

Deferral of Vacation and Sick Leave Payouts from Final Paychecks to 403(b) or 457 Plans

I. INTRODUCTION

Employees who are retiring or leaving State service can contribute a portion of their final payouts for unused vacation or sick leave to the 457 Deferred Compensation Plan--- open to most active employees--or the 403(b) Plan, limited to employees of eligible educational institutions and hospital facilities.¹ By making a pre-tax deferral from the vacation/sick leave payout into the 457 or 403(b) Plan, employees can reduce taxes withheld from the final paycheck and boost their retirement savings. The process requires advance planning because IRS regulations require deferral arrangements to be made the month before the final payment occurs. All required forms are located under the “Forms” tab on the plans’ website, www.CTDCP.com.

II. PROCEDURE

A. Determining Deferral Amount.

Employees should ask their Payroll/Human Resources office for an estimate of the gross vacation/sick leave payout, the date when it will be paid, the employee record number to be used for the final payout, the estimated mandatory Social Security and Medicare taxes, and their year-to-date contributions to the 457 or 403(b) Plan. When determining the amount available to defer, the employee should take the estimated gross payout amount, subtract the estimated Social Security and Medicare taxes and subtract any other mandatory payroll deductions, such as: health insurance premium, Retiree Health Fund contribution on the vacation portion of the payout, union dues, etc. The remaining amount approximates what is available for deferral. Next, when setting the deferral amount, an employee should factor in any contributions that will have taken place by the date of the final paycheck. The maximum for 2019 is \$19,000 (plus an additional \$6,000 for age 50 and over). Someone who is eligible for both Plans can contribute the maximum amount to each.

¹ Detailed eligibility guidelines can be viewed on the Plans’ dedicated web site – www.CTDCP.com .

B. Changing Deferral Amount--Current Participants

Existing 457 Plan members should complete the *Deferral Election for Final Vacation and Sick Payout Form* to enter the desired deferral amount and the date of the final paycheck, and the employee record number. While online contribution changes are now available for this plan, they are not recommended for final paycheck deferrals because there is no ability to enter a specific date for an online contribution change to take effect. If the incorrect employee record number is incorrect, the deduction will not take place.

Existing 403(b) Plan members should use the *Deferral Election for Final Vacation and Sick Payout Form* to indicate the final contribution amount, effective paycheck date, and the Employee Record Number. Employees who work (or have worked) at more than one state agency or multiple positions at the same agency may have multiple Employee Record Numbers and should ask Payroll/Human Resource personnel which Employee Record Number will be used to pay unused vacation/sick leave. If the incorrect Employee Record Number is entered on the *Deferral Election for Final Vacation and Sick Payout Form*, the deduction will not take place.

C. Employees Not Previously Enrolled.

Employees who have not previously participated in the 457 or 403(b) Plan will need to enroll online or complete the final payout Investment Allocation and beneficiary sections on the attached form. (An employee who is eligible for and wants to contribute to both the 457 and 403(b) Plans for the first time will need to complete the final payout investment allocation and beneficiary for each plan.)

To enroll in the 457 Plan *or* 403(b) Plan, go to the home page, www.ctdcp.com, click on “Enroll” and follow the instructions.

D. Deadline for Submitting Forms.

The completed forms with original signatures must be received by Prudential Retirement, the third-party administrator, **before** the Cut-Off Date for the employee’s final paycheck, shown on the Payroll Cut-Off schedule (see below). All forms should be mailed to:

Prudential Retirement
30 Scranton Office Park
Scranton, PA 18505-5370

You may also fax forms to: **866-439-8602**.

Once the final payout check has been issued, agency personnel cannot reverse or reprocess paychecks to allow employees to make untimely deferrals of vacation and sick leave payouts.

E. Common Problems to Avoid.

Advance planning will prevent common mistakes that can derail deferrals of vacation and sick leave payouts.

- Do not wait until the last minute. When the final payout forms are submitted too close to the cut-off date, there may not be enough time for the plan administrator to obtain corrections, original signatures, or missing information.
- Ensure that the selected deferral amount (together with all year-to-date contributions) does not exceed the IRS maximum limit; otherwise, no deduction will be taken.
- Make sure the requested deferral does not exceed the net amount in the final payout check. If it does, no deduction will occur.
- Plan participants must verify their employee ID number and employee record number on which the vacation/sick leave payout will be made and use that number on the deferred election for final vacation/sick payouts.

