DGS CALIFORNIA DEPARTMENT OF GENERAL SERVICES

HUMAN RESOURCES MEMORANDUM 16-015	DATE ISSUED: 7/14/2016
SUBJECT: **Transfer Lump Sum Separation Pay**	REFERENCE: PML 2016-018
TO: DGS Managers and Supervisors, Personnel Liaisons, and Attendance Clerks	SUPERCEDES: *PML 2008-030*

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

The purpose of this HR Memo is to clarify the rules on employees' separation lump sum pay transfers of unused leave balances to Savings Plus 401(k) and/or 457 plans.

Lump sum transfers in a current calendar year

Employees may transfer lump sum separation pay to a Savings Plus 401(k) and/or 457 plan for the current calendar year, regardless of separation date.

All contributions are subject to the annual deferral limits. For employees whose final pay is issued in December, you must account for the employees' deferral from their December pay in the current tax year when determining how much the employee is eligible to transfer from their accrued leave.

Lump sum transfers to the next calendar year

Employees may transfer their lump sum separation pay to a Savings Plus 401(k) and/or 457 plan to the next calendar year only if they separate on or after November 1. All contributions are subject to the annual deferral limits.

Request to defer lump sum pay

California Labor Code sections 201 and 202 state employees must submit their request to their personnel office at least five workdays prior to separation.

Due to this timing, Savings Plus cannot accept lump sum transfers for employees approved for retroactive retirement, including disability retirement, unless the employee submits their form to their personnel office at least five workdays prior to the effective date of their retirement. Personnel offices should not accept late forms, as it violates California Labor Code sections 201 and 202.

Posting of lump sum deferrals

California Labor Code sections 201 and 202 state lump sum deferrals must post to employees' accounts by the following deadlines:

Current calendar year deferrals (for all separation dates)

The earlier of:

- 45 days after the separation date, or
- by February 1 of the calendar year after the year of separation.

Examples:

An employee who separates April 1, their current year deferrals must post by May 15.

An employee who separates December 31, their current year deferrals must post by February 1.

Next calendar year deferrals (only allowed for separations on or after November 1)

- by February 1 of the calendar year after the year of separation.

Lump sum deferral form

Click here for the latest lump sum deferral form: Lump Sum Separation Pay.

Questions

For questions regarding this memorandum, please contact your assigned Personnel Specialist.

Lisa York, Personnel Officer
Office of Human Resources

LY:mo

Attachment

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CALIFORNIA STATE EMPLOYEE 401(k) & 457 PLANS

Leave time contribution options

If you cash out your accumulated unused leave time (Lump Sum Pay) when you retire, it is taxable. Another option is to contribute all or a portion of your Lump Sum Pay into your Savings Plus accounts, which may allow you:

- To maximize your contribution
- To defer your taxes
- The flexibility of how you take payments

Option to spread your contributions

If you separate from service on or after November 1, you may defer your separation pay **into your Savings Plus account into the following tax year**, allowing you to potentially maximize contributions for both this and next year.

Catch-up for lost time

You may "catch-up" for the previous years you did not contribute the maximum amount allowed to your 457 plan. You can use your separation pay at retirement as a catch-up to maximize your deferral. You can obtain a copy of the Traditional Catch-Up Guide to see if you qualify on savingsplusnow.com or by calling the Savings Plus Service Center at 855-616-4SPN (4776).

Take action!

Your Lump Sum paperwork must be **officially** submitted 5 days prior to separation; however, Personnel Offices request you submit your paperwork 30 days prior to separation of service **in order to accommodate necessary discussions that may impact timely completion of the paperwork.** Be sure you:

1. **Complete** the *Lump Sum Separation Pay Deferral Election Form* on the other side of this flier.
2. **Sign and date the Form**.
3. **Attach** your Traditional Catch up approval document, if applicable.
4. **Copy** all documents for your personal records.
5. **Submit** all signed and dated forms to your personnel office.

Need help?

