

# CITY OF REDDING

## Personnel Policies and Procedures Manual

Section: Employment

Subject: Deferred Compensation/Industrial Injury Pay Procedures

Personnel Manager: Linda Johnson Date: 12-11-01

City Manager: Will Warren Date: 12-12-01

City Council Resolution No. (if applicable) N/A Effective Date: 12/12/01

The City of Redding established the Deferred Compensation Program to provide retirement income and other deferred benefits to its employees in accordance with the provisions of Section 457 of the Internal Revenue Code. The Deferred Compensation Program allows an employee to defer a percentage of their taxable earnings from income tax. When an employee is injured on the job and is receiving Industrial Injury pay the deferred percentage amount will need to be adjusted. An adjustment is required due to the fact that Industrial Injury pay is non-taxable.

When a Safety employee is injured and receives 4850 Industrial Injury pay, the entire amount of Industrial Injury pay is non-taxable and, therefore, it is not appropriate to deduct deferred compensation from the employee's check. When a Miscellaneous employee is injured and receives Industrial Injury pay, only a percentage of the payment is non-taxable and, therefore, only a percentage of the deferred compensation deduction would need to be adjusted.

Employees off work for an extended period of time may not have sufficient earnings to mitigate the deferred compensation deduction. Therefore, the deferred compensation deduction will discontinue when an employee has been off for one pay period on 4850 Industrial Injury pay. Miscellaneous employees' deferred compensation deduction may be adjusted using the appropriate percentage when an employee has been off for one pay period on Industrial Injury pay. Once the employee returns to work, the employee must notify the Personnel Division to resume the deferred compensation deduction.

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