



# Implementing Retirement Savings Plans in Oracle Cloud HCM Whitepaper

Creation Date: July 2021

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## Executive Overview

This paper outlines best practices when implementing Retirement Savings Plans in Oracle Cloud HCM. This paper is a collaboration between Benefits and Payroll implementation experts as the functionality delivered spans both areas. Recommended considerations and approach to setup are discussed within each section.

## Introduction

This paper will provide an overview of how to implement Retirement Savings Plan(s) in Oracle. It will guide you in understanding the differences between the various Retirement Savings Plans (401k, 457, 403b, etc.) and how best to implement them in your organization. Having an understanding of what is delivered for each Retirement Savings Plan element and how the element is processed in Oracle Cloud Payroll is critical to the setup.

It is also important to understand how data is integrated from Benefits to Payroll as this will have an impact on your setup requirements. The type of Retirement Savings Plan you setup will drive where in payroll the deduction is stored. For the 401k plan, the deduction element is stored on the Element Entry page. All other plans, such as 403(b) and 457(b), are stored on the Benefits and Pension Calculation Card.

## Implementing Savings Plans in Oracle Cloud Benefits

The first thing you will need to do is determine whether Oracle Cloud Benefits will be the source for Retirement Savings Plan enrollments or if the Vendor will maintain the enrollments.

In most cases, if the Retirement Savings Plan enrollments are maintained with the Vendor, it is recommended to load the contribution amounts directly to Oracle Cloud Payroll. There are some exceptions, such as when it is required to have your Retirement Savings Plan contributions printed on an Employee Enrollment Statement and/or Total Compensation Statement. With this scenario, you will want to feed the deductions into Oracle Cloud Benefits. Either way, you will need to set up the elements needed to process your retirement savings plan(s) in payroll. You will also need to understand the delivered integrations for these plan setups.

## Retirement Savings Plan Element Considerations and Setup

When setting up Retirement Savings Plans in Oracle Cloud Payroll, there are several areas for consideration:

- Is the Retirement Savings Plan pre-tax or after-tax?
- Does the plan include employer contributions? If yes, and you have multiple plans, how is the employer contribution calculated? Do your employer contributions continue with catch-up deductions?
- If you have employer contributions, are they considered taxable income?
- Which plans can have an employee enroll in concurrently?

All of these and more should be considered prior to setting up your deduction elements. Some of your requirements may drive fast formula changes.

## Element Templates

Oracle delivers separate element templates to set up Retirement Savings Plan deductions based on the plan you are setting up. For Retirement Savings Plans that are pre-tax deductions, the primary classification of Pre-Tax Deduction is used, and templates are provided for 401(k), 403(b) and 457. After-tax deductions, Roth 457, Roth 403(b), and Roth 401(k) templates can be found under the primary classification of Voluntary Deductions.

### 401k

When setting up 401k deduction elements, you have control in the element template to define what sub-elements (employee, employer, catchup) are created. You will also define whether there is a corresponding Roth Plan and when catchup deductions are started. If used in Benefits, Benefits will feed the deduction for this element to the Element Entry page.

### 457 and 403(b)

Deduction elements 457 and 403(b) automatically create sub-elements for employee, employer, and catchup - You do not define this in the template. This is defined during employee setup in the Benefit and Pension Calculation Card.

Note: If you have used the 401k element template to create elements needed for 457 or 403(b) Retirement Savings Plans and you are experiencing issues, please contact eVerge for immediate remediation.

## How Retirement Savings Plan Elements are Captured for Payroll Processing

401k Plan deduction element(s) are administered on the Element Entry page. It is here that the amount/percentage to be deducted in the payroll is captured. This is similar to how other benefit deductions are captured for payroll processing.

