



RETIREMENT SERVICES DIVISION MEMORANDUM 2025-3

April 29, 2025

TO ALL HEADS OF STATE AGENCIES

ATTENTION: Human Resource and Payroll Officers

SUBJECT: Systems Update for DC Plans

The Retirement Services Division recently completed a systems update that simplifies many of the processes associated with the State of Connecticut's defined contribution plans (the "DC Plans"). The DC Plans are the Alternate Retirement Program ("ARP"), the State of Connecticut 457 Plan ("457 Plan"), the State of Connecticut 403(b) Plan ("403(b) Plan"), and the Tier IV Defined Contribution Plan ("Tier IV DC Plan"). This memorandum will explain the ways these changes affect your agency's procedures.

I. The Savings Plan Page

An important aspect of the recent systems upgrade is that information about employees' participation in the DC Plans can now be found on the new **Savings Plan Page**. It is no longer necessary to review general deductions to find information about current contributions to those plans.

A. Resolving Questions

The Savings Plan Page can be used to address and resolve problems that employees encounter with their plan contributions.

For example: a few members have recently encountered problems associated with the partial contribution functionality. When they enrolled in the 457 Plan or the 403(b) Plan, some members overstated the amount to be deducted from each paycheck; they mistakenly provided the amount of their total annual contribution. This error will cause the system to deduct all the available funds from a single paycheck and apply those funds to the applicable DC Plan.

In cases of this kind, your agency can quickly identify the source of the member's problem by consulting the enrollment information on the Savings Plan Page. The member can then correct the issue, using Empower's website. (On our side, the Retirement Services Division is working with Empower to make the election forms clearer and easier to use).

II. Changes to Enrollment Processes and Rules

A. Enrollment Through a Shell Account

Empower is the third-party administrator of the DC Plans. In connection with our systems upgrade, Empower has created **a shell account for *all* state employees who are not yet enrolled in the 457 plan and/or the 403(b) plan.**

Employees—including those who are already enrolled in the ARP or Tier IV DC plan—can use the shell account to enroll in the 457 Plan or the 403(b) Plan (if eligible). Employees with multiple records can make a separate election for each record.

Each employee can reach his or her shell account by visiting Empower’s website for the State of Connecticut’s defined contribution plans, at www.ctdcp.com.

B. A Note about Multiple Records

Previously, members of SERS and ARP who are employed by the state in more than one position, and who therefore have multiple employment records, were able to contribute to the 457 Plan from one record only. Eligible employees could contribute to the 403(b) Plan from multiple records.

This issue has been corrected. Employees with multiple records can now make contributions to the 457 Plan from each record. Eligible employees with multiple records can also continue to make contributions to the 403(b) plan from multiple records.

III. OPEB “Refunds” May Not be Rolled Over to a Tax-Deferred Account

In addition to retirement income, retired state employees receive healthcare insurance and other non-monetary benefits that are known collectively as “other post-employment benefits” or “OPEB.” During the members’ active employment, contributions to pay for OPEB are deducted from their salary.

Certain collective bargaining agreements provide that employees who terminate their state service before they have vested for retirement health benefits may receive a payment based on the amount of their previous OPEB contributions. This payment is commonly called a “refund” or a “withdrawal” of the OPEB contributions, but it is made from the same fund that is used to pay the member’s salary.

In effect, the OPEB “refund” replaces the contributions the member previously made to the OPEB Trust for benefits that the member will not receive. For that reason, the “refund” is not subject to deductions from ordinary salary that cover mandatory contributions to SERS and ARP. It is typically included in the final paycheck of the member’s active employment.

In the past, members were permitted to make tax-deferred contributions of these payments to their accounts in the DC Plans—either or both of the 457 Plan or the 403(b) Plan. As explained below, those contributions should not have been permitted. As part of the recent system

upgrade, the Retirement Services Division has addressed this issue, therefore **contributions to a DC Plan account may no longer be made from these payments.**

Because the Internal Revenue Code does not authorize the rollover of OPEB contributions to qualified savings plans, OPEB “refunds” potentially create problems under federal tax law—problems that could jeopardize the qualified status of the 457 Plan and the 403(b) Plan. For that reason, the Retirement Services Division will no longer allow employees to contribute their OPEB “refunds” to those plans.

IV. Restarting Limits for Defined Benefits Plans

The systems upgrade has automated a process in the administration of defined contribution plans. If an employee reached his or her contribution limit within the year, it previously was necessary for the employee’s agency to restart the contributions manually at the start of the following year.

This is no longer necessary: contributions to the DC Plans—including the Tier IV DC Plan—will now be restarted automatically at the beginning of each calendar year.

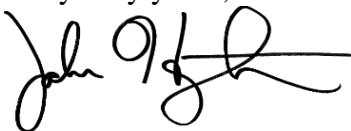
Please remember that this new feature applies **only to the DC Plans**. If a member of Tier IV, for example, reaches his or her contribution limits within the year, it will still be necessary to restart the member’s contributions to the Tier IV Defined Benefit Plan **manually**.

V. Amendments to the 457 Plan and the 403(b) Plan

Effective January 1, 2025, certain rules governing the 457 Plan and the 403(b) Plan have been changed. The changes include:

- All re-employed retirees are now eligible to participate in the 457 Plan. (Re-employed retirees were already eligible to participate in the 403(b) Plan.)
- Non-resident aliens are now eligible to participate in the 457 Plan and/or the 403(b) Plan.
- All eligible employees in the 457 Plan may now apply for the special Section 457 catch-up limit, even if they are also eligible to participate in the 403(b) Plan.
- The plan document that governs the 403(b) Plan has been amended to remove certain agencies that are no longer eligible under federal law to offer a 403(b) plan to their employees.

Very truly yours,

A handwritten signature in black ink, appearing to read "John W. Herrington", with a stylized flourish at the end.

John W. Herrington
Director