payment will be allowed from the new employer until after the date of the final deduction from the previous employer*

3. Sign and date the TDP Addendum. Use the latest signature (yours or the employee's) as the new effective date.

Jane Smith		*June 15, 2012*
Member's Signature		Date
Susie Seys	*517-555-9874*	*6/21/2012*
Payroll Officer's Signature	Daytime Phone Number	Date

4. Fax or mail the signed, completed TDP Agreement Addendum (R0625C) to ORS within five business days of receiving the completed form from the employee (see Contact ORS for address or fax number).

5. When ORS has received the copy of the addendum form(s) and wages from your reporting unit have posted to the employee's account, ORS will load the agreement to the employee's account.

6. If you are the previous employer, stop submitting DTL3 records after the employee receives the final paycheck. The last DTL3 record should be submitted using deduction code 02 and a zero dollar amount.

Last updated: 05/19/2020

10.09.00: How to Transfer a TDP Agreement

When an employee changes school employers, the TDP agreement may also transfer to the new employer using the *Tax-Deferred Payment Agreement Addendum (R0625C)*. This includes employers that may have previously accepted a transfer for the same purchase. Only one employer at a time has authorization to withhold deductions on a given TDP agreement or addendum.

The form is available on the member website under Forms & Publications and on this website under **Reporting Forms** (see left navigation bar).

Last updated: 03/19/2012

10.10.00: Closing a TDP Agreement

TDP agreements are closed when either the employee has paid it in full or has died, retired, or terminated employment with your reporting unit. A survivor is not permitted to continue the purchase on behalf of a deceased employee.

Last updated: 02/27/2012

10.10.01: Deduction Codes Used to Close an Agreement

The deduction code you submit on the DTL3 record can provide the reason for closing an agreement or addendum. See TDP Deduction Reason Codes for a complete list. Note the following important information:

- The identifying information, invoice/agreement number and social security number on the DTL3 record must match those on the agreement/addendum to which the deduction is being applied.
- After an agreement has been paid in full, you may submit one more DTL3 record with the deduction code 06 and deduction amount $0 to confirm the TDP agreement is completed. This record will suspend and return one of two messages. It will either confirm that the TDP agreement is paid in full, or it will inform you that a balance still remains. If the message confirms that the agreement is paid in full, please delete the DTL3 record from your retirement detail report. If the message indicates a balance due, contact Employer Reporting.
- When using a deduction reason code other than 01 – Valid Deduction, the TDP amount must be $0.00.
- Only use deduction code 02 – Agreement Suspended – Member Terminated, 04 – Agreement Closed – Member Deceased and 05 – Agreement Closed – Member Retired after all valid TDP payments have posted.
- DTL3 records with 04 – Agreement Closed – Member Deceased and 05 – Agreement Closed – Member Retired **will** post out of sequence and **will** irrevocably close TDP agreements. Contact ORS immediately if your require assistance. For this reason, ORS suggests these codes only be used after all other records have posted.

Last updated: 03/16/2012

10.11.00: When an Employer Purchases Service Credit for an Employee

From time to time the school employer will pay for an employee's purchase of service credit. This can be due to a grievance settlement, retirement incentive, or for other reasons. Whatever the reason, employers are able to make the purchase payment. However, it is the employee that must contact ORS to request a current member billing statement. The employee should then bring the billing statement to the school employer.

Payments can be made either pre- or post-tax. However, the tax-deferred payment plan is the only way a reporting unit can make a pre-tax purchase. Neither the pre- or post-tax payment is considered as reportable compensation for retirement purposes; however, the IRS considers the payment taxable income. See sections 8.01.03, 8.01.04 and 8.01.05 for further information on purchases made by an employer.

Last updated: 04/11/2012

10.11.01: Post-Tax Employer Payment for Service Credit Purchase by an Employer

When a reporting unit is paying for a post-tax purchase of service credit for an employee, you must submit the payment with a copy of the completed member billing statement. Please also include the employee's name, social security number and reason for the payment and indicate that it is a post-tax payment on the check stub. See section 8.01.05: Post-tax Employer Payment for Service Credit Purchased by an Employer for further information on purchases made by a reporting unit.

If the post-tax payment is being made to pay off an existing TDP agreement these steps must be followed:

1. The employer verifies that the employee has an existing TDP agreement.

2. The employee is terminating within 90 days or has a retirement application on file at ORS.

3. The employee completes the Payoff Payment Options for a TDP Agreement form, signs it, and gives it to the employer. The form is available at www.michigan.gov/orsschools under Forms & Publications.

