

Manoa Personnel Officers Quarterly Meeting

Kuykendall Auditorium
April 19, 2007

Highlights

- ❖ Internal Revenue Code revision will once again allow the deferral of vacation payments after separation from employment.
- ❖ 457 & 403(b) post separation program deferral programs being developed.

457 Deferred Compensation – Post Separation Vacation Deferral

- ❖ HRD is working to re-establish a program to allow employees to defer vacation payments after separation from employment
 - Program will impact all employees separating from employment with UH
 - Effective date tentatively June 2007.
 - Changes to the State's Payroll system must be completed to allow the 457 deferral deduction.

457 Deferred Compensation – Post Separation Vacation Deferral

- ❖ Employee must:
 - Complete a Request for a Post-Separation Vacation Pay Deferral to the State of Hawai'i Deferred Compensation Plan form by the last day of employment.
 - Fax a copy of the Request form to CitiStreet and submit a copy of their final pay statement. Work with CitiStreet Honolulu Office on the deferral calculation.

457 Deferred Compensation – Post Separation Vacation Deferral

- ❖ Employee must (cont.):
 - Complete Post Separation Vacation Payout Deferral Change Form and submit to CitiStreet.
 - Deferral election may be done after separation from employment.

457 Deferred Compensation – Post Separation Vacation Deferral

- ❖ PO/AO must:
 - Advise the employee of the program.
 - Upon notification calculate the dollar amount of vacation payout and determine the payout date.
 - Process the vacation G-2 timely.

457 Deferred Compensation – Post Separation Vacation Deferral

- ❖ IRS Regulations require that the vacation payout be made within 2-1/2 months of separation.
- ❖ Forms, deadlines and instructions will be distributed as soon as they become available.

457 Deferred Compensation – Early Vacation Payout

- ❖ HRD anticipates continuing to offer the option of the Early Vacation Payout program
 - Allows retiring employees a choice of sheltering vacation payment prior to separation from service
 - Information on program continuation beyond July 2007 will be announced shortly

457 Deferred Compensation – Early Vacation Payout

- ❖ Retiring employees may choose to participate in both programs
 - Employees retire at or near the end of the calendar year may take advantage of the deferral limit for two calendar years.
 - Example: Retire 12/28/07
 - Early Vacation deferral utilizes 2007 MAC
 - Post Separation deferral utilizes 2008 MAC

403(b) Tax Deferred Annuity – Post Separation Vacation Deferral

- ❖ The University is developing a post separation vacation deferral program.
 - No changes are required to the State's Payroll system for implementation.
 - We are developing a unique deferral form, deadlines and instructions.

403(b) Tax Deferred Annuity – Post Separation Vacation Deferral

- ❖ Employee must:
 - Complete a request form by the last day of employment.
 - Notify their agent/investment advisor.
 - Complete a post separation vacation deferral change form and submit it to OHR.
 - Deferral form may be completed after separation from employment

403(b) Tax Deferred Annuity – Post Separation Vacation Deferral

- ❖ PO/AO must:
 - Calculate the dollar amount of the vacation payout and determine the payout date.
 - Process the vacation G-2 timely.
 - Work with OHR to coordinate

403(b) Tax Deferred Annuity – Post Separation Vacation Deferral

- ❖ IRS Regulations require that the vacation payout be made within 2-1/2 months of separation
- ❖ Forms, deadlines and instructions will be distributed shortly.

403(b) Tax Deferred Annuity – Early Vacation Payout

- ❖ The University has reached agreements with the HGEA, UHPA & UPW on an Early Vacation Payment program
 - Allows retiring employees a choice of when to shelter their vacation payment.
 - If the employee retires at or near the end of the calendar year, the employee may take advantage of the deferral limit for two calendar years.

403(b) Tax Deferred Annuity – Early Vacation Payout

- Example: Retire 12/28/07
 - Early Vacation deferral utilizes 2007 MAC
 - Post Separation deferral utilizes 2008 MAC
- ❖ Implementation will be formally announced shortly with forms, instructions and deadlines.