




STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF HUMAN RESOURCES

March 23, 2012

PLEASE CIRCULATE AND/OR POST

TO: Assistant Superintendents, Complex Area Superintendents, Superintendent's Office Directors, Principals and School Administrative Services Assistants

FROM: Douglas K. Murata, Assistant Superintendent 

SUBJECT: State of Hawaii, Department of Education (DOE) Post-Separation Vacation Pay Deferral Program (PSVPD)

This supersedes the memorandum dated February 28, 2011 regarding the same subject.

Please ensure that employees are informed of the voluntary Post-Separation Vacation Pay Deferral Program that provides employees the ability to defer their pay or compensation received for unused vacation leave credits after separation from service **due to retirement only**, to the employee's State of Hawaii Deferred Compensation (Island Savings Plan) and/or tax-sheltered annuity (TSA) plans. Deferring pay for unused vacation leave credits can provide tax-savings on such pay in addition to significantly increasing an employee's retirement savings.

You may defer your post-separation pay if the following requirements are met:

- 1) Deferral request is made while employee is still employed with the DOE no later than 90 days prior to retirement date; and
- 2) Deferral takes place within 2-1/2 months (approximately 75 calendar days) from employee's date of separation from service due to retirement (COB date); and
- 3) Deferral is within the applicable annual contribution limits, as established by the Internal Revenue Service.
- 4) Complete and submit the Application for Transfer of Vacation and Sick Leave Credit or Payment in Lieu of Vacation (Form G-2) to the DOE Payroll Unit within 5 calendar days of your retirement date.

Any portion of an employee's unused vacation pay that is not able to be deferred will be paid in the usual manner for post-separation pay. All State and Federal taxes shall apply.

An information sheet, set of instructions, request form, schedule of deadlines, process flow chart, frequently asked questions and other pertinent forms are attached. Qualified employees should follow the enclosed instructions.

Assistant Superintendents, et al.

March 23, 2012

Page 2

Should there be any questions, please contact the DOE Operations Section at (808) 586-3181 or Health Benefits and Awards Unit at (808) 586-3245.

DKM:cd

Attachments:

- 1) Post Separation Vacation Pay Deferral Information Sheet
- 2) Post Separation Vacation Pay Deferral Instructions
- 3) DOE Post Separation Vacation Pay Deferral Process
- 4) 2012 Schedule for Post Separation Vacation Pay Deferral
- 5) Request for a Post Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax Sheltered Annuity Plans
- 6) Form G-2 (Sample)
- 7) State of Hawaii Deferred Compensation Island Savings Plan Post Separation Vacation Deferral Election Form
- 8) State of Hawaii DOE 403(b) Plan/Salary Reduction Agreement
- 9) DOE Post Separation Vacation Pay Deferral Program Frequently Asked Questions & Answers

c: OFS - Edwin Koyama, Accounting Director; Payroll Section
Personnel Regional Officers
ING
National Benefit Services, LLC

POST-SEPARATION VACATION PAY DEFERRAL
Information Sheet

This is a voluntary program that provides DOE employees the ability to defer, to the employee's deferred compensation and/or tax-sheltered annuity plans, pay or compensation that he or she receives for unused vacation leave credits after separation from service due to **retirement**. Deferring pay for unused vacation leave credits (usually a sizeable amount) can provide tax-savings on such pay in addition to significantly increasing an employee's retirement savings. You may want to contact your financial advisor to determine if participating in the Post-Separation Vacation Pay Deferral Program is right for you.

The Internal Revenue Service issued regulations that allow deferral of pay received **after** separation from service, provided such pay is paid out and deferred within 2-1/2 months from the date of separation, among other requirements. Based on these regulations, DOE employees are able to defer pay for unused vacation received after separation from service due to **retirement**.

Pay that you receive after separation from service due to retirement may be deferred to your deferred compensation (Island Savings Plan) and/or tax-sheltered annuity plans if the following requirements are met:

- 1) Your deferral request is made while you are still employed with the DOE no later than 90 days prior to your retirement date, unless waived by DOE's Payroll Unit; and
- 2) Deferral takes place within 2-1/2 months (approximately 75 calendar days) from your date of separation from service due to retirement (COB date); and
- 3) Your deferral is within the applicable annual contribution limits, as established by the Internal Revenue Service. (To receive assistance in determining your contribution limits, you may speak with an Island Savings Plan representative from the ING - Honolulu Office by calling 1-888-712-5642 and pressing '2' when prompted or the DOE tax-shelter annuity program representatives from National Benefit Service, LLC (toll free) at (800) 274-0503, ext. 240.

