

## Leave Buy-Back, Option to Transfer to Savings Plus 401(k) Plans

### Enhancement for Fiscal Year 2023/24

#### Frequently Asked Questions

1. **Q:** What is Savings Plus?

**A:** "Savings Plus" is the name of the state's sponsored 457(b) and 401(k) retirement plans available to most State of California employees. These plans allow you to invest in your future by building a retirement savings account using payroll deductions that go into investments you select from the diverse Savings Plus fund lineup.

2. **Q:** What is Excluded Employee Leave Buy-Back Program?

**A:** The Excluded Employee Leave Buy-Back Program authorizes payment of leave credits to employees who are excluded from Collective Bargaining. On an annual basis the California Department of Human Resources (CalHR) will determine whether or not a leave buy-back will be offered. Eligible employees may receive payment at their regular salary rate in exchange for accrued vacation, annual leave, personal leave, and/or personal holiday credits.

3. **Q:** What is the difference between a pre-tax and a Roth (after-tax) deferral?

**A:** Pre-tax deferrals reduce your taxable income the year contributed while Roth deferrals are made on an after-tax basis giving you the contributions and accumulated balance as tax free income during retirement (provided that the withdrawal is made due to attainment of age 59½, death, or disability and the withdrawal is made 5 years or more after January 1 of the first year the Roth contribution was made.)

4. **Q:** What do I need to do to transfer my future leave accruals to Savings Plus?

**A:** If you are an excluded employee at a participating state Department, with a leave balance in excess of 640 hours as of December 1, 2023, complete the irrevocable [Transfer Future Leave Accruals to Savings Plus](#) form. The form must be submitted to your Human Resources Office by December 31, 2023.

5. **Q:** What if I do not already have a Savings Plus Account?

**A:** If you do not have an account then one will be established for you. Your transfer is invested in the Target Date Fund based on your date of birth. Your transfer remains invested in this fund until you modify your investment election. You will receive a *Welcome Letter* from Savings Plus once your account is established.

6. **Q:** What happens if on my form I elect 80 hours to transfer to Savings Plus but in April my department notifies me that the department is offering less hours (24 hours) of leave buy-back?

**A:** If the Program is offered for an amount less (24 hours) than the amount you elected (80 hours), only 24 hours will transfer to Savings Plus in accordance with your election based upon the following hierarchy: (1) 401(k) pre-tax and (2) 401(k) Roth in

accordance with your election until each plan and deferral type you elected is satisfied. The excess hours (56) will be available for use.

7. **Q:** If I elect 40 hours to transfer to Savings Plus and in April my department allows 80 hours of leave buy-back, can I increase my election?

**A:** Your initial election to transfer 40 hours to Savings Plus is irrevocable and will be processed as requested. However, you can request up to the additional 40 hours as a cash payment.

8. **Q:** Why must I make an election in December 2023 for hours I will earn January – May 2024?

**A:** Due to Constructive Receipt Laws, the Internal Revenue Service (IRS) only allows you to transfer future leave accruals to Savings Plus.

9. **Q:** What if I change departments and the new department does not offer the Program or approves a different amount?

**A:** If your new department does not offer the Program your election becomes null and void and your leave accruals will be available for you to use.

If your new department does offer the Program but for a lesser amount, only the lesser amount will be transferred to Savings Plus.

If your new department does offer the Program but for a greater amount, you will not be able to increase the amount you elected to transfer. However, you can submit a separate request to receive a cash payment for the additional hours offered.

10. **Q:** If I leave a department that does not offer the Program and transfer to a department that does, will I be able to participate in the Program?

**A:** All election forms requesting to transfer future leave accruals to Savings Plus must be submitted by December 31, 2023. If your appointment to your new department is prior to December 31 and you submit your request to your new department prior to December 31, the transfer request will be processed.

11. **Q:** If I need to take an extended leave of absence that uses up all my existing leave accruals, can I get the hours I elected to transfer to Savings Plus back if they have not been transferred?

**A:** Your election to transfer leave accruals to Savings Plus is irrevocable. However, if you have a qualifying hardship (applicable for the 401(k) Plan) and need to withdraw funds from Savings Plus you may submit a hardship withdrawal request form to request funds on deposit. This request form is available on the Savings Plus website, under “Early Withdrawals.”

12. **Q:** What if I elect 80 hours in December but do not have enough hours between January – May 2024 to cover the 80 hours?

**A:** You will only be able to transfer the number of hours you accrue during the period of January – May.

13. **Q:** When will the leave accruals I elected to transfer to Savings Plus show up in my Savings Plus account?

**A:** The cash value of the leave accrual transfers will post as a one-time lump sum deposit at the end of June or in early July 2024.

14. **Q:** Why is the option to Transfer Future Leave Accrual to Savings Plus only available for 401(k) plans, and not 457(b) plans?

**A:** This pilot program is only available for transfers to 401(k) plans as a limited trial. If the pilot program is successful, it may in the future be open for other plans.

15. **Q:** If I already have a 401(k) Plan can I add the leave accruals back to my existing account?

