

Dear Employee Leaving or Retiring from the University:

The University and the Commonwealth now allow for the pre-tax deferral of accumulated sick, vacation and back pay<sup>1</sup> into both the University of Massachusetts 403(b) Plan and into the Massachusetts 457(b) Deferred Compensation SMART Plan, as long as the conditions described below are met.

Retiring employees may elect to defer accumulated sick pay<sup>2</sup>, vacation pay and back pay into their University 403(b) and 457(b) SMART Plan accounts. In addition, employees who separate from service may elect to defer accumulated vacation pay and/or back pay. Only a person who is retiring can defer accumulated sick pay. The amounts may be deferred for any calendar month only if:

1. The amount would have been available for use or would have been paid to the employee if employment had not terminated;
2. The amount is paid by the later of two and a half (2 ½) months following severance from employment or the end of the calendar year in which severance occurs; and
3. an agreement providing for the deferral is entered into before the beginning of the month in which the amounts would otherwise be paid or made available. (Requirement number 3 only applies to the 457(b) SMART Plan; there is no such requirement for the University's 403(b) Plan.)

In addition to the above requirements, all deferrals are subject to the employee's maximum 403(b) plan and 457(b) plan deferral limits in the year of the deferral.

If you do not currently have a 403(b) or a 457(b) account, please keep in mind that it can take up to 15 business days to process new enrollments and establish new accounts. For information about opening a 403(b) account, please contact the University Treasurer's Office or visit the University Treasurer's Office website at <http://www.massachusetts.edu/treasurer/403b.html>. For information about opening a 457(b) SMART Plan account, please contact your local representative at 1-877- 457-1900 (option 2). For a list of local representatives servicing University participants, please visit the University Treasurer's Office website at <http://www.massachusetts.edu/treasurer/457Smart.html>.

If you are retiring and/or separating from service, and you have an existing bi-weekly payroll deduction/deferral for the 403(b) plan and/or for the 457(b) plan in place, your existing deduction(s) will not be taken out of your accumulated vacation, sick and/or back pay. If you want a 403(b) and/or 457(b) deduction to be taken out of your

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<sup>1</sup> Back pay is pay received in a tax year(s) for actual or deemed employment in an earlier tax year(s). Back pay includes delayed wage payments as well as retroactive pay increases. Damages for personal injury, interest, penalties, and legal fees included with back pay awards, are not wages.

<sup>2</sup> Please note that retiring employees will only be able to defer up to the amount of accumulated sick pay that they are entitled to receive at time of retirement.

accumulated vacation, sick and/or back pay, you will need to complete a new 403(b) salary reduction agreement form and/or a new 457(b) participation agreement form.

If you open a new account(s), or if you have an existing account(s), and you want to defer an amount from your accumulated vacation, sick and/or back pay, the University Treasurer's Office needs to receive an executed 403(b) salary reduction agreement form and/or an executed 457(b) participation agreement form at least one week before the paycheck date that you would like the deduction(s)/deferral(s) to occur. However, as indicated in requirement number 3, the 457(b) participation agreement for the deferral of accumulated pay has to have been executed before the beginning of the month in which the amounts would otherwise be paid or made available.

Please contact the University Treasurer's Office at (508) 856-4700 if you have any questions or need additional information.