Any portion of your unused vacation pay that is not able to be deferred will be paid to you in the usual manner for post-separation pay. All State and Federal taxes shall apply.

POST-SEPARATION VACATION PAY DEFERRAL INSTRUCTIONS

The deferral of pay for unused vacation to your State of Hawaii deferred compensation and/or tax-sheltered annuity plans require many steps and a great deal of coordination by several agencies. It is very important that the steps outlined in these instructions be followed to result in a successful deferral within the 2-1/2 month time limit imposed by the Internal Revenue Service.

STEP 1. Read and review the following:

- Post-Separation Vacation Pay Deferrals to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax-Sheltered Annuity plans – Information Sheet;
- Request for a Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax-Sheltered Annuity Plans; and the
- Current Schedule for Post-Separation Vacation Pay Deferral.

STEP 2. Contact your school/office to request that they provide you with your latest Leave Status Report and copies of any subsequent year Form 7 (leave attendance record).

STEP 3. Complete the *Request for a Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax-Sheltered Annuity Plans* and submit it to the Department of Education (DOE) Payroll Unit with a copy of your latest Leave Status Report and subsequent Form 7 forms as soon as you decide you would like to defer your unused vacation pay – **no later than 90 days prior to your retirement date.**

Note: The form requires that you provide the Target Vacation Payout and Deferral Date. To find this date, check the *Schedule for Post-Separation Vacation Pay Deferral* for the separation date from service due to retirement (*Column A*), move along the same row to *Column G* - your applicable Target Date of Vacation Payout and Deferral.

STEP 4. Upon submitting your completed *Request for a Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax-Sheltered Annuity Plans* form to the DOE Payroll Unit, **FAX a copy** to Island Savings Plan Representatives at the ING – Honolulu Office for deferrals to the State of Hawaii Deferred Compensation (Island Savings Plan) only – **no later than 90 days prior to your retirement.**

ING – Honolulu Office Contact Information:

Phone: 1-888-712-5642, press '2' when prompted to be linked to the ING-Honolulu Office

Fax: (808) 521-1863

Address: 1003 Bishop Street
Pauahi Tower, Suite 1160
Honolulu, HI 96813

STEP 5. Contact your school/office to request that they complete and submit the *Application for Transfer of Vacation and Sick Leave Credit or Payment in Lieu of Vacation* (Form G-2) to the DOE Payroll Unit within 5 calendar days of your retirement date. Please note on upper right corner "DEFERRED VACATION PAYOUT" and under SECTION A note, "EMPLOYEE PARTICIPATING IN PSVPD PROGRAM, TARGET VACATION PAYOUT DATE: _____" (see sample attached to packet of forms).

STEP 6. **Cancel personal payroll deductions you have authorized** with your selected State agency or entity - except for your deferred compensation plan and/or tax-sheltered annuity deductions. Such personal payroll deductions include, but are not limited to, parking fee deductions with DAGS/Parking Control; Union benefit plans with your applicable Employee Union; Flexible Spending Account Plan (Island Flex) with Comprehensive Financial Planning, Inc.; credit union with which you are a member; etc. Requests to cancel your personal payroll deductions should be submitted as soon as possible and made effective upon your separation date from service due to retirement.

Note: It is important to cancel your personal payroll deductions (non-deferred compensation) to prevent such deductions from occurring when your unused vacation pay is paid out which may affect the amount actually deferred to your deferred compensation (Island Savings Plan) and/or tax-sheltered annuity plans.

STEP 7. Obtain your final unused vacation payout dollar amount (not vacation leave hours) from the DOE Payroll Unit by the date listed in *Column D* of the *Schedule for Post-Separation Vacation Pay Deferral* for the separation date from service due to retirement (see *Column A* of the schedule).

STEP 8. Provide your final unused vacation payout dollar amount (not vacation leave hours) to Island Savings Plan representatives at the ING-Honolulu Office and/or Tax-Sheltered Annuity Program representatives at National Benefit Services, LLC, using the prescribed forms for each company **as soon as possible – but, no later than the date listed in Column E of the Schedule for Post-Separation Vacation Pay Deferral** for the separation date from service due to retirement (see *Column A*).