Department of Technology, Management & Budget
Office of Retirement Services
www.michigan.gov/ors (800) 381-5111
P.O. Box 30171
Lansing MI 48909-7671

Payoff Payment Options for a TDP Agreement

For Public School Employees Terminating Employment or Retiring

MEMBER'S NAME (LAST, FIRST, M.I.)	DAYTIME PHONE NUMBER	MEMBER ID OR SSN
Jane Smith	517-555-5555	xxx-xx-0000
MAILING ADDRESS: 123 Main Rd		TDP AGREEMENT #: 000123456
CITY, STATE, ZIP CODE: Any Town, MI 99999		RETIREMENT/TERMINATION DATE: 10/31/2012

Payment Options *Choose one or more of the options below.*

☐ I wish to apply a one-time **lump sum payroll deduction** to the balance of my existing TDP agreement. I understand that this deduction is in addition to my regular scheduled TDP deduction.

Payroll Officer Signature ______

One-time Lump Sum ______
Scheduled Deduction ______
Total One-Time Deduction ______
Deduction will be made the Pay Period Ending ______

☐ I wish to apply a **plan-to-plan transfer** from a qualified retirement plan (401(a), 401(k), 403(b), or 457 account) to the balance of my existing TDP agreement. I have contacted the plan administrator to begin the transfer for an amount not exceeding the balance on my TDP agreement.

Total Transfer Amount ______

☒ I wish to make a **direct after-tax payment** by check or money order to the balance of my existing TDP agreement.

Total Payment $2000.00

I understand the terms outlined above for the payoff of my TDP agreement balance.

Jane Smith — Member's Signature

09/07/2012 — Date

4. The employer submits the post-tax payment with the completed Payoff Payment Options for a TDP Agreement form. Please note: A payroll official's signature is not required for this payment type.

5. This payment must be made by paper check. There will be no $50 paper check fee as this is considered as a post-tax payment made by the employee and not the employer. This payment should always be kept separate from your retirement contribution payments made online to the Contribution & TDP cash receipt type.

10.11.02: Pre-Tax Employer Payment for Service Credit Purchase by an Employer

When a reporting unit is paying for a pre-tax purchase of service credit for an employee, the payment must be processed through the Tax-Deferred Payment (TDP) plan. See section 8.01.04: Purchases Made by Reporting Units on Behalf of Employees for the rules for making pre-tax purchases by a reporting unit for an employee.

If the pre-tax payment is *not being made to pay off an existing TDP agreement*, these steps must be followed:

1. The employee contacts ORS for a current member billing statement and TDP agreement.
2. The employee completes the TDP agreement and submits it to the payroll office.
3. The employer verifies the information and signs the TDP agreement.
4. The employer submits the TDP agreement on the TDP agreement/addendum file and reports the payment as a TDP deduction (DTL3 record) on the next normal retirement detail report.
5. The employer makes the payment using the online payment tool, using the Contributions & TDP Cash Receipt Type. For the payment to be considered pre-tax it must be made using ACH. Any paper checks received for the purchase of service credit will be considered a post-tax payment from the employee. There will be no $50.00 paper check processing fee.

If the pre-tax payment is being made to pay off an existing TDP agreement, these steps must be followed:

1. The employer verifies that the employee has an existing TDP agreement.
2. The employee is terminating within 90 days or has a retirement application on file at ORS.
3. The employee completes the Payoff Payment Options for a TDP Agreement form (R0518C) and sends copies to the employer and ORS. The form is available on the member website at www.michigan.gov/orsschools under Forms & Publications.

Department of Technology, Management & Budget
Office of Retirement Services
www.michigan.gov/ors (800) 381-5111
P.O. Box 30171
Lansing MI 48909-7671

Payoff Payment Options for a TDP Agreement

For Public School Employees Terminating Employment or Retiring

MEMBER'S NAME (LAST, FIRST, M.I.)	DAYTIME PHONE NUMBER	MEMBER ID OR SSN
Jane Smith	517-555-5555	xxx-xx-0000
MAILING ADDRESS		TDP AGREEMENT #
123 Main Rd		000123456
CITY, STATE, ZIP CODE		RETIREMENT/TERMINATION DATE
Any Town, MI 99999		10/31/2012

Payment Options *Choose one or more of the options below*

[X] I wish to apply a **one-time lump sum payroll deduction** to the balance of my existing TDP agreement. I understand that this deduction is in addition to my regular scheduled TDP deduction.

