

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: <i>PML 2008-030</i>

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

[Lump Sum Separation Pay](#)

Questions

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

Lisa York, Personnel Officer
Office of Human Resources

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