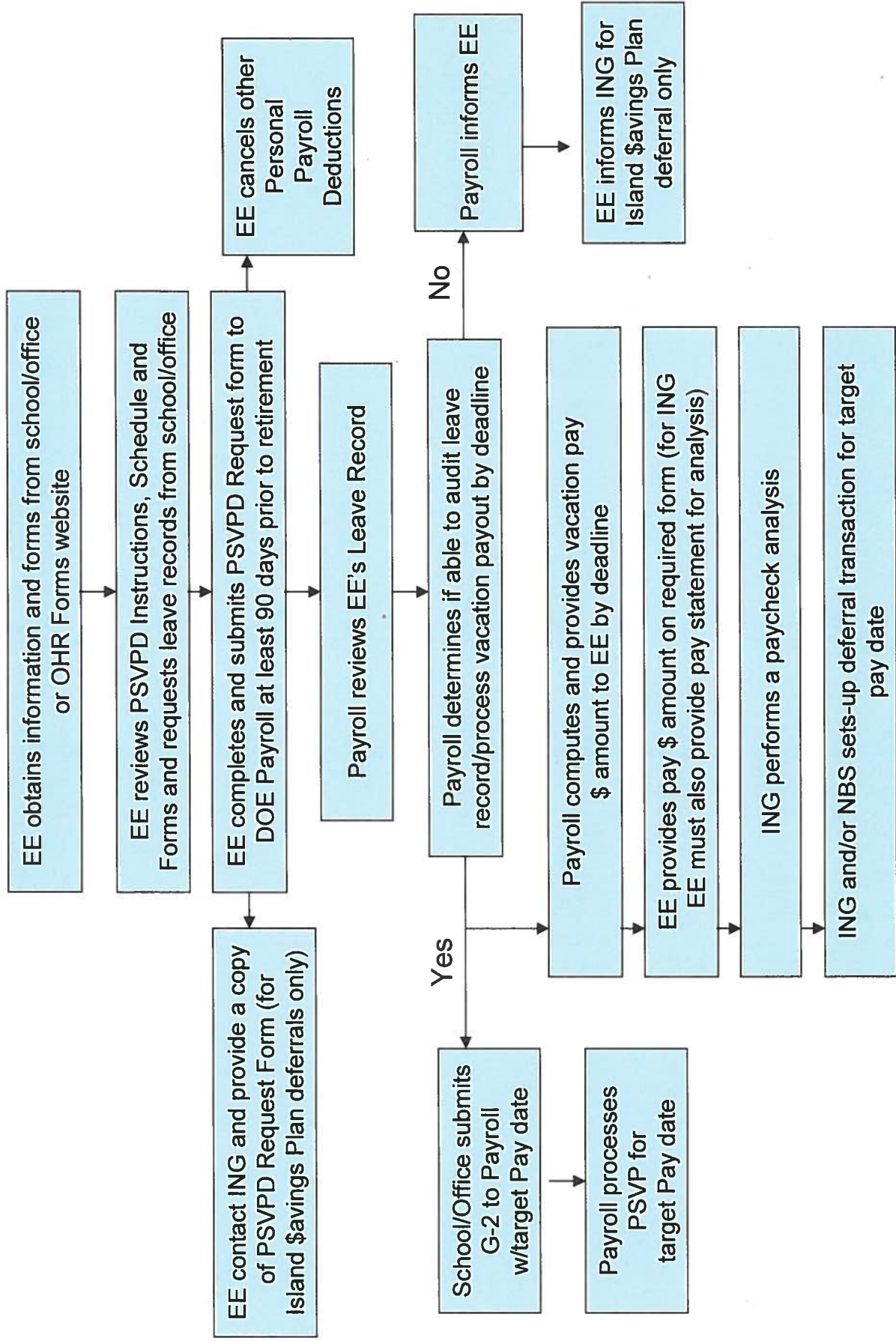
For deferral to your State of Hawaii Deferred Compensation (Island Savings Plan), complete and submit to Island Savings Plan representatives at the ING – Honolulu Office the ING form entitled ***Post Separation Vacation Payout Deferral Election Form*** and a copy of your last pay statement by the date listed in *Column E* of the *Schedule for Post-Separation Vacation Pay Deferral* for the separation date from service due to retirement (see *Column A*).