One-time Lump Sum $1000.00
Scheduled Deduction $200.00
Total One-Time Deduction $1200.00
Deduction will be made the Pay Period Ending 09/30/2012

Payroll Officer Signature

[ ] I wish to apply a **plan-to-plan transfer** from a qualified retirement plan (401(a), 401(k), 403(b), or 457 account) to the balance of my existing TDP agreement. I have contacted the plan administrator to begin the transfer for an amount not exceeding the balance on my TDP agreement.

Total Transfer Amount

[ ] I wish to make a direct after-tax payment by **check or money order** to the balance of my existing TDP agreement.

Total Payment

... interest may be assessed to my balance.

I understand the terms outlined above for the payoff of my TDP agreement balance.

Jane Smith — 09/07/2012
Member's Signature — Date

4. The employer validates the information and signs the form.

Department of Technology, Management & Budget
Office of Retirement Services
www.michigan.gov/ors (800) 381-5111
P.O. Box 30171
Lansing MI 48909-7671

Payoff Payment Options for a TDP Agreement

For Public School Employees Terminating Employment or Retiring

MEMBER'S NAME (LAST, FIRST, M.I.)	DAYTIME PHONE NUMBER	MEMBER ID OR SSN
Jane Smith	517-555-5555	xxx-xx-0000
MAILING ADDRESS		TDP AGREEMENT #
123 Main Rd		000123456
CITY, STATE, ZIP CODE		RETIREMENT/TERMINATION DATE
Any Town, MI 99999		10/31/2012

Payment Options *Choose one or more of the options below*

[X] I wish to apply a **one-time lump sum payroll deduction** to the balance of my existing TDP agreement. I understand that this deduction is in addition to my regular scheduled TDP deduction.

One-time Lump Sum $1000.00
Scheduled Deduction $200.00
Total One-Time Deduction $1200.00
Deduction will be made the Pay Period Ending 09/30/2012

Sam Say
Payroll Officer Signature

[ ] I wish to apply a **plan-to-plan transfer** from a qualified retirement plan (401(a), 401(k), 403(b), or 457 account) to the balance of my existing TDP agreement. I have contacted the plan administrator to begin the transfer for an amount not exceeding the balance on my TDP agreement.

Total Transfer Amount

[ ] I wish to make a direct after-tax payment by **check or money order** to the balance of my existing TDP agreement.

Total Payment

Terms of Payoff

5. The employer must submit the pre-tax payment on the retirement detail report as a regular TDP deduction DTL3 record.

6. Using the online payment tool, this payment should be made under the Contributions & TDP Cash Receipt Type. For the payment to be considered pre-tax, payment must be made using ACH. Any paper checks received for the purchase of service credit will be considered a **post-tax** payment from the employee. There will be no $50.00 paper check processing fee.

Last updated: 07/24/2014

10.12.00: Paying Off a TDP Agreement Early

An employee who has filed a retirement application with ORS or who will be terminating within 90 days may pay off a TDP agreement early.

For the lump sum payment to qualify as a pre-tax purchase, the lump sum must be withheld as a deduction from the employee's gross wages, and the employee cannot have constructive receipt of the payment. The employee must have applied for retirement or must terminate within 90 days of the payment's submission to ORS, provided the employee and the employer have completed both portions of the TDP Payment Options form. The Tax-Deferred Payment plan is the only way a pre-tax payment can be made through the employer, and all lump sum payments must be included on the reporting unit's retirement detail report as DTL3 records.

Unlike the regularly scheduled deductions, these lump sum payments can be paid from money that is not reportable toward retirement. Bonus, incentive, and unused sick and annual leave payments are examples of such monies that could be lump sum payments and have TDP deductions against them. This change in policy to accept lump sum payments through TDP does not alter how an employee's Final Average Compensation (FAC) figure is computed. Nonreportable compensation payments will not be used to calculate FAC.

If an agreement is not paid in full, the agreement's monthly payment terms will continue until the agreement is paid off or employment with the reporting unit ends.

Last updated: 02/27/2012

10.12.01: Who is Eligible to Pay off a TDP Agreement Early

Employees are only permitted to pay off or pay down an existing TDP agreement if they are terminating within 90 days or if they have a retirement application on file at ORS. This can be done with either pre-or post-tax dollars.

