



## STATE OF CONNECTICUT DEFINED CONTRIBUTION PLANS

# 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.<sup>1</sup> By making pre-tax deferral from the vacation/sick 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](http://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 2023 is \$22,500 (plus an additional \$7,500 for age 50 and over). Someone who is eligible for both plans can contribute the maximum amount to each. If you elect a deferral that exceeds your available funds, a deferral of the amount remaining after satisfying your other existing deductions (such as Social Security, Medicare tax, state and federal income tax, OPEB, healthcare premiums, etc.) may be deferred into the plan.

### 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 available for this plan, they are not recommended for final paycheck deferrals because there is not ability to enter a specific date for an online contribution change to take effect. If the incorrect employee record number is entered, 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 in 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.

<sup>1</sup> Detailed eligibility guidelines can be viewed on the plans’ dedicated website [www.CTDCP.com](http://www.CTDCP.com)



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### C. Employees Not Previously Enrolled

Employees who have not previously participated in the 457 or 403(b) Plan will need to complete the Investment Allocation and Beneficiary sections of this vacation and sick leave payout 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.)

### D. Deadline for Submitting Forms

The completed forms with original signatures must be received by Empower, 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: Empower, 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

- Once an employee is retired the contribution election cannot be amended and after the final paycheck is issued the agency is unable to reverse and reprocess the paycheck.
- 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 compensation paid or the IRS maximum contribution limit, otherwise the deduction may or may not occur up to the amount available in the payout check.
- 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.
- If your form is not in good order or you choose a payoff date after your final paycheck, the deduction will not occur and the final paycheck cannot be reversed and reprocessed.

## III. CONCLUSION

Employees who want help with calculating sick or vacation leave deferrals to the 403(b) or 457 Plan should watch the step-by-step recorded tutorial by logging on to [www.ctdcp.com](http://www.ctdcp.com) and clicking on the Your Tools tab. **You may join a live Q&A webinar or schedule a virtual meeting with a retirement counselor under the Your Counselor tab.**





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
	10/13/22 to 10/27/22	10/15/22 to 10/31/22	11/18/22	11/30/22	12/2/22
	10/28/22 to 11/8/22	11/1/22 to 11/10/22	12/02/22	12/15/22	
	11/9/22 to 11/16/22	11/11/22 to 11/18/22	12/16/22	12/30/22	1/6/23
	11/17/22 to 11/28/22	11/19/22 to 11/30/22	12/30/22	12/30/22	
	11/29/2022 to 12/14/22	12/1/22 to 12/16/22	01/13/23	01/13/23	2/3/23
	12/15/22 to 12/28/22	12/17/22 to 12/30/22	01/27/23	01/31/23	
	12/29/22 to 1/11/23	12/31/22 to 1/13/23	02/10/23	02/15/23	3/3/2023
	1/12/23 to 1/27/23	1/14/23 to 1/31/23	02/24/23	02/28/23	
	1/28/23 to 2/8/23	2/1/23 to 2/10/23	03/10/23	03/15/23	4/6/23
	2/9/23 to 2/24/23	2/11/23 to 2/28/23	03/24/23	03/31/23	
	2/25/23 to 3/15/23	3/1/23 to 3/17/23	04/06/23	04/14/23	5/5/23
	3/16/23 to 3/29/23	3/18/23 to 3/31/23	04/21/23	04/28/23	
	3/30/23 to 4/12/23	4/1/23 to 4/14/23	05/05/23	05/15/23	6/2/2023
	4/13/23 to 4/26/23	4/15/23 to 4/28/23	05/19/23	05/31/23	
	4/27/23 to 5/3/23	4/29/23 to 5/5/23	06/02/23	06/15/23	7/7/23
	5/4/23 to 5/17/23	5/6/23 to 5/19/23	06/16/23	No payroll	
	5/18/23 to 5/26/23	5/20/23 to 5/31/23	06/30/23	06/30/23	8/4/23
	5/27/23 to 6/14/23	6/1/23 to 6/16/23	07/14/23	07/14/23	
	6/15/23 to 6/28/23	6/17/23 to 6/30/23	07/28/23	07/31/23	9/1/23
	6/29/23 to 7/12/23	7/1/23 to 7/14/23	08/11/23	08/15/23	
	7/13/23 to 7/27/23	7/15/23 to 7/31/23	08/25/23	08/31/23	10/6/23
	7/28/23 to 8/9/23	8/1/23 to 8/11/23	09/08/23	09/15/23	
	8/10/23 to 8/29/23	8/12/23 to 8/31/23	09/22/23	09/23/23	11/3/23
	8/30/23 to 9/13/23	9/1/23 to 9/15/23	10/06/23	10/13/23	
	9/14/23 to 9/27/23	9/16/23 to 9/29/23	10/20/23	10/31/23	12/1/23
	9/28/23 to 10/11/23	9/30/23 to 10/13/23	11/03/23	11/15/23	
	10/12/23 to 10/27/23	10/14/23 to 10/31/23	11/17/23	11/30/23	1/5/24
	10/28/23 to 11/8/23	11/1/23 to 11/10/23	12/01/23	No payroll	
	11/9/23 to 11/15/23	11/11/23 to 11/17/23	12/15/23	12/15/23	1/5/24
	11/16/22 to 11/28/23	11/18/23 to 11/30/23	12/29/23	12/29/23	

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, Empower's asset allocation program, and you direct Empower 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 Empower 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](http://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: 6 5

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 (years to retirement)	GoalMaker Model Portfolio (check one box only)		
	Conservative	Moderate	Aggressive
26 Plus Years to retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 to 25 Years to retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 to 20 Years to retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 to 15 Years to retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 to 10 Years to retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
0 to 5 Years to retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Time Horizon (years in retirement)	GoalMaker Model Portfolio (check one box only)		
	Conservative	Moderate	Aggressive
0 to 5 Years in retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 to 10 Years in retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Plus Years in retirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

Social Security number \_\_\_\_\_

Important Information continued on the following pages

## 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 Empower **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 Empower 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
_____ %	CH	Allspring Premier Large Co GR-R6
_____ %	D9	T. Rowe Price Diversified Mid Cap Gr I
_____ %	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 Cl
_____ %	K8	American Funds EuroPacific Growth Fund® - Class R-6
1 0 0 %	<b>Total</b>	

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:

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