

Deferred Net Pay Frequently Asked Questions (FAQ's)

What is a Deferred Net Pay?

A Deferred Net Pay (DNP) arrangement is whereby an employee voluntarily defers some portion of their current income until a specified future date.

They are also known as Deferred Pay, Deferred Compensation Plan, Summer Deferred Paycheck, and Summer Deferred Payroll Check. These all refer to the same deferred compensation. This type of deferral is commonly associated with school district employees.

Why would a district employee sign up for deferred compensation?

While some district employees work 12 months per year, many work less than 12 months. For these employees, deferred compensation allows them to receive a check in the months they do not work.

Who is eligible to participate in the DNP?

Employees working less than 12 months in the school year are eligible to participate in the plan.

How does deferred compensation work?

When annual compensation is calculated for a 12-month employee, their wages (voluntary deductions, benefits, taxes, wage garnishments, retirement, etc.) are divided between 12 paychecks.

When annual compensation is calculated for a 10 or 11-month employee, wages are divided by the number of months worked so that it would be divided between 10 or 11 paychecks.

If the 10 or 11-month employee desires to receive a paycheck for these non-work month(s), then their annual compensation is divided evenly between 12 months rather than 10 or 11 months.

When can I enroll?

You are only eligible for DNP at the beginning of employment, and at the end of the school year prior to the beginning of the next school year.

Enrollment is annual and cannot begin mid-year. Once enrolled, DNP continues automatically every year (until you opt-out by completing a new form).

Can I withdraw a portion of those funds at any time during the year if I need extra money?

Withdrawing any portion of these funds (before the actual summer month(s) paycheck) would require you to cancel the deferred compensation plan for the year. You would not be eligible to enroll in the plan again until the next school year.

Changes must be made by completing the DNP Authorization Form.

Where do I get the forms to enroll or cancel?

The *Deferred Net Pay Authorization Form* is available through Payroll and HR and on the web. This form is also included in the new hire packet.

What deductions or benefits are calculated in DNP?

None. IRS regulations require that wages (voluntary deductions, benefits, taxes, wage garnishments, retirement, etc.) be calculated on the employee's paychecks during the actual months worked.

What about the 'annual' health & welfare benefits I receive from the district?

This question has many layers, and each calculation would vary depending on your selections. However, even though you may be a 10 or 11-month employee, your health & welfare benefits are for the entire year, and your coverage continues all year, providing that you continue your employment with the district from one year to the next. Any benefit premiums or deductions are calculated for 12 months and then split into 10 or 11 paychecks. For additional questions or clarification regarding benefits, including the summer fringe amounts that are set aside if you pay out of pocket, please contact Payroll.

What happens if I leave my employment with the district before the summer months?

Any monies deducted from your wages and set aside for the DNP are due to you and paid out to you within 30 days of ending service and employment ends. Note that other adjustments would also be necessary for employment that ends before the end of the contract year. Payroll can assist with questions in this area on an individual basis.

Are there any tax issues because my 10, 11, or 12 months fall in 2 different tax reporting years?

Employees should always consult with their tax advisors if you have questions regarding your tax situation. Any changes made in mandatory (federal or state taxes) or voluntary (dues, etc.) deductions will affect monies contributed to DNP.

Have the payroll deductions that comprise the DNP check(s) been calculated before or after federal and state taxes were withheld?

The DNP check is a net check, like a savings account. All voluntary deductions, taxes, etc., have been paid upfront during the 10 or 11 months applicable to the employee.

Certificated Employees:

Education Code 45040 provides authority to withhold part of a certificated employee's salary for payment no later than August 5th and September 5th when annual salary is not paid in 12 equal monthly payments. It further provides for repayment of any deferred pay when an employee dies or otherwise leaves the district service.

Classified Employees:

Education Code 45165 permits an employer, upon election by a classified employee employed for less than 12 months per year, to withhold from each payment the following amounts:

- 10-month employee (August-May)
 - 16.67 % of each payment will be withheld
- 11-month employee (August-June)
 - 8.33% of regular earnings