

MCAAP/MCBOA Annual Leave Conversion—FAQs

Application Deadline: June 7, 2024

Under the Fiscal Year (FY) 2024 negotiated agreements, MCAAP/MCBOA unit members have an opportunity to either convert a portion of their annual leave into a contribution to their **MCPS Fidelity 403(b)/457(b) account** and/or receive a **cash payout**. Below are details regarding annual leave conversions:

What are the requirements for annual leave conversion?

You must meet *all* of the following conditions to convert annual leave:

- You have at least 20 days (160 hours) of earned annual leave as of June 30, 2024.
- You have been employed by MCPS for a minimum of five years.
- You are a 12-month employee.

What options are available for annual leave conversion?

If you meet the above requirements, you now may convert a portion of your annual leave by electing one of the following options:

- Deposit up to 10 days (maximum of 80 hours) of earned annual leave into a qualifying MCPS-offered 403(b) or 457(b) retirement plan.
- Receive an after-tax cash payment of up to five days (maximum of 40 hours) of earned annual leave and deposit the pre-tax monetary value of up to five days (maximum of 40 hours) of earned annual leave into a qualifying MCPS-offered 403(b) or 457(b) retirement plan.
- Receive an after-tax cash payment of up to five days (maximum of 40 hours) of earned annual leave.

The hours of leave you elect to contribute are paid at your hourly rate as of June 30, 2024. You must define your contribution in one-hour increments.

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

No, this is considered an employer contribution.

Apart from this leave conversion, what is the maximum I can contribute (employee contribution) to the 403(b) and 457(b) plans through salary reduction?

You can contribute a maximum of \$23,000 if you will be under age 50 as of the last day of the calendar year and an additional \$7,500 if you will be age 50 or over on the last day of the calendar year. This limit for 2024 is set by the Internal Revenue Service (IRS). These limits apply separately to both the 403(b) and 457(b) plans, so the total employee contributions per calendar year if enrolled in both plans are \$46,000 or \$61,000 depending on your age.

What is the process to convert the annual leave days?

1. Complete and sign MCPS Form 430-91B, MCAAP /MCBOA Members Designation of Annual Leave to 403(b)/457(b) Plan Contribution or Cash Payout, available on the MCPS website at: <https://ww2.montgomeryschoolsmd.org/departments/forms/pdf/430-91b.pdf>.
2. Email your completed and signed Form 430-91B from your MCPS Outlook email account to ERSC@mcpsmd.org **by June 7, 2024**. The subject of the email should be: **MCAAP/MCBOA Annual Leave Conversion Form**.
3. Save the completed and signed form to your desktop or a folder for reference.
4. Once your form has been processed, you will receive an email from ERSC.

How will I know the contribution has been processed?

MCPS will adjust your annual leave balance to reflect the conversion of the days you elected in the second paycheck of July 2024. The actual funds are expected to be deposited with Fidelity on the same payday. The contribution to your 403(b) or 457(b) account will appear on a future statement available to view by logging in to www.NetBenefits.com/mcps.

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 the same defined contribution plan with Fidelity.

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

The conversion of your annual leave to the 403(b) does not affect your employee contribution limit for the current calendar year. However, the annual leave contribution **may affect** your 457(b) employee contribution limit for the current calendar year. The 457(b) employee and employer contribution limit for calendar year 2024 is the same as the employee contribution limit, which is \$23,000 if you are under 50 and \$30,500 if you are age 50 or over. **If the value of your earned annual leave and the value of your employee contributions exceed the calendar year 2024 limits for the 457(b) plan, please use your Fidelity 403(b) for your annual leave conversion.**

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.

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 from your Fidelity account, typically during retirement.

What taxes are owed on the cash payout?

The cash payout is taxed as regular wages. Taxes will be withheld based on the total taxable wages on your paycheck and the federal and state withholding forms you submitted through Employee Self-Service.

If you have questions, please contact either the:

Employee and Retiree Service Center

ersc@mcpsmd.org

301-517-8100

Please note: ERSC's main phone number will change to 240-740-8100, effective June 1, 2024.

or

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301-762-8174

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