III. CONCLUSION

Employees who want help with calculating sick or vacation leave deferrals to the 403(b) or 457 Plan should call **Prudential at 844-505-SAVE** or **contact your retirement counselor**.



Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT or its affiliates. PRIAC is a Prudential Financial company.

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Deferral Election Form for Final Vacation and Sick Payouts

STATE OF CONNECTICUT 403(b) PLAN

Instructions Please print using blue or black ink.

For more information please see Deferral of Vacation and Sick Leave Payouts from Final Paychecks, which can be found at ctdcp.com under "Your Tools" or contact your retirement counselor for assistance.

Send completed form to the following address or fax it to **1-866-439-8602**.

Prudential
PO Box 5410
Scranton, PA 18507

Questions?

Call 1-844-505-SAVE
for assistance.

About You

Plan number

0 1 0 0 8 3

Employee Rcd # Pay Group Employee ID

Note: If a State Agency employee, this information is required and can be found on an employee's pay stub.

Social Security number

_____-_____-_____

Original date employed

____/____/____
month day year

First name

MI Last name

Address

City

State

ZIP code

Date of birth

____/____/____
month day year

Gender

M F

Daytime telephone number

____-____-____
area code

Date of rehire (To be completed by your Plan Representative, if applicable.)

____/____/____
month day year

Marital status: Married Not married

Contribution Information

For final paycheck effective date: _____ (See Payroll Schedule, p.2)

Before setting your contribution amount, contact your Payroll/Human Resources officer to obtain an estimate of your NET final paycheck (after deduction of income tax, FICA, Medicare, health premiums, and OPEB).

Before-Tax Contribution Election. I wish to contribute \$ _____, _____ of my final vacation and sick payout.

After-Tax (Roth) Contribution Election. I wish to contribute \$ _____, _____ of my final vacation and sick payout.

IMPORTANT: Your total contributions to the 403(b) Plan are subject to the IRS annual limit Please check with your Payroll/Human Resources officer for an estimate of the gross vacation/sick leave payout, the date when it will be paid and your year to date contributions to the 403(b) Plan. When setting your deferral amount, you need to factor in any contributions that will have taken place by the date of your final paycheck. **PLEASE NOTE: if your election exceeds the net amount of your final paycheck, no deduction will be processed.**

Check desired effective date for deferral	Paper form contribution changes (faxed or mailed) <u>received</u> between these dates by 4pm EST	Online and Phone-In Contribution changes made between these dates by 4pm EST	Will be effective for the following pay date below		
			Bi-Weekly Check Date	Semi-Monthly Check Date	Monthly Check Date
	11/15/18 to 11/28/18	11/17/18 to 11/30/18	12/21/18	12/31/18	1/4/19
	11/29/18 to 12/12/18	12/1/18 to 12/14/18	1/4/19	1/15/19	
	12/13/18 to 12/26/18	12/15/18 to 12/28/18	1/18/19	1/31/19	2/1/19
	12/27/18 to 1/9/19	12/29/18 to 1/11/19	2/1/19	2/15/19	
	1/10/19 to 1/23/19	1/12/19 to 1/25/19	2/15/19	2/28/19	3/1/19
	1/24/19 to 2/6/19	1/26/19 to 2/8/19	3/1/19	3/15/19	
	2/7/19 to 2/20/19	2/9/19 to 2/22/19	3/15/19	3/15/19	4/5/19
	2/24/19 to 3/6/19	2/23/19 to 3/8/19	3/29/19	3/29/19	
	3/7/19 to 3/20/19	3/9/19 to 3/22/19	4/12/19	4/15/19	5/3/19
	3/21/19 to 4/3/19	3/23/19 to 4/5/19	4/26/19	4/30/19	
	4/4/19 to 4/16/19	4/6/19 to 4/18/19	5/10/19	5/15/19	6/7/19
	4/17/19 to 5/1/19	4/19/19 to 5/3/19	5/24/19	5/31/19	
	5/2/19 to 5/15/19	5/4/19 to 5/17/19	6/7/19	6/14/19	7/5/19
	5/16/19 to 5/29/19	5/18/19 to 5/31/19	6/21/19	6/28/19	
	5/30/19 to 6/12/19	6/1/19 to 6/14/19	7/5/19	7/15/19	8/2/19
	6/13/19 to 6/26/19	6/15/19 to 6/28/19	7/19/19	7/31/19	
	6/27/19 to 7/10/19	6/29/19 to 7/12/19	8/2/19	8/15/19	9/6/19
	7/11/19 to 7/24/19	7/13/19 to 7/26/19	8/16/19	8/30/19	
	7/25/19 to 8/7/19	7/27/19 to 8/9/19	8/30/19	8/30/19	10/4/19
	8/8/19 to 8/21/19	8/10/19 to 8/23/19	9/13/19	9/13/19	
	8/22/19 to 9/4/19	8/24/19 to 9/6/19	9/27/19	9/30/19	11/1/19
	9/5/19 to 9/18/19	9/7/19 to 9/20/19	10/11/19	10/15/19	
	9/19/19 to 10/2/19	9/21/19 to 10/4/19	10/25/19	10/31/19	12/6/19
	10/3/19 to 10/16/19	10/5/19 to 10/18/19	11/8/19	11/15/19	
	10/17/19 to 10/30/19	10/19/19 to 11/1/19	11/22/19	11/29/19	January 2020
	10/31/19 to 11/13/19	11/2/19 to 11/15/19	12/6/19	12/13/19	
	11/14/19 to 11/27/19	11/16/19 to 11/29/19	12/20/19	12/31/19	

