

System-wide Policy: HR0390 - Deferred Compensation	
Version: 8	Effective Date: 04/21/2020

HR0390 – Deferred Compensation

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Objective:

To allow regular employees to divert portions of their current pre-tax earnings into a deferred compensation plan through payroll reduction service.

Policy:

1. Regular employees may elect through routinely scheduled payroll reductions to divert portions of their pre-tax earnings into an IRS Code 403(b), 401(k), or 457 deferred compensation plan or a combination of these plans. Enrollment in any of these plans allows an employee to set aside a portion of current earnings and receive the value of these earnings at a later date, usually after retirement. Income diverted in this manner, plus any accrued interest, is not taxed until actually received.
2. Enrollment in the deferred income program is voluntary. The University of Tennessee does not encourage nor discourage participation. If the decision is made to participate in the 403(b), the employee is responsible for evaluating and selecting a company and for entering into a contractual agreement with that company. The university does not investigate, evaluate, or endorse any of the deferred compensation investment options.
3. To participate in any of these plans, enrollment forms for the 403(b) plan must reach Retirement Services no later than the last day of the month before the month of the deferral. The 401(k) and 457 plans require an online enrollment via Retire Ready TN. Participants may change their reduction amounts, begin participation, or cancel participation as often as once per month provided the changes are within the allowable IRS limits. Initial enrollment may also include an online process with the chosen 403(b) provider.

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4. Each fall, the deferred compensation limits are announced by the IRS defining the maximum amount an employee can defer for the following calendar year. If an employee exceeds the statutory limitation for maximum deferrals during a calendar year, Retirement Services will reduce or suspend the deferral.
5. The university provides a \$50 per month match on the 401(k) subject to availability of funds. For biweekly employees a \$25 reduction will be made from each biweekly check with a maximum of \$600 per year being matched. Reduction amounts for biweekly employees will be limited to the amount of that biweekly check less other deductions.

PROCEDURES:

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures>

Related Policies: [HR0102 - Emeritus Status](#), [HR0120 - Employment of University and State of Tennessee Retired Employees](#), [HR0160 - Termination of Employment](#), [HR0375 - Retirement Plans](#), [HR0385 - Social Security Benefits](#)