Note: It is important that Island Savings Plan representatives receive a copy of your last pay statement so they can conduct a payroll analysis to calculate your actual deferral amount and assist you in completing and submitting the required ING form to set-up deferral of your vacation payout.

For deferral to your tax sheltered annuity plan(s), complete and submit to National Benefit Services, LLC, the 403(b) Salary Reduction Agreement by the date listed in *Column E* of the *Schedule for Post-Separation Vacation Pay Deferral* for the separation date from service due to retirement (see *Column A*).

IMPORTANT: Should you decide not to separate service due to retirement or change your effective date of separation due to retirement, you must notify Island Savings Plan Representatives at the ING – Honolulu Office, the Tax-Sheltered Annuity Program representatives at National Benefit Services, LLC, and the DOE Payroll Unit immediately and submit the required paperwork to stop or adjust the date of your vacation payout deferral - but, no later than the date listed in *Column F* (Deadline for employee to rescind request for deferral with ING and/or National Benefit Services, LLC) of the *Schedule for Post-Separation Vacation Pay Deferral*.

DOE Post-Separation Vacation Pay Deferral Process



Note: Please see complete Instructions for details

2012 SCHEDULE FOR POST SEPARATION VACATION PAY DEFERRAL

A. Date of separation from DOE service	B. Deadline for employee to notify DOE Payroll Unit with Request for Post Retirement Vacation Deferral and FAX to ING for Island \$aving Plan deferral (90 days prior to retirement date)	C. Deadline to submit finalized Form G-2 to DOE Payroll Unit for audit	D. Deadline for DOE Payroll Unit to provide employee audited final vacation payout amount OR if unable to audit leave records and/or process vacation payout by target date	E. Deadline for employee to submit and finalize paperwork with ING and/or National Benefit Services for vacation deferral set-up	F. Deadline for employee to rescind request for deferral with DOE Payroll Unit, ING and/or National Benefit Services	G. Target date of vacation payout by DOE and deferral by ING and/or National Benefit Services
Jan. 31	November 3, 2011	Feb. 3	Feb. 24	Mar. 7	Mar. 9	Apr. 5
Feb. 29	December 2, 2011	Mar. 5	Mar. 29	Apr. 5	Apr. 11	May 4
Mar. 30 or 31	January 3, 2012	Apr. 5	Apr. 27	May 4	May 10	June 5
Apr. 30	Feb 1, 2012	May 4	May 25	June 6	June 8	July 5
May 31	Mar. 2	June 5	June 29	July 6	July 11	Aug. 3
June 29 or 30*	Apr. 2	July 5	July 30	Aug. 3	Aug. 9	Sept. 5
July 31	May 3	Aug. 3	Aug. 31	Sept. 7	Sept. 10	Oct. 5
Aug. 31	June 1	Sept. 5	Sept. 28	Oct. 5	Oct. 10	Nov. 5
Sept. 30	July 3	Oct. 5	Oct. 31	Nov. 5	Nov. 8	Dec. 5
Oct. 31	Aug. 3	Nov. 5	Nov. 15	Nov. 21	Nov. 23	Dec. 20
Nov. 30	Sept. 3	Dec. 5	Dec. 14	Dec. 21	Dec. 21	Jan. 18, 2013
Dec. 31	Oct. 3	Jan. 4, 2013	Jan. 14, 2013	Jan. 18, 2013	Jan. 24, 2013	Feb. 20, 2013

Note: Request for Post-Separation Vacation Pay Deferral forms must be submitted to DOE Payroll Unit and ING (for Island \$aving Plan deferral) no less than 90 days prior to retirement date. Retirement date must be the first of the month except for December when retirement can be either the 1st or 31st of the month.

* - Separation date depends on Classified or Certificated status. Certificated Records uses the date before ERS's retirement date. Classified Records uses the last working date as the separation date.