The cut-off date is the last date that a participant can submit a change for the corresponding check date.

* Any contribution changes processed during the transaction period are scheduled to appear on the corresponding check date. Deferral elections for each check date will

Your Authorization

I certify that the information above is accurate and complete and that I give my employer permission to contribute a portion of my salary to the Plan according to the instructions above.

Signature X

Date _____

Important Information continued on the following pages

Social Security number _____

For First Time Enrollees Only

For those whose have an existing account, this form cannot be utilized for changing investments or beneficiaries.

Investment Allocation

This section is **ONLY** required if you have not previously enrolled.

Fill out Option I, Option II, or Option III. **Please complete only one option.**

(Please fill out Option I, Option II, or Option III. Do not fill out more than one option.)

By completion of Option I or Option II you enroll in GoalMaker, Prudential's asset allocation program, and you direct Prudential to invest your contribution(s) according to a GoalMaker model portfolio that is based on your risk tolerance and time horizon, or your years to retirement. You also direct Prudential to automatically rebalance your account quarterly according to the model portfolio chosen. Enrollment in GoalMaker can be canceled at anytime.

Please refer to ctdcp.com for more information on GoalMaker and the rebalancing and age adjustment features.

Option I or Option II must be completed accurately, otherwise your investment allocation will be placed in GoalMaker with age adjustment.

Option I – Choose GoalMaker with Age Adjustment

By selecting your risk tolerance, and confirming your expected retirement age below, your contributions will be automatically invested in a GoalMaker model portfolio that is based on your risk tolerance and years left until retirement. You also confirm your participation in GoalMaker's age adjustment feature, which adjusts your allocations over time based on your years left until retirement.

Select Your Risk Tolerance

Conservative

Moderate

Aggressive

Confirm Your Expected Retirement Age

Expected Retirement Age:

Yes. Please use the default Expected Retirement Age listed above.

No. Please use as my expected retirement age.

OR

Option II – Choose GoalMaker *without* Age Adjustment

I do not want to take advantage of GoalMaker's age adjustment feature. Please invest my contributions according to the model portfolios selected below.

Time Horizon (expected years until retirement)	Conservative	Moderate	Aggressive
0 to 5 Years	<input type="checkbox"/> C01	<input type="checkbox"/> M01	<input type="checkbox"/> R01
6 to 10 Years	<input type="checkbox"/> C02	<input type="checkbox"/> M02	<input type="checkbox"/> R02
11 to 15 Years	<input type="checkbox"/> C03	<input type="checkbox"/> M03	<input type="checkbox"/> R03
16 + Years	<input type="checkbox"/> C04	<input type="checkbox"/> M04	<input type="checkbox"/> R04

OR

Important Information continued on the following pages

Social Security number _____

For First Time Enrollees Only

Investment Allocation

Option III – Design your own investment allocation

If you would like to design your own asset allocation instead of selecting GoalMaker, designate the percentage of your contribution to be invested in each of the available investment options. (Please use whole percentages. The column(s) must total 100%.)

Option III must be completed accurately and received by Prudential **before** assets are accepted; otherwise, contributions will be placed in the default investment option selected by your plan. Upon receipt of your completed enrollment form, **all future** contributions will be allocated according to your investment selection. You must contact Prudential to transfer any **existing** funds from the default option.

