

Annual Leave Conversion FAQ

This answers questions about the MCAAP benefit under the negotiated agreements which allows unit members the opportunity each year to convert a portion of their annual leave into a contribution to their 403(b) program under certain circumstances. (See MCAAP Negotiated Agreement Article 20.F.3d.)

How much can I contribute? What are the conditions?

You can contribute up to four days (32 hours) of annual leave, as long as you have met the following conditions:

- You have at least **280 hours of earned annual leave as of June 30, 2014**;
- You have been employed by MCPS as an administrator for a minimum of five years; and
- You have made employee contributions to either the 403(b) and/or the 457(b) equal to the value of the leave you are converting.

The hours of leave you elect to contribute are paid at your rate as of June 30, 2014. You must define your contribution in one day increments; each day is defined as eight hours.

Must I contribute to a 403(b) plan?

Yes, you can only contribute this to a 403(b) plan. You may not contribute the converted annual leave to a 457(b) plan.

Does this contribution from annual leave count as an employee contribution?

No, this is considered an employer contribution. You will want to be sure to contribute enough through your employee contribution to qualify as you must contribute at least an equal amount from July 1, 2013 through June 30, 2014.

What is the maximum I can contribute to the 403(b) and 457(b) plans through salary reduction separate from this leave conversion?

You can contribute a maximum of \$17,500 if you will be under age 50 as of the last day of the calendar year and an additional \$5,500 if you will be age 50 or over on the last day of the calendar year. This limit for 2014 is set by the Internal Revenue Service. These limits apply separately to both the 403(b) and 457(b) plans, so the total contributions are \$35,000 or \$46,000 depending on your age. Additional catch up contributions may also be available in limited circumstances. Please contact ERSC for more information.

What is the process to contribute days?

You must file an application to convert your days. The application to convert your days will be available on the ERSC web site in April and May. The deadline to submit the application will be June 2, 2014. The application is submitted to ERSC. The application, Form 430-91, is attached.

How will I know the contribution has been processed?

MCPS will adjust the annual leave account to reflect the conversion of the days on or about July 1st when it adjusts all leave accounts. MCPS will distribute the contributions to the vendors during the summer. The contribution to your 403(b) account will appear in the third quarter statement from the vendor.

Must I contribute the payment for all of my days to the same defined contribution plan?

Yes, the contribution from conversion of annual leave must go into your 403(b) plan with one vendor only. However, you do not have to contribute the required matching amount to the same plan. You must have contributed at least an equal amount from your salary to any combination of the plans

during the current fiscal year before June 30. You may not contribute the converted annual leave to a 457(b) plan.

How does converting the annual leave affect my total calendar year contribution?

The conversion of your annual leave to the 403(b) does not count as part of your total contribution, subject to annual limits, because it is an employer contribution. The allowable employee contribution limits for each plan are \$17,500 for employees who are under age 50 as of December 31, 2014 and \$23,000 for those who will be over age 50.

Why are contribution amounts limited by the calendar year instead of the fiscal year?

Defined contribution plans such as 403(b) and 457(b) plans are subject to calendar year limits by IRS regulations. However, your contributions for the period from July 1, 2013 through June 30, 2014 will be used to determine that you have contributed a matching amount.

What taxes are owed on the contribution?

Since this is an employer contribution, there are no taxes on the contribution. You are taxed in the year in which you withdraw the money, typically during retirement.

If I have further questions, whom do I contact?

You may contact either ERSC at 301-517-8100 or MCAAP at 301-762-8174.