Contact a Savings Plus Retirement Representative at 1-855-616-4776. They are available to assist you.

Important Notes: Your contributions will be deposited into a Target Date Fund based on your birthday and remain there until you request a different fund option. If you already have an account, your elected amount of lump sum pay is deposited into your investment election for contributions. If you do not set up an account prior to the contribution being deposited, your contribution is invested in the Target Date Income Fund. You may change your investment selection at any time online or over the phone.

California Savings Plus representatives are Registered Representatives of Nationwide Investment Services Corporation, member FINRA. Neither California Savings Plus nor its representatives can offer investment, tax or legal advice. You should consult your own counsel before making retirement plan decisions.

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CALIFORNIA STATE EMPLOYEE 401(k) & 457 PLANS

Lump Sum Separation Pay Deferral Election Form

Submit this original completed form to your personnel office at least five (5) days prior to separation. Be sure to keep a copy for yourself. However, Personnel Offices request you submit your paperwork 30 days prior to separation of service in order to accommodate necessary discussions that may impact timely completion of the paperwork.

SECTION I–Participant Information

Last Name, First Name, MI	
Mailing Address	
City, State, Zip Code	Daytime Telephone Number
Separation Date (mm/dd/yyyy)	Alternate Contact Telephone Number

SECTION II–Contribution Information

* A. Write the amount you will have contributed to each plan for the tax year you separate. If SCO is your pay center, your December contribution from the previous year will be included this year. Do not include the lump sum separation pay you will contribute after you separate.

☐ Pre-tax 401(k) Amount $_____ _ ☐ Roth 401(k) Amount $_____
☐ Pre-tax 457 Amount $_____ ☐ Roth 457 Amount $_____

* B. Write the amount you elect to contribute to your Savings Plus account from your lump sum separation pay in the relevant boxes below.

Plan Year	401(k)		457	
	Pre-tax	Roth	Pre-tax	Roth
	$	$	$	$
	$	$	$	$

* The total amount of Section II item A and the amount in item B that is applicable to this tax year cannot exceed the maximum annual contribution limits. Contributions to the 403(b) must be included in calculating 401(k) limits. See savingsplusnow.com for maximum annual contribution limits and details.

SECTION III–Participant Certification

I request a contribution of lump sum separation pay in accordance with the Plan Document, Internal Revenue Code and my election above. I take full responsibility for providing my request to my personnel office five days prior to my separation date and understand the terms and conditions of deferring all or a portion of my lump sum separation pay. If applicable, I have attached a copy of my approved Savings Plus Catch-Up document.

I understand that the State of California has the authority to approve or reject this request. I hereby certify under penalty of perjury that the information on this form is true and accurate to the best of my knowledge.

Signature	Date

Personnel Office Use Only
Refer to SCO personnel letters applicable to lump sum pay for instructions on completing the separation PAR. Attach this request with a copy of the separation PAR and, if applicable, the approved Savings Plus Catch-Up document from the employee. Retain a copy with the employee file.
Do not submit a copy to Savings Plus.

California Department of Human Resources Privacy Notice on Information Collection (rev. 9/15)
This notice is provided pursuant to the Information Practices Act of 1977. The California Department of Human Resources (CalHR), Savings Plus Program, is requesting the information specified on this form pursuant to California Government Code sections 19993 and 19999.5. The information collected will be used for identification of your account and will/may be disclosed to the Savings Plus Third Party Administrator for processing of your request as indicated on the form. Individuals should not provide personal information that is not requested or required. The submission of all information requested is mandatory unless otherwise noted. If you fail to provide the information requested, CalHR will not be able to process the action(s) indicated on the form as requested.

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Access to Your Information
The CalHR Privacy Officer is responsible for maintaining collected records. You have a right to access records containing your personal information we maintain. To request access, contact: CalHR Privacy Officer, 1515 S Street 400N, Sacramento, CA 95811 / 916-324-0455 / CalHRPrivacy@calhr.ca.gov