If the dates in column B, C, D, E, and F fall on a weekend or holiday, then the deadline date is the prior business day. The 2013 dates are tentative pending the release of the 2013 Payroll Schedule

**Request for a Post-Separation Vacation Pay Deferral to the
State of Hawaii Deferred Compensation (Island Savings Plan)
and/or Tax-Sheltered Annuity Plans**

This request for a Post-Separation Vacation Pay Deferral due to retirement must be completed and submitted to the Department of Education (DOE) Payroll Unit and a copy provided to the ING – Honolulu Office for deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) **no later than 90 days prior to your date of retirement (unless waived by the DOE Payroll Unit).**

Name:	
Department:	Division:
Home or Mailing Address:	
Work Phone No.: Home Phone No.: Cell Phone No.:	Best phone number to reach me at after my separation from employment:
Last date of employment (COB date):	Target Vacation Payout and Deferral Date (See schedule) :

I understand that the Internal Revenue Service issued regulations that will allow the deferral of pay received after separation from service ("Post-Separation Vacation Pay Deferral") provided the employee requesting such a deferral meets certain requirements. I understand these requirements to be:

- My request/election for a Post-Separation Vacation Pay Deferral must be made while I am still employed with the DOE no later than 90 days prior to my retirement date, unless waived by the DOE Payroll Unit; and
- My deferral is completed within 2-1/2 months (approximately 75 calendar days) from my last date of employment; and
- My deferral is within my applicable annual contribution limits as established by the Internal Revenue Service.

I agree to comply with the process and time frames established for Post-Separation Vacation Pay Deferrals. I understand that if the DOE Payroll Unit determines it is unable to complete an audit of my accumulated vacation leave records and/or process payment prior to the cited deadlines in the applicable Schedule for Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation and/or Tax-Sheltered Annuity Plans, **I may not be able to defer my unused vacation pay.**

I understand that any portion of my Post-Separation Vacation Pay that is not deferred will be remitted to me in the usual manner for post-separation pay. All State and Federal taxes shall apply.

I am responsible for contacting Island Savings Plan representatives at the ING – Honolulu Office and/or the Tax-Sheltered Annuity Program representatives at National Benefit Services, LLC as identified in the instructions in a timely manner and by the deadlines identified on the schedule and providing my vacation payout information, including my vacation payout dollar amount, as well as any other needed information, in order to set-up my Post-Separation Vacation Pay deferral.

I am responsible for completing any other forms necessary to defer my unused vacation pay.

I should consult with my own financial advisor regarding this matter and am voluntarily choosing to sign this form.

I agree to waive any and all claims against the DOE, if any issues arise regarding this matter, including but not limited to any issues regarding my taxes and tax liabilities.

I have read the State's Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax-Sheltered Annuity Plans – Information Sheet, the Request for a Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and/or Tax-Sheltered Annuity Plans - Instructions and the Schedule for Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation and/or Tax-Sheltered Annuity Plans. I understand and agree to the program requirements set forth in those documents and those outlined above in this request form.

Signature: _____ Date: _____

DOE Payroll Unit Use Only:

_____ (check) Unable to audit leave records and/or process vacation payout by target date Date: _____

\$ _____ Audited Final Vacation Payout Amount Date: _____

State of Hawaii Deferred Compensation
Island Savings Plan
Post Separation Vacation Payout Deferral Election Form

Please print or type the following information:

Name		Social Security Number
Address		Date of Separation
City	State, Zip	Day Time Telephone Number
Department	Payroll No.(see pay stub)	Evening Telephone Number

If you have decided to participate in the Post Separation Vacation Payout Deferral Program you must contact the ING Honolulu Office to begin the process to defer your vacation payout immediately upon determination of your date of separation. Once you have separated from State service, you are no longer eligible to defer your vacation payout.

Deferral Information

You may contribute a whole dollar amount from your gross compensation for the scheduled pay period, provided this amount does not exceed the yearly maximum set by the IRS. As this deferral is a pre-tax contribution, your gross vacation payout may be subject to FICA withholdings.

Vacation Payout Date

My Post Separation Vacation Payout date provided by my Departmental Personnel Office and/or my Department Payroll Office is: _____.

Vacation Deferral Election

I authorize ING to change my deferral election in the Island Savings Plan for my Post Separation Vacation Payout deferral as follows (check applicable boxes):

- The maximum allowable amount **OR** This amount from paycheck \$_____ (enter whole dollars only)
 I am on the State's payroll lag. **OR** I am on the State's "after the fact" payroll.

