

# DEFERRAL OF UNUSED VACATION PAYOUT FROM FINAL PAYCHECKS TO 457 PLANS

MaineSaves 457 Deferred Compensation Plan



PINE HARBOR  
ADVISORS

## 1. INTRO

State employees who are retiring or leaving public service can contribute a portion of their final payouts for unused vacation time to their 457 Deferred Compensation Plan — open to most active employees. By making pre-tax deferral from the unused vacation time payout into a 457 Plan, employees can reduce taxes withheld from the final paycheck and boost their retirement savings. The process requires further planning because **IRS regulations require deferral arrangements to be made the month before the final payment occurs.**

## 2. PROCEDURE

### **A. Determining Deferral Amount**

Employees should ask their Payroll/Human Resources office for an estimate of the gross vacation/sick leave payout, the date when it will be paid, the employee record number to be used for the final payout, the estimated mandatory payroll deductions, and their year-to-date contributions to the 457 Plan. When determining the amount available to defer, the employee should take the estimated gross payout amount, subtract the estimated Social Security and Medicare taxes and subtract any other mandatory payroll deductions, such as health insurance premium, Retiree Health Fund contribution on the vacation portion of the payout, union dues, etc. The remaining amount approximates what is available for deferral. Next, when setting the deferral amount, an employee should factor in any contributions that will have taken place by the date of the final paycheck. The maximum for **2025** is **\$23,500** (plus an additional **\$7,500** for age **50 and over**).

### **B. Changing Deferral Amount – Current Participants**

Existing State of Maine 457 Plan participants should complete the [Vacation Pay Joinder Form](#) to enter the desired deferral amount and the date of the final paycheck. While online contribution changes are available for this plan, they are not recommended for final paycheck deferrals because there is no ability to enter a specific date for an online contribution change to take effect.

You can access the Joinder Form on our [MaineSaves 457 Resources Page](#).



## **Pine Harbor Advisors**

707 Sable Oaks Drive Suite 203, South Portland, ME 04106 | P: 207-761-4733 | F: 207-761-3956  
45 Memorial Circle Suite 104, Augusta, ME 04330 | P: 207-623-8421

Securities and advisory services offered through [Cetera Advisors LLC](#) member [FINRA](#), [SIPC](#), a broker/dealer and Registered Investment Advisor. Cetera is under separate ownership from Pine Harbor Advisors.

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## C. Employee Not Previously Enrolled

Employees who have not previously participated in a 457 Plan will need to first complete the Investment Allocation and Beneficiary sections of their Enrollment forms, in addition to the deferral paperwork for their final paycheck.

You can access the Enrollment forms on our [MaineSaves 457 Resources Page](#).

## D. Deadline for Submitting Forms

The completed forms with original signatures must be received by Pine Harbor Advisors **no later than 30 days before the employee's final paycheck**.

Completed forms for Empower Retirement should be emailed to [retire@iisfinancial.com](mailto:retire@iisfinancial.com), faxed to (207) 761-3956, or mailed to Pine Harbor Advisors, 707 Sable Oaks Drive, Suite 203, South Portland ME, 04106.

**Once the final payout check has been issued, agency personnel cannot reverse or reprocess paychecks to allow employees to make untimely deferrals of vacation and sick leave payouts.**

## E. Common Problems to Avoid

**Advance planning** will prevent common mistakes that can derail deferrals of vacation and sick leave payouts.

- Once an employee is retired the contribution election cannot be amended. After the final paycheck is issued the agency is unable to reverse and reprocess the paycheck.
- **Do not wait until the last minute.** When the final payout forms are submitted too close to the cut-off date, there may not be enough time for the plan administrator to obtain corrections, original signatures, or missing information.
- Ensure that the selected deferral amount (together with all year-to-date contributions) does not exceed the IRS maximum limit; otherwise, no deduction will be taken.
- Make sure the requested deferral does not exceed the net amount in the final payout check. If it does, no deduction will occur on the final paycheck and the final contribution election cannot be amended.

## 3. CONCLUSION

Employees who want help with calculating sick or vacation leave deferrals to their 457 Plan should contact their HR representative. For help throughout the process, **you may schedule a meeting by reaching out to Pine Harbor Advisors at [info@pineharboradvisors.com](mailto:info@pineharboradvisors.com) or by calling (207) 761-4733.**

**To log-in to your account or make changes online, please visit our [MaineSaves 457 Resources Page](#).**

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