

**California Department of Human Resources
Memorandum**

TO: Personnel Management Liaisons (PML)

SUBJECT: 2017 Excluded Employee Leave Buy-Back Program	REFERENCE NUMBER: 2016-032
DATE ISSUED: December 7, 2016	SUPERSEDES:

This memorandum should be forwarded to:

**Personnel Officers
Employee Relations Officer**

FROM: California Department of Human Resources
Personnel Management Division

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Consistent with PML 2016-029 addressing Employee Leave Management, the California Department of Human Resources (CalHR) has authorized an enhancement to the Excluded Employee Paid Leave Buy-Back Program (Program) for fiscal year 2016-17.

When offered, the Program traditionally provides eligible employees in participating departments the option to receive payment at their regular salary rate in exchange for up to a predetermined number of unused leave accruals, determined annually, up to 80 hours. The current Program is being enhanced to allow excluded employees with vacation or annual leave balances in excess of 640 hours, as of December 1, 2016, the option to transfer future leave accruals into a Savings Plus 457(b) and/or 401(k) Plan account. The Program will allow employees the option to transfer the number of leave accruals elected into Savings Plus, take as a cash payment, or a combination of the two. For the purpose of this new option, eligible leave is either vacation or annual leave.

This enhancement provides the following benefits: (1) if electing the pre-tax option, allows employees the opportunity to reduce their future leave accruals without increasing their taxable income, (2) reduces the state's long term liability by paying out leave accruals at the employees' current salary instead of at a potentially higher rate at retirement, (3) increases employees' retirement savings without impacting their net pay, and (4) increases employees' retirement savings by investing the assets now, allowing time for potential market growth prior to retirement.

As in the past, departments will be notified in April 2017 if the state has sufficient funds to offer the Program in FY 2016-17. As a reminder, departmental participation is also

subject to availability of departmental funds. However, to participate in the Savings Plus option, all eligible employees wanting to participate must complete the irrevocable [Transfer Future Leave Accruals to Savings Plus](#) form. Employees must submit the completed form to their Human Resources office by December 31, 2016. The form is available using the above link. Additionally, you may use the [sample email](#) to announce the Program enhancement to your excluded employees.

Employees may elect to transfer up to the number of hours they accrue during the January through May pay periods, in increments of eight (8) hours, not to exceed 80 hours. However, the actual number of hours converted will be subject to the number of hours approved by the state and authorized by each department. If the Program is not offered, the form becomes null and void and the employee's leave accruals will be available for use. If the Program is offered for an amount less than the employee elected, the lower amount of hours will transfer to Savings Plus based upon the following hierarchy: (1) 457(b) pre-tax, (2) 401(k) pre-tax, (3) 457(b) Roth, and (4) 401(k) Roth, in accordance with the employee's election until each plan and deferral type is satisfied. Excess leave accruals will be available for use.

As noted above, the option to transfer future leave accruals to Savings Plus is an enhancement to the existing Program. As such, in April 2017 if departments are authorized to participate in the Program, employees may elect to receive the cash value for any excess leave accruals not already allocated to transfer to Savings Plus (up to the total hours authorized by the department).

The following employees are eligible to take advantage of this Program enhancement: employees designated Exempt, Managerial, Supervisory, Confidential, or otherwise excluded from collective bargaining in one of the following identifier codes, with vacation or annual leave balances in excess of 640 hours, as of December 1, 2016:

- Exempt or Managerial – Exempt/M/E59/E79/E99
- Supervisory – S/E48/E58/E68/E78/E98
- Confidential and otherwise excluded from bargaining – C/E67/E77/E97

Payment for all leave accruals must be made using existing departmental appropriations. If the Program is offered for FY 2016-17, CalHR's Personnel Services Branch (PSB) will provide instructions for department participation and employee election (cash portion only). If your department does not authorize the Program, the employee's request becomes null and void and all leave accruals marked to be transferred to Savings Plus will be available for use.

For departments on the California Leave Accounting System (CLAS) system, further instruction on how to track leave accruals will be issued by the State Controller's Office

in the near future. However, the following [tracking tool](#) has been developed to assist Personnel Specialists. For departments not on CLAS, monthly accruals associated with the employee's request to transfer to Savings Plus must not be made available to the employee. Monthly accruals should be transferred to a separate leave benefit until such time the accruals are transferred to Savings Plus, or if the Program is not offered, returned to the employee's leave balance.

For questions related to this PML refer to the list of [frequently asked questions \(FAQ's\)](#), or state department personnel office designated liaisons should contact CalHR's PSB by emailing questions to psb@calhr.ca.gov or by calling (916) 323-3343.

/s/Belinda Collins

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Personnel Management Division