Please initial if you:

- _____ Are enrolled in the Island Savings Deferred Compensation Plan.
 _____ Understand that I CANNOT take a full or total distribution before my vacation payout is processed.
 _____ Understand that State and Federal taxes are deferred from my vacation payout amount, but that FICA withholdings may still apply.
 _____ Have already submitted your request for Post Separation Vacation Payout to your Personnel Office.
 _____ Will review all paychecks (even those received after separation from service) **on pay day** to ensure deferral amounts are correct and will contact ING **within 2 working days** after payday to correct any discrepancies.

Authorization (Please check this form carefully before signing. All incomplete forms will be returned.)

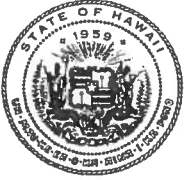
By signing this form, I certify that I have read and understand the State of Hawaii Post Separation Vacation Payout Deferral Program information, instructions and schedule. I understand the timing requirements of processing my post separation vacation payout deferral, have discussed these requirements with the ING - Honolulu Office and have provided them with a copy of my Post Separation Vacation Payout Deferral Request Form.

Participant Signature _____

Date _____

Fax this Completed Form to ING- Honolulu Office at (808) 521-1863

For assistance with completing this form, please call the ING Honolulu Office at: 1-888-71A-LOHA (or 1-888-712-5642) option '2' when prompted.



**STATE OF HAWAII DOE
403(b) PLAN/ SALARY REDUCTION
AGREEMENT**

I. EMPLOYEE INFORMATION

Name: _____ SSN: _____
 Last First M.I.
 Home Address: _____ City: _____ State: _____ Zip: _____
 Tel#: _____ E-mail Address: _____
 Check One: Classified Certificated School/Office: _____

II. EFFECTIVE DATE

From: _____ Note: Enter the pay date you intend the instructions provided in this form to be effective. Instructions shall be implemented in accordance with the State of Hawaii Department of Education (DOE) administration schedule.
 MM/DD/YYYY

III. CONTRIBUTION INFORMATION

Check all that apply and complete the TSA Service Provider(s) Section, as needed. Please note that you or your agent must contact your investment provider(s) separately in order to establish the accounts(s) which will receive contributions.

Initiate new salary reduction - Reduce my salary by the **monthly** amount of \$ _____ or _____% and forward to the TSA Service Provider(s) indicated below in the TSA Service Provider(s) Section.

Change current salary reduction amount - Change my current **monthly** salary reduction amount from: \$ _____ or _____% to: \$ _____ or _____%.

Change TSA Service Provider(s) - Change my TSA Service Provider(s) as indicated below in the TSA Service Provider(s) Section and reduce my salary by the monthly amount of \$ _____ or _____%. Be sure to indicate providers you wish to stop contributions to by indicating 0% or \$0.

Post-Separation Vacation Pay Deferral - Vacation pay dollar amount to defer: \$ _____.

Cancel salary reduction due to **HARDSHIP** - Discontinue my salary reduction. Date of hardship: _____
 MM/DD/YYYY

Cancel salary reduction - Discontinue my salary reduction.

IV. TSA SERVICE PROVIDER(S)

Indicate the % or \$ amount of your salary reduction that you would like to be allocated to your desired TSA Service Provider(s). Please see Page 2 for examples. Note that if you have selected a percentage of your salary to be deferred, you may only utilize % allocations. All accounts must be established with the listed fund company prior to submitting the SRA. Salary reduction will not be executed if you have not established your account(s).

Percent	Dollar	TSA Service Provider (Custodian, Insurance Carrier, or Investment Provider name)	Service Provider Code	Have you established an account with this provider?
<input type="text"/> % or \$ <input type="text"/>	<input type="text"/>	_____	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> % or \$ <input type="text"/>	<input type="text"/>	_____	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> % or \$ <input type="text"/>	<input type="text"/>	_____	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="text"/> % or \$ <input type="text"/>	<input type="text"/>	_____	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="checkbox"/> Yes <input type="checkbox"/> No

V. EMPLOYEE CERTIFICATION

I certify that I have read this complete agreement. I understand my responsibilities as an employee under this Program and I request that the Department of Education take the action specified in this agreement. I understand that all rights under the annuity or custodial account(s) established by me under the Program are enforceable solely by me, my beneficiary or my authorized representative.

