Service Request: SR82551
Name: Safe Harbor DCP Contributions

Objective:
Correct a few errors related to safe harbor calculations.

Project Type:
PPS Modification

Requested by:
Payroll Offices

Analyst:
Shaun Ruiz, Payroll Coordination
Carolyn Murray, Payroll Coordination

Due Date:
Not Urgent
Background
The Tax Savings on Insurance Premiums (TIP) program, established under Internal Revenue Code (IRC) §125, allows you to pay your monthly health plan (medical, dental, vision) costs (if any) on a pretax, salary reduction basis. These costs are deducted from your paycheck on a pretax (tax-free) basis—before federal, state, Social Security, and Medicare taxes are calculated, thereby reducing your taxable income.

The Safe Harbor contribution rate is equal to 7.5% of wages subject to taxation under the Federal Insurance Contributions Act as defined by Code Section 3121(a) up to the Old Age, Survivors and Disability Insurance wage base.

Current Process:
When refunds are issued through the rush check module, or in batch, and the following conditions are met:

- Employee is a Safe Harbor participant.
- Employee is participating in the TIP (Tax Savings on Insurance Premiums) program.
- Refund is a TIP eligible GTN.

The system does not record the refund as safe harbor eligible and the corresponding DCP contribution is not taken.

FYTD DCP Earnings Limit
Before calculating the Safe Harbor deduction, the system determines how much is remaining under the FYTD DCP Cap (FYTD Ret Gross + FYTD FCSS DCP Gross + FYTD SFHR DCP Gross) and compares this to the anticipated Safe Harbor gross for the compute. The system uses the lesser of the two amounts as the Limit. The system then adds the DPI amounts to the Limit before performing the Safe Harbor calculation.

Proposed Process:
When a refund is issued through the rush check module, or in batch, and the following conditions are met:

- Employee is a Safe Harbor participant.
- Employee is participating in the TIP (Tax Savings on Insurance Premiums) program.
- Refund is a TIP eligible GTN.

The system should record the refund as safe harbor eligible and the corresponding DCP contribution should be taken.

FYTD DCP Earnings Limit
Before calculating the Safe Harbor deduction, the system should determine how much is remaining under the FYTD DCP Cap (FYTD Ret Gross + FYTD FCSS Gross + FYTD SFHR Gross) and compare the remaining amount to the Anticipated Safe Harbor Gross for the compute. The lesser of the two amounts
should be used as the Limit. The system should add the DPI amounts to the anticipated Safe Harbor Gross before performing the comparison.

Example (FYTD DCP Earnings Limit)

\[ \text{FYTD Retirement Max} = \$245,000.00 \]

\textbf{Current Gross Balances}

| FYTD Ret Gross:         | $10,000.00 |
| FYTD FCSS Gross:        | $0.00      |
| FYTD SFHR Gross:        | $230,000.00|

\textit{Scheduled Gross: $4,500.00}

\textit{Scheduled DPI: $675.00}

\textit{Anticipated Safe Harbor Gross: $5175.00}

\textbf{Determine how much is remaining under the FYTD DCP Cap}

1. FYTD Retirement Max = $245,000.00
2. Employee’s FYTD Ret Eligible Gross = $240,000.00 (FYTD Ret Gross + FYTD FCSS Gross + FYTD SFHR Gross)
3. Amount Remaining to Max = $5,000.00 (FYTD Retirement Max - Employee’s FYTD Ret Eligible Gross)

\textbf{Determine the pay cycle retirement limit}

4. Amount Remaining to Max compared to Anticipated Safe Harbor Gross. Take the lesser of the two. In this example, $5,000.00 is the pay cycle retirement limit.
UC HR/BENEFITS - INFORMATION SYSTEMS SUPPORT
SERVICE REQUEST
UIRC 160ISS (R 01/00)

PERSON AUTHORIZING REQUEST:
Michael O’Neill

DEPARTMENT:
PAYROLL COORDINATION

REQUESTOR:
Shaun Ruiz

RETRIEVAL/SYSTEM MODIFICATION (Description of Request)
TIP Refunds, Rush Check Module and Payroll Compute

PRODUCTION RUN
STATION

RETENTION

TYPICAL OF REUNION
ADD'L
RETAIL
REPORT
EXTRACT FILE
LABELS

RETRIEVAL/PRODUCTION RUN
DISTRIBUTION OF OUTPUT INSTRUCTIONS (FOR RETRIEVAL REQUESTS, INCLUDE JOB NAME AND RETENTION INSTRUCTIONS IF APPROVED)

COMMENTS

ESTIMATED INFORMATION

APPROVAL TO PROCEED

NAME, TITLE, ADDRESS

DATE/CYCLE DUE
04/01/09

ESTIMATE REQUIRED:

SYSTEM CONTACT:

RECIPE NO.:
NR

SYSTEMS, FILES, PROGRAMS
PAYROLL

UC Office of the President
Payroll Coordination
SR82551
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