



Q & A for 9 Month Faculty Deferred Pay Option

Deferred Pay for 9 month faculty is where your wages are earned over 9 months (20 pays) but the payment of these wages is spread over 12 months (26 pays). For example, assume your annual compensation for a 9 month academic year is \$50,000. Your typical bi-weekly gross pay as a 9 month faculty is \$2,500 per pay for 20 pays. When you elect deferred pay, your new bi-weekly gross pay would be \$1,923.08 for 26 pays. The amount deferred for the first 20 pays is \$576.92 per pay (\$2,500 less \$1,923.08) which is then paid out during the summer, the last 6 pays. In this scenario, you would have earned \$25,000 for the time period of the start of the academic year to Dec 31. If you elect to spread out your pay over 26 payments, you would be paid \$19,230.80 and deferred \$5,769.20 until the next year. **Please read the eligibility requirements on the 9 Month Deferred Election Form.**

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 26 pay periods.

1. Why is there an income limit of \$156,000 to be eligible to elect 9 month deferred pay?

The Internal Revenue Service (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. WSU has concluded that employees who elect to defer who make \$156,000 or less annually will meet the IRS annual deferred constraints of less than this \$18,000 in the calendar year and avoid the additional tax.

2. Are all 9 month faculty members eligible as long as they meet the income criteria?

No. This program is for 9 month faculty members whose FTE > .49. The 9 month assignment must be on-line in the payroll system, Banner, no later than July 8th for the faculty member to be eligible. This may mean that some new hires or renewals whose assignment is not entered by this date will not be able to participate. Please direct your specific assignment questions to your School/College/Division HR department.

3. When does the 9 Month Deferred pay begin?

The 9 Month Deferred pay begins the same pay date as the 9 Month regular pay. For 2015, this is August 26th. It will continue for 26 pay dates.

4. What if I decide in the middle of the year I want to stop my deferral?

Your election for that academic year is irrevocable after the commencement of the academic year. This is per IRC §409A.

5. If I elect to defer pay, how will this affect my benefit deductions?

Your benefit deductions that are in effect for 12 months (i.e. medical, dental) will now 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 on wages earned.

Any deduction that is specifically for the academic period, such as parking and cell phone allowance, will continue to be deducted over the 9 month period. The two “no deduct” pays will continue regardless of what payment plan you select.

6. How will any summer or additional assignments affect my 9 month deferral?

Your summer assignment or any additional service assignments are not part of your deferred compensation. Only your primary 9 month assignment is eligible for to be spread out.

7. How will this affect my taxes?

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

8. Will I need to complete an election form every year?

Your election will remain in effect unless you submit a Cancellation Form prior to July 1 of the new academic year.

9. What happens if I decide to retire or resign before the end of the academic year?

Upon termination any earned but unpaid compensation will be paid in a lump sum, less any applicable deductions, as soon as administratively possible.

10. What if my contract ends at the end of the academic year?

Should your contract end any earned but unpaid compensation will be paid in a lump sum, less any applicable deductions, as soon as administratively possible.

11. Where should I submit my election or cancelation form?

The election or cancelation form should be submitted to the Payroll Office, 5700 Cass Ave, Suite 3800. The office is located on the third floor of AAB, room 3800. Or you may scan the completed signed forms and email to payroll@wayne.edu

12. Who should I contact if I have any questions?

Please contact the Payroll Office at (313) 577-2138.

