



ADMINISTRATIVE PROCEDURE MANUAL

SECTION TITLE

TERMINAL LEAVE PLAN

BASED ON BOARD OF TRUSTEES' RULE AND TITLE

6Hx7- 3.45 Benefits Programs

NUMBER

03-0915

PAGE

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DATE ADOPTED

December 10, 2025

Purpose

The purpose of this procedure is to provide a plan for tax-sheltering Florida State College at Jacksonville (FSCJ/College) employee leave payouts for unused sick and annual leave subject to the Internal Revenue Service contribution limits. Participation is mandatory for eligible employees, and the leave payout is deposited with an investment provider determined by the College.

Procedure

- A. The Terminal Leave Plan is mandatory for all eligible employees. Eligible employees are defined as faculty, administrative, professional, and career employees who are due more than the defined minimum value of a terminal leave payout for unused sick and/or annual leave. Participation is also mandatory for eligible employees upon entry into the Florida Retirement System (FRS) Deferred Retirement Option Program (DROP).
- B. The provisions of the Terminal Leave Plan include:
1. The amount for mandatory participation is a gross payout of \$7,000 or more.
 2. The employee and the College are exempted from FICA taxes on the payout.
 3. The employee defers paying federal income taxes until a distribution is taken.
 4. The payout is considered employer contributions to an IRS approved qualified retirement plan and is deposited into an account in the employee's name.
 5. The employee is immediately 100% vested.
 6. The payout is deposited in a default investment option. The employee can choose to change investment options at any time after the account is established.
 7. Separating employees may immediately request a distribution of any or all of the account balance once the account is established.
 8. There is a 10% IRS penalty for an early distribution prior to age 59 ½ except for retirees.
 - a. Terminating employees may request reimbursement equal to 2.35% of the payout which is the difference between the 10% penalty and 7.65% FICA savings if a request is made in writing within 30 days of the account being established.
 - b. The request is submitted to the Payroll Department at payroll@fscj.edu.



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REFERENCES: Internal Revenue Code Section 403 (b), F.S. 1001.64, 1001.65

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