Employee Signature: _____ Date: _____
 MM/DD/YYYY

VI. AGENT CERTIFICATION (Optional)

I agree to comply with all pertinent written directives regarding solicitation of DOE employees. Furthermore, I agree to indemnify and hold harmless the State of Hawaii Department of Education, National Benefit Services, LLC, and the Employee participating in the TSA Program against any claims arising from my solicitation of the said Employee.

Name of Agent: _____

Agent Signature: _____

Date: _____

MM/DD/YYYY

Tel#/Fax#: _____

E-mail Address: _____

DEPARTMENT OF EDUCATION USE ONLY

Date Received: _____

Initials: _____

MM/DD/YYYY

TSA SERVICE PROVIDERS SECTION EXAMPLES

Suppose your current salary reduction is a specific dollar amount (\$500) of your monthly pay--all of which is currently contributed to service provider ABC. Now you wish to add an additional monthly contribution of \$200 to a new service provider--XYZ. You must mark "Initiate new salary reduction" and indicate \$200 in the Contribution Information Section. You must also indicate \$200 to XYZ in the TSA Service Providers Section. This will leave your original salary reduction unchanged and add your new one. Note: the procedure is the same for percentage deferrals. Example:

% or \$ _____ XYZ Annuity Company

Suppose your current salary reduction is 2%, contributed to service provider ABC, but you would like to stop contributing to ABC and instead contribute 2% to XYZ. You must mark "Change TSA service provider(s)" in the Contribution Information Section and change the allocation to ABC to 0% and add 2% to XYZ in the TSA Service Providers Section. Note: the procedure is the same for dollar amount deferrals. Example:

% or \$ _____ ABC Annuity Company

% or \$ _____ XYZ Annuity Company

TERMS OF AGREEMENT

The above named Employee agrees to modify his/her salary as indicated above. The Department of Education (DOE) agrees to contribute this amount on the Employee's behalf into the annuity or custodial accounts selected by the Employee. It is intended that the requirements of all applicable state or federal income tax rules and regulations (Applicable Law) will be met.

The Employee understands and agrees to the following: 1) this Salary Reduction Agreement is legally binding and irrevocable with respect to amounts paid or available while this agreement is in effect; 2) this Salary Reduction Agreement may be terminated at any time with respect to amounts not yet paid or available, and that a termination request is permanent and remains in effect until a new Salary Reduction Agreement is submitted; 3) this Salary Reduction Agreement may be changed with respect to amounts not yet paid or available in accordance with the Employer's administration procedures; 4) the salary reductions are subject to the maximum allowable contribution (MAC), and by executing this agreement, acknowledges that the DOE has the authority to stop reductions at any time to assure that the Employee's annual contribution amount is in compliance with federal and state law requirements; and 5) that the MAC calculated by the Agent is based on the Employee's eligible income which is subject to change and that any changes to the Employee's eligible income will affect the MAC.

The Employee agrees to indemnify and hold the DOE and National Benefit Services, LLC (NBS) harmless against any and all actions, claims and demands whatsoever that may arise from the purchase of annuities or custodial accounts in this TSA Program. The Employee acknowledges that the DOE has made no representation to the Employee regarding the advisability, appropriateness or tax consequences of the purchase of the annuity and/or custodial account described herein. The Employee agrees that neither the DOE nor NBS shall have any liability whatsoever for any and all losses suffered by the Employee with regard to his/her selection of the annuity and/or custodial account; its terms; the selection of the insurance company or regulated investment company; the solvency of, operation of or benefits provided by said insurance company or regulated investment company; or his/her selection and purchase of shares of regulated investment companies. Nothing herein shall affect the terms of employment between the DOE and Employee.

The DOE reserves the right to alter terms of this Agreement as required to facilitate Program compliance with State and Federal law.

This agreement supersedes all prior Salary Reduction Agreements and shall automatically terminate if Employee's employment is terminated or DOE terminates the TSA Program. Any participant found to be in violation of the DOE's TSA Program shall have their salary reduction agreement(s) terminated.

IMPORTANT INFORMATION

1. The DOE does not choose the annuity contract or custodial account in which the Employee's contributions are invested.
2. The Employee is responsible for setting up and signing the legal documents to establish the annuity contract or custodial account.
3. The Employee, not the DOE, is to be identified as the contract/certificate/account holder.

