



## Boston College

# Retirement Plan Equivalency Payments

Boston College's basic retirement plan is a qualified 401(k) Plan with a one-year service requirement for participation. Qualified plans are subject to strict IRS regulations and, consequently, Boston College **is not able to waive, for any reason, the one-year waiting period** for enrollment in the plan.

It is not uncommon for colleges and universities to waive the retirement plan service requirement for employees (particularly faculty) who come directly from other institutions of higher education. Recognizing this common practice, Boston College established the **Retirement Plan Equivalency Payment**. Under this policy a new employee may be eligible to receive an after-tax payment equal to 8% of his/her annualized starting salary [8% represents the initial level of the University's contribution to the 401(k) Plan].

The rationale for making these payments is to prevent a person from losing a year of contributions when transitioning from an employer where contributions have stopped. The employee would receive the after-tax amounts in lieu of 401(k) Plan contributions and, at the same time, would be expected to make equivalent, tax-deferred contributions under the University's Voluntary 403(b) Retirement Program [403(b) participation is not mandatory, however].

### **Retirement Plan Equivalency Payment Guidelines**

1. **Eligibility** – New full-time employees must have had at least one year of immediate, prior, full-time service at a nonprofit, tax-exempt institution of higher education **AND** must have been participating in that institution's primary retirement plan, receiving employer contributions. [Voluntary "employee-contribution-only" 403(b) plans do not qualify.]
2. **Documentation** – Verification (on employer letterhead) attesting to the employee's prior service and specific plan participation (as noted above) must be received by the Benefits Office no later than sixty days after hire date, or payments may be forfeited. The information can be faxed to 617-552-0699; scanned and e-mailed to [benefits@bc.edu](mailto:benefits@bc.edu); or mailed to Boston College, Benefits Office, Chestnut Hill, MA 02467. The following must be supplied by the former employer:
  - (a) **Verification of employment dates AND confirmation of full-time status**
  - (b) **Confirmation that employer contributions were made into the employee's retirement account**
  - (c) **Confirmation that the contributions have ceased**
3. **Amount of Payments** – The total Equivalency payment will be 8% of the employee's annualized starting salary; any subsequent increase in pay (e.g., Probationary Review, Annual Review) will not affect the amount of the Retirement Equivalency Payment. *[Exception: If the employee's initial annualized salary exceeds the current IRS Annual Compensation Limit (\$330,000 in 2023), the Equivalency payments will be capped at 8% of that limit.]*
4. **Timing of Payments** – If possible, periodic payments will begin in the month following receipt of the appropriate documentation. Normally, the amount of the payments will be determined by dividing the total Equivalency amount by the number of months (weeks) remaining in the employee's first year of service.
5. **Taxability** – These payments will be included in the employee's regular salary pay and will be taxed.
6. **Tax Deferral Option** – The employee can participate in the University's Voluntary 403(b) Retirement Program while receiving Equivalency payments and may contribute a like amount to the program (subject to IRS limits), effectively deferring income taxes on the Equivalency amounts.