For 457 and 403(b) plans, the element is setup on the Benefits and Pension Calculation Card for payroll processing. It is here that you setup the 457 and 403(b) Retirement Savings Plan deduction for the employee. On this page, you will define what plan the employee is enrolled in, along with the following attributes that pertain to the employee deduction and processing in payroll:

- Catchup Processing Rule; Concurrent or Sequential
- Employee Catch-Up Contribution; Yes or No
- Employee Eligible for Special 457 (b) Catch-Up Contributions; Yes or No
- Employer Catch-Up Contribution; Yes or No
- Employer Contribution; Yes or No
- Partial Deduction Allowed; Yes or No
- Employer Contribution Limit Percentage; Rate
- Flat Amount for Employee Catch-Up Contribution; Total amount

- Flat Amount for Employee Contribution; Total amount
- Flat Amount for Employer Catch-Up Contribution; Total amount
- Flat Amount for Employer Contribution; Total amount
- Percentage for Employee Catch-Up Contribution; Total amount
- Percentage Amount for Employee Contribution; Total amount
- Percentage Amount for Employer Catch-Up Contribution; Total amount
- Percentage Amount for Employer Contribution; Total amount
- Override IRS Annual Limit Catch-Up; Total amount
- Override IRS Employer Annual Compensation Limit; Total amount
- Override IRS Employer Catch-Up Annual Compensation Limit; Total amount
- Override IRS Limit; Total amount

It is important to understand your requirements for deduction in payroll. For example, if an employee is eligible for the 457 catch-up plan, you will need to review when the deduction is taken. Do you take the deduction sequentially with the regular deduction, or do you start the deduction after the employee has satisfied the limit on the 457 plan?

Note: If you take the deduction concurrently, both deductions will be taken until their limits have been reached. If you take the deduction sequentially, the system will start the catch-up deduction the period after the regular limit is reached. That may mean the check prior may have only had a partial deduction to reach the limit. eVerge has had to make fast formula changes to allow, both, the regular deduction and the catch-up to occur in the check the employee reaches the regular limit. The fast formula changes also had to consider that we only wanted to take the regular deduction amount and not more than what the employee normally had deducted.

There are other areas in which fast formula changes may be required to process your employee deductions according to your plan requirements. Below are some things to consider that may require fast formula changes:

- What is the sequence of deductions when an employee meets the plan limit (do you take employee contribution before employer contribution)?
- When are catch-up deductions taken? Concurrent or after employee meets the initial annual limit?
- Do you continue employer contributions with catch-up deductions?
- Is the Employer match calculated on each plan individually, or is it calculated based on the overall Employee contributions?

It is important to test all scenarios for this plan setup to ensure you are getting the proper results in payroll processing.

## Savings Plan Limits

Oracle supports the IRS limits for Retirement Savings Plans. You will need to ensure your plans are captured correctly on the applicable Balance Definitions used to determine what is added into the limits. For this reason, there is configuration required to complete the setup once the elements have been created.

If Retirement Savings Plan elements are not correctly tied in the Balance Definition page, your limits will not be administered correctly. For example, if you have multiple 457 plans, you need to ensure the overall contributions to all 457 plans do not exceed the 457 annual limits. To do this you need to update the delivered 457 balance feeds with the elements created for 457 contributions.

## Integration from Oracle Cloud Benefits to Cloud Payroll

As delivered, you can set up your 401k elements to feed directly to the Payroll Element Entry page for processing. To do this, you tie the element on the Benefit Plan Rates and Coverage page. It is on this page that you define the Payroll Element and Element Input Value to be sent to the Element Entry page for payroll processing.

For the 457 and 403(b) plans in Oracle Cloud Benefits, you cannot tie the element to the benefit plan in the configuration. The integration between Benefits and Payroll is delivered as a manual process. Without creating a custom process to pull the data out of benefits and populate the Benefits and Pension Calculation Card with the proper setup, your payroll staff will need to manually enter this to allow for processing in payroll. Please refer to [Loading 403\(b\) 457\(b\) Information for the US Using HCM Data Loader](#) for more information on how to create the integration. eVerge has developed this integration for several clients to ensure the process is streamlined from Oracle Cloud Benefits to Oracle Cloud Payroll.

It is important when developing this integration to consider how enrollment and changes are processed in benefits. Here are some things you will need to consider:

- How often are employees allowed to change enrollment?
- New Enrollments
- How are changes to enrollment within the same plan processed?
- Do you have more than one plan? If yes, how are changes from one plan to a different plan processed?
- If a benefit event is deleted in benefits after the change has already been processed to the Calculation Card, how do you capture these changes?

If you need assistance with this integration, please contact eVerge. We would be happy to assist you.

## How to Contact eVerge Group

<https://www.evergegroup.com/contact-us>