4. In order for the Employee to receive the expected tax results, the annuity contract or custodial account established must meet the requirements of Section 403(b) of the Internal Revenue Code. It is solely the Employee's responsibility to establish the proper type of contract or account for this purpose.
5. The Employee is responsible for naming a death beneficiary under the annuity contract or custodial account. This is normally done at the time the contract or account is established, although the designation should be reviewed from time to time.
6. The Employee is responsible for investment decisions, distributions and any other transactions with the insurance company or investment company and shall have total responsibility for all distributions and any resulting taxation consequences. All rights under the contract or account are enforceable solely by the Employee, the Employee's beneficiary or the Employee's authorized representative. The Employee must deal directly with the insurance company or investment company to make loans, transfer to different contracts or investment accounts, begin distributions, or to handle any other transactions. However, the DOE reserves the right to alter this policy if deemed necessary to comply with State or Federal law.
7. The Employee understands that information contained in this Agreement and other non-public information may be shared with the DOE's designated third-party administrator in conjunction with the operation of the TSA Program.
8. Retain a copy of this form and submit original to:

National Benefit Services, LLC
Attn: Hawaii DOE 403(b)
8523 S. Redwood Road
West Jordan, UT 84088
Fax: (800) 597-8206

Department of Education
Post-Separation Vacation Pay Deferral Program
Frequently Asked Questions & Answers

1. Why do I need to notify Payroll 90-days prior to my retirement?

Advance notification of your retirement provides the additional time which may be necessary to complete the audit of your unused leave balances in time to meet the deadline to successfully defer payment of taxes on your vacation pay. Depending on the status of your leave records, discrepancies discovered during the course of the audit may require clarification or correction before the audit can be completed. The 90-day period will increase the likelihood of your being able to defer payment of taxes on your vacation pay.

2. Can I defer my vacation pay if I resign or terminate from the Department?

No, the current program only allows for deferral of vacation pay for employees who are retiring.

3. Can I defer my vacation pay to both Deferred Compensation and the Tax-Sheltered Annuity (TSA) Program?

Yes, Deferred Compensation and the Tax-Sheltered Annuity program are separate programs and have independent maximum contributions. You do need to be aware of contributions already made to each program for the plan year. You may request assistance from CitiStreet or NBS to help determine your current contributions and maximum amounts permitted.

4. Who does this Post-Separation Vacation Pay Deferral program apply to?

All DOE employees who earn vacation leave credits.

5. What forms do I need to complete to start the process?

You must submit to DOE Payroll and CitiStreet a “Request for a Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and Tax-Sheltered Annuity Plans” in accordance with the deadlines and schedule, based on your retirement date. DOE Payroll must also receive the latest Leave Status Report and any subsequent Form 7s for preliminary audit 90 days prior to your scheduled retirement date.

After final vacation payout amount and response is received from DOE-Payroll, you will need to complete either the 1) Post Separation Vacation Payout Deferral Election Form for Deferred Comp. (CitiStreet) or 2) 403(b) Salary Reduction Agreement for TSA (National Benefits) and submit to the respective offices. Please see the Instruction Sheet.

6. Where can I get these forms?

These forms are available from your school/office or on the DOE website through “School Office Resources, Benefits”: <http://doe.k12.hi.us/schooloffice/benefits.htm> and from <http://sp.k12.hi.us/forms/ohr>.

7. Do I need to submit my Form 7 (leave attendance record) with my request for post-separation vacation pay deferral?

Yes.

8. Will I receive notification if I'm able or unable to participate in the program?

Yes, DOE-Payroll will notify you of your final vacation payout amount or if they are unable to audit leave records and/or process vacation payout by target date. This will be reflected on the bottom of your returned "Request for a Post-Separation Vacation Pay Deferral to the State of Hawaii Deferred Compensation (Island Savings Plan) and Tax-Sheltered Annuity Plans".

9. What if I don't receive anything from payroll by the deadline notifying me if I'm able or unable to participate in the program?

Please contact the DOE-Operations Section at (808) 586-3181.

10. If I change my retirement date, what do I need to do?

Please contact DOE-Payroll at (808) 586-3181, CitiStreet at 1-888-712-5642 and pressing '2' when prompted or National Benefit Services, LLC at (800) 274-0503 ext. 240, immediately. Please see Information Sheet.

The deadline to rescind your request for deferral is listed on the Schedule for Post-Separation Vacation Pay Deferral. In the event the deferral cannot be canceled, the vacation leave payment may be rescinded.