TRANSACTION SPECIALISTS' EDUCATIONAL FORUM QUESTIONS & ANSWERS – OCTOBER 2024

The following questions were submitted during the forum:

Question: I know that if a new-to-state employee (EE) selects Annual Leave (AL) and they resign three (3) months in, we pay them out for any unused AL. But, if a new to state EE had selected Vacation (VA) and resigns three (3) months in (within VA waiting period), we do not pay out VA, correct? If we do not pay out the VA and they come back to the state a year later, do they receive the leave credits for those three (3) months since we did not pay them out?

Answer: Please have your designated analyst reach out to the CalHR Personnel Services Branch at PSB@calhr.ca.gov with your inquiry.

Question: Is the excel lump sum calculator updated to reflect the 2020 Personal Leave Program (PLP), where they do not receive the accruals?

Answer: The calculator does not determine the leave accruals that can be cashed out. The departmental Personnel Specialist will enter the applicable leave.

Question: An employee reached out to me requesting her lump sum not be pre-taxed since she wants to put everything into her 401(k), is this doable?

Answer: If her plan is Pre-tax 401(k), the lump sum pay will have Social Security and Medicare deducted and the remaining amount each pay period can be contributed into the plan. If her plan is Roth 401(k), all applicable taxes will be taken and the remaining amount each pay period can be contribution into the plan.

Question: I have an employee (EE) who is off on workers' compensation and the EE received a letter from the Internal Revenue Service (IRS) that they must change their exemptions. Is this something that we do?

Answer: The only time we change exemptions is if the EE receives an IRS Lock.

Question: Can you clarify time limits for rolling over Savings Plus? I recall employees must turn in a document to human resources five (5) days before an S70; therefore, how quickly does the Personnel Specialist need to process?

Answer: Labor Code 201 and 202 state that an employee must sign and submit an Election Form at least five (5) days prior to their separation date (excluding holidays and weekends). Please refer to the Lump Sum Separation Toolkit for additional resource information.

Question: Are 2025 contribution limits published on the Savings Plus website?

Answer: The 2025 limits have not yet been announced by the Internal Revenue Service; as soon as they are, they will be posted online.

Question: Is there a Government Code regarding the Assembly Bill 2410 regulation when deferring lump sum?

Answer: Labor Code 201 and 202 state that an employee must sign and submit an Election Form at least five (5) days prior to their separation date (excluding holidays and weekends). Please refer to the Lump Sum Separation Toolkit for additional resource information.

Question: When will the pre-tax calculator be updated to select processing for the 2025 tax year?

Answer: The pre-tax calculator has been updated for the 2025 tax year.

Question: When an employee is deferring all to Savings Plus, do we still need to use the pre-tax lump sum calculator?

Answer: Please follow your department's guidelines, as well as the best practices and procedures set forth by SCO. The pre-tax lump sum calculator is a helpful tool to ensure you leave the required buffer, as well as deduct the appropriate amount for Social Security and Medicare.

Question: If there's no calculator for Roth accounts, then what do you suggest we use to assist employees in figuring out their post-tax amount that they are able to transfer?

Answer: The Paycheck Calculator can assist with Roth contributions.

Question: To clarify, do we need to give employees a salary advance based on what they are entitled to after deferring into 401(k)/457(b) accounts? We are told this is a timely payment of wages.

Answer: Please have your designated analyst reach out to the CalHR Personnel Services Branch at PSB@calhr.ca.gov with your inquiry.

Question: Regarding the Traditional Catch-Up - 457(b) Plan, what is the max allowable in one year?

Answer: The yearly maximum Traditional Catch-Up annual amounts can be up to double the standard Internal Revenue Service (IRS) contribution limit but cannot exceed the amount of the employee's underutilized contributions. For example, in 2024 the IRS contribution limit into a 457(b) is $23,000; the maximum additional "catch up" amount you can contribute is $23,000 for a total of $46,000. Please ensure employees complete the Traditional Catch-Up application available at Savings Plus and obtain an approval letter before completing their Lump Sum Separation Pay form. Our Solutions Center is an excellent resource for employees who may have questions on the Traditional Catch-Up process; they can be reached toll-free at (855) 616-4776.

Question: Regarding the Lump Sum Separation Pay Contribution Election Form, if the employee is electing to defer all their lump sum into a Roth account, then they can only elect option 2, correct?

Answer: Yes, that is correct. If they would like to contribute to a Roth account, they will need to select option 2 and complete the table.

Question: If a lump sum was already sent to SCO using an older form rather than the new Lump Sum Separation Pay Contribution Election Form, will it still be processed?

Answer: We are still accepting old forms, but even if they have used an old form, the new irrevocable policy still applies as of July 1, 2024. Employees can find all current policy information on the new form and on the Savings Plus website.

Question: Regarding the new provision of 2025 contribution change on higher age-based catch-up limit applying at ages 60-63, will there be any changes on the "catch up approval letter" informing Personnel Specialists on exactly how much is allowed for the employee's deferral? The new provision is automatic and not a part of the Traditional Catch-Up.

Answer: The new increase in 2025 for ages 60-63 is an amendment to our age-based catch-up increase but does not impact the Traditional Catch-Up (TCU) Program, so it will not be included on the TCU approval letters. Once the Internal Revenue Service (IRS) has released the 2025 limits, we will have the new age-based information available on the Savings Plus website.

Question: Who is the Lump Sum Specialist in SCO? Is there any way we can reach out to them directly via email?

Answer: Please contact the Statewide Customer Contact Center at (916) 372-7200. The Civil Service (CS) Audits Team will assist with Personnel Action Request (PAR) documentation, and the CS Payroll Team assists with inquiries related to lump sum payroll transactions and Savings Plus contribution deductions.

Question: Regarding the Lump Sum Separation Pay Contribution Election Form, what happens if the employee elects for the Full Deferral option but only has a 401(k)?

Answer: If they elect for the Full Deferral option and only have a 401(k) account, then a 457(b) account will be opened for them to defer following the default hierarchy. If they want their contributions to go into their 401(k) instead of a 457(b) account, then they should elect option 2 and complete the table to specify the 401(k) contributions.

Question: If an employee did not submit their lump sum deferral documents timely and was paid out, can they later contribute to their Savings Plus plans?

Answer: Employees can only contribute to their Savings Plus plan through payroll deductions (while employed or as a retired annuitant), or by rolling in funds from another Internal Revenue Service plan.

Question: If an employee (EE) wants to defer everything into 2025, does she need a Traditional Catch-Up letter?

Answer: No, the EE does not need Traditional Catch-Up approval to contribute to 2025. However, they can only contribute to 2025 if they separated after November 1.

Question: Can retirees contribute to Savings Plus or is it only for active employees?

Answer: Active employees or rehired annuitants can only contribute to Savings Plus.

Question: Do employees need to open 401(k)s/457(b)s prior to separation, or would the accounts be opened at deferral time?

Answer: We encourage employees to open an account in advance, as it will expedite the process. However, we will open an account for them based on the receipt of the form and contribution information from SCO.

Question: Regarding the new Full Deferral Option, is the Personnel Action Manual (PAM) going to be updated, particularly Item 999 and Remarks, where human resources indicate "See election form"?

Answer: We will be updating the PAM to include this information.

Question: Can the current department upload an Accounts Receivable (A/R) through the 035 process to collect for a prior department? Or does the prior department need to upload the STD. 674 A/R form themselves through ConnectHR?

Answer: We recommend that you work with the previous department and request that they upload the document and send you the upload confirmation.