I wish to allocate my contributions to the Plan as follows:

Percent Allocated	Codes	Investment Options
_ _ _ _ %	XT	Connecticut Stable Value Fund
_ _ _ _ %	C3	MetWest Total Return Bond Fund
_ _ _ _ %	3T	Vanguard® Total Bond Market Index Fund - Institutional
_ _ _ _ %	D1	Vanguard® Inflation-Protected Securities Fund - Inst
_ _ _ _ %	RG	Calvert Bond Portfolio - Class I
_ _ _ _ %	WR	Vanguard® Institutional Index Fund - Institutional Plus
_ _ _ _ %	KV	American Funds American Mutual Fund® - Class R-6
_ _ _ _ %	CB	TIAA-CREF Social Choice Equity Fund - Institutional Class
_ _ _ _ %	2L	TIAA-CREF Large-Cap Growth Index Fund
_ _ _ _ %	SB	TIAA-CREF Equity Index Fund - Institutional Class
_ _ _ _ %	4K	Fidelity VIP Contrafund Portfolio - Initial Class
_ _ _ _ %	SR	Wells Fargo Premier Large Company Growth Fd - Inst
_ _ _ _ %	4L	Fidelity VIP Mid Cap Portfolio - Initial Class
_ _ _ _ %	RR	Vanguard® REIT Index Fund - Institutional Shares
_ _ _ _ %	RP	Vanguard® Mid-Cap Index Fund - Institutional Shares
_ _ _ _ %	1G	JPMorgan Mid Cap Value Fund - Class I Shares
_ _ _ _ %	H7	Vanguard® Explorer™ Fund - Admiral™ Shares
_ _ _ _ %	KB	TIAA-CREF Small-Cap Blend Index Fund - Institutional Class
_ _ _ _ %	RK	DFA Real Estate Securities Portfolio - Institutional Class
_ _ _ _ %	EE	TIAA-CREF International Equity Index Fund - Institutional CI
_ _ _ _ %	K8	American Funds EuroPacific Growth Fund® - Class R-6
1 0 0 %	Total	

Important Information continued on the following page

Social Security number _____

For First Time Enrollees Only

Your Beneficiary Designation

This section is **ONLY** required if you have not previously enrolled.

I designate the following as beneficiary of my account with regard to the percentage(s) I have indicated below. Please list additional beneficiaries, along with percentages they are to receive on a separate page, if needed. Indicate whether the additional beneficiary(ies) is/are primary or secondary beneficiary(ies). **The use of My Living Children or Per Stirpes as types of beneficiary designations are not permissible. Please provide the specific names and information on the form for the individuals you want to designate. Please use whole percentages.**

Primary Beneficiaries – You must make sure all your percentages in the primary section total 100%

Full Legal Name:	SSN:	Date of Birth:
Address:		
Relationship to you:	Telephone Number:	Percentage:

Full Legal Name:	SSN:	Date of Birth:
Address:		
Relationship to you:	Telephone Number:	Percentage:

Full Legal Name:	SSN:	Date of Birth:
Address:		
Relationship to you:	Telephone Number:	Percentage:

Secondary Beneficiaries – You must make sure all your percentages in the secondary section total 100%

Full Legal Name:	SSN:	Date of Birth:
Address:		
Relationship to you:	Telephone Number:	Percentage:

Full Legal Name:	SSN:	Date of Birth:
Address:		
Relationship to you:	Telephone Number:	Percentage:

Full Legal Name:	SSN:	Date of Birth:
Address:		
Relationship to you:	Telephone Number:	Percentage:

Important Information continued on the following pages

Trusted Contact

You may, but are not required to, name a trusted contact person who is intended to be a resource that could assist Prudential in the event of suspected financial exploitation. If designating a trusted contact below, please provide as much information as possible to assist Prudential in reaching the trusted contact, if needed.

First name _____ MI _____ Last name _____

Address _____

City _____ State _____ ZIP code _____

Email address _____

Cell phone number* _____ Home phone number* _____
area code _____ area code _____

Business phone number* _____ Relationship _____
area code _____

*At least one phone number is required.

By choosing to provide information about a trusted contact, you authorize Prudential and its affiliated broker-dealer, Prudential Investment Management Services LLC, to contact the trusted contact listed above and disclose information about your account to that person in the following circumstances: to address possible financial exploitation, to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by FINRA Rule 2165 (Financial Exploitation of Specified Adults). Please note that if you have other accounts with Prudential Retirement, the trusted contact named above will apply to each of your accounts.

Your Authorization

I certify that the information above is accurate and complete and that I give my employer permission to contribute a portion of my salary to the Plan according to the instructions above.

Signature X _____ Date _____

Social Security number _____