Last updated: 02/27/2012

10.12.02: How to Pay Off/Pay Down a TDP Early

Employees can pay off or pay down an existing TDP agreement with a one-time lump sum payroll deduction, a plan-to-plan transfer, a post-tax payment, and/or a direct after-tax payment. Employees are only permitted to pay off or pay down an existing TDP agreement if they are terminating within 90 days or if they have a retirement application on file at ORS.

ORS provides a TDP Agreement Payoff Worksheet to assist your employees in deciding which method or combination of methods will work best for them. The method or combination of methods used will determine what forms must be completed and submitted. In all situations, the employee must complete and submit the Payoff Payment Options for a TDP Agreement form to ORS. All forms are available both on the member website at www.michigan.gov/orsschools under Forms & Publications as well as on the Employer Information website at www.michigan.gov/psru under Employer Reporting Forms.

It is the employee's responsibility to obtain, complete, and submit all required forms to initiate a pay off or pay down.

Using a plan-to-plan transfer. Any time an employee uses a plan-to-plan transfer to pay off a TDP agreement, the money must come to ORS directly from the other plan administrator. The employee cannot give you a check, personal or otherwise, to send to ORS.

The following steps provide instruction for using a plan-to-plan transfer to pay off a TDP agreement early.

1. The employee has an existing TDP agreement and has filed a retirement application with ORS or is terminating within 90 days.
2. The employee completes the Payoff Payment Options for a TDP Agreement form and the Qualified Plan-to-Plan Transfer Certification form.
3. Copies of the Payoff Payment Options for a TDP Agreement form and the Qualified Plan-to-Plan Transfer Certification form must be submitted to ORS.
4. A copy of the Qualified Plan-to-Plan Transfer Certification form must be submitted to the plan administrator holding the pre-tax funds to be transferred.
5. The reporting unit continues the regularly scheduled deductions until the TDP agreement is paid in full.
6. The employee should keep copies of all forms and documentation for his or her personal records.
7. ORS will send the employer written notification once the plan-to-plan transfer is completed.

For example: Mary Jane submitted her retirement application, but she still has 26 payments left on her TDP agreement. Mary Jane may use pre-tax money from her TIAA-CREF 403(b) account to pay off her TDP agreement. She must initiate the plan-to-plan transfer with the 403(b) plan administrator (TIAA-CREF) who will transfer the money directly to ORS. The transaction must occur in the manner because the IRS mandates that the employee cannot have constructive receipt of the tax-deferred funds used to buy service credit. Plan-to-plan transfers are processed between ORS and the investment institution holding the pre-tax funds. Your reporting unit is not necessarily involved in the process.

Using termination payouts. Sometimes employees receive lump sum payouts at termination. The payouts can be applied to the existing TDP agreement to either pay it down or to pay it off. The money is processed like a regular TDP deduction from the lump sum payment.

The following steps provide instruction for using a termination payouts to pay off a TDP agreement early.

1. The employee has an existing TDP agreement and has filed a retirement application with ORS or is terminating within 90 days.
2. The employee completes the Payoff Payment Options for a TDP Agreement form indicating that a one-time lump sum payment is to be added to the normal scheduled deduction.
3. The reporting unit signs the Payoff Payment Options for a TDP Agreement form and processes the one-time lump sum deduction.
4. The reporting unit submits the pre-tax payment on the retirement detail report as a regular TDP deduction DTL3 record.
5. The payment will be remitted along with your other TDP deductions and retirement contributions using the online Automated Clearing House (ACH) function.
6. The reporting unit continues the regularly scheduled deductions until the TDP agreement is paid in full.

7. The employee sends a copy of the Payoff Payment Options for a TDP Agreement form to ORS.
8. The employee should keep copies of all forms and documentation for his or her personal records.
9. ORS will send the employer written notification once the plan-to-plan transfer is completed.

Using a post-tax payment. Employees can make a lump sum post-tax payment to pay off or pay down the TDP agreement.

The following steps provide instruction for using a post-tax payment to pay off a TDP agreement early.

1. The employee has an existing TDP agreement and has filed a retirement application with ORS or is terminating within 90 days.
2. The employee completes the Payoff Payment Options for a TDP Agreement form indicating that a one-time lump sum post-tax payment is being made.
3. The employee sends the Payoff Payment Options for a TDP Agreement with the post-tax payment to ORS.
4. The reporting unit continues the regularly scheduled deductions until the TDP agreement is paid in full.
5. The employee should keep copies of all forms and documentation for his or her personal records.
6. ORS will send the employer written notification once the plan-to-plan transfer is completed.

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