**A:** Yes, all transfers will be deposited into your existing account. You are responsible for ensuring the value of your leave accruals plus any regular contributions do not exceed the annual IRS limit. The 2023 limit if you are age 49 or less is \$22,500 per plan. If you are age 50 or older the 2023 limit is \$30,000 per plan. The annual contribution limits are subject to change in 2024. If you do not have an account then one will be established for you.

16. **Q:** What will happen if I submit my form electing to transfer vacation leave to Savings Plus and then switch to annual leave?

**A:** If you switch your leave type, your leave type for transfers to Savings Plus will change accordingly.

17. **Q:** May I participate as a current rank and file employee?

**A:** The option to transfer leave accruals into Savings Plus is currently only available to excluded employees as of December 1, 2023. If the pilot program is successful, it may in the future be available to other employees.

18. **Q:** How can I determine if the value of my leave accrual transfer plus my current contributions will exceed the annual contribution limit?

**A:** If you are already contributing the maximum amount to the 401(k) plan, you may not participate in this transfer option. However, you can calculate the value of your leave accruals by multiplying your hourly wage times the number of hours you elect to transfer. Then add that value to your current annual contributions to Savings Plus. If you are age 49 or less, the 2023 limit is \$22,500 per plan. If you are age 50 or over, the 2023 limit is \$30,000 per plan. The annual contribution limits are subject to change in 2024.

19. **Q:** What mechanism does Savings Plus have in place to ensure I do not over-defer?

**A:** Employees are responsible for monitoring their contribution limits. However, if you do over- defer you will receive a refund of the over-deferred amount and the applicable earnings prior to April 15 of the following year.

20. **Q:** My spouse is relatively new to state employment and has less than 640 hours of vacation. Since I have around 1,000 vacation hours, may I transfer some of my hours to my own Savings Plus account and additional hours to his Savings Plus account?

**A:** The IRS only allows you to transfer accrued leave to your own account.

21. **Q:** May I transfer my old Personal Leave Program (PLP) accruals?

**A:** Only vacation and annual leave accruals may be transferred to Savings Plus.

22. **Q:** May I transfer future sick leave accruals?

**A:** Sick leave is not an eligible leave type for this program. Only vacation and annual leave accruals are eligible.

23. **Q:** How will the value of my leave accruals be invested (in which fund?)

**A:** If you have an existing Savings Plus account, your assets will be invested in accordance with the current contribution allocation you have on file for that plan.

If you do not have an existing Savings Plus account, Savings Plus will establish an account for you or if you are opening an account in the other plan, your initial transfer will be invested in the Target Date Fund based on your date of birth and will remain in that fund until you modify your investment election. Fund Fact Sheets are under "Investment Information" at [savingsplusnow.com](http://savingsplusnow.com) in the "Investment options and fund fact sheets" section. You may transfer your assets to any Savings Plus investment fund without a charge.

24. **Q:** Are taxes withheld from the transfer?

**A:** For pre-tax transfer, the cash value is subject to the following mandatory deductions: Social Security; Medicare; State Disability Insurance; and Garnishments (if applicable). Federal and State Tax Withholdings will only be applied to the Social Security; Medicare; State Disability Insurance; and Garnishment withholding amounts not being deferred to Savings Plus account.

For a Roth after-tax transfer, the cash value is subject to the following mandatory deductions: Federal Tax Withholding; State Tax Withholding; Social Security; Medicare, State Disability Insurance; and Garnishments (if applicable).

Both pre-tax and Roth after-tax transfers are not subject to retirement deductions.

25. **Q:** What happens if I turn in the paperwork timely, but my Personnel Office does not process the request because they do not have enough funding?

**A:** If your department does not participate in the Program, your request becomes null and void and all hours marked to be transferred to Savings Plus will be available for use.

26. **Q:** Can I only elect to transfer 10 hours to Savings Plus?

**A:** Yes, on the [Transfer Future Leave Accruals to Savings Plus](#) form, you may specify the number of hours you are electing. You may elect to transfer up to the lesser of the accruals you will earn during January through May of the following year or 80 hours.

27. **Q:** Is there a cost or a fee to transfer my leave accruals to Savings Plus? If so, how is the fee calculated?

**A:** There is no cost or fee to transfer to Savings Plus.

28. **Q:** Is this transfer considered the same as a rollover to Savings Plus?

A transfer of leave accruals is not considered a rollover. A rollover does not count toward your annual contribution limits. However, a transfer of leave accruals to Savings Plus does count towards your annual limits.

29. **Q:** If I elect to transfer 40 hours of my vacation or annual leave, how will the hours be displayed on my paycheck stub?

**A:** Your vacation or annual leave accruals will continue to show on your paycheck stub as additional leave accruals; however these hours will not be available for you to use.

30. **Q:** What if an employee quits during the elected timeframe?

**A:** An election to transfer future leave accruals to Savings Plus is irrevocable. However, if an employee quits prior to the elected leave time being accrued and deposited into their Savings Plus account, then the request to transfer future leave credits becomes null and void. However, employees leaving state service would then be eligible to defer their eligible leave balances through Lump Sum Separation Pay.

31. **Q:** Why is this option not available for Rank and File employees?

**A:** For the 2023-2024 fiscal year, Savings Plus is offering a pilot program for a limited population. If the pilot program goes well, the option may be available for other employees in future fiscal years.