Risk Management Department

Employee Benefits Orientation

The City of SAN DIEGO

Rev 1/16/2020

Today's Agenda

1. **Flexible Benefits Plan**
   - Health Insurance Plans
   - Life Insurance Options
   - Flexible Spending Accounts
2. **Employee Retirement Savings Plans**
   - Defined Contribution Plans - Mandatory & Voluntary
   - Retiree Medical Trust

3. **How to Enroll in Benefits**
   - Navigating SAP Self-Services
4. **Union Presentations**
   - Local 127 (AFSCME)
   - Municipal Employees Association - MEA

Flexible Benefits Plan (FBP) Overview

What is a Flexible Benefits Plan?

Flexible Benefits Plan (FBP)

= IRS Section 125 Cafeteria Plan

- Variety of health plans available to choose from based on representation
- Employees are provided Flexible Benefit Plan credits to help off-set the cost of Flexible Benefits

***Important**: Benefit election(s) may <u>not</u> be changed outside of open enrollment period (in June) or a qualifying event*

Flexible Benefit Plan Credits for FY20

Paid twice per month (semi-monthly)

Municipal Employees Association (MEA) members	$487.71
Teamsters – Local 911 members (Lifeguards)	$560.88
Local 127 (AFSCME) members	$414.83 - $550.25*
Deputy City Attorney Association (DCAA) members	$414.25 - $730.04*
Unrepresented employees (hourly)	$262.25 - $587.00*
Unrepresented employees (salaried)	$415.71 - $740.46*

* Semi-monthly credit amounts vary depending upon the level of the employee's medical coverage. For more details, refer to the Benefits Information and Costs booklet.

How do the City's FBP Credits Work

- FBP Credits are reported as "taxable earnings"
- The "full cost" of premiums are deducted on a pre-tax basis (*an employee's domestic partner is deducted post-tax)*

Note: For months where there are 3 pay periods, the mid-month paycheck will not have FBP credits applied or premiums deducted

FBP Credits/Deductions – Paycheck

	Retroactive		Current		Year to Da
	Hours	Amount	Hours	Amount	Amount
Gross Wages					
HOURLY PAY			76.00	1,244.12	2,553.
CITY FBP CREDITS		487.71		487.71	975.
AUTHORIZED LEAVE W/O PAY			4.00		
Total Gross Wages		487.71		1,731.83	3,529.
Pre-Tax Deductions					
KAISER PRE TAX				491.17	491.
MEA DPO PRE TAX				65.78	65.
MEA VISION PRE				18.50	18.
BASIC TERM LIFE PRE TX				0.15	0.
RMT EE Pre				3.11	6.
SPSP-H Mandatory				106.37	226.
Total Pre-Tax Deductions				685.08	808.
Post Tax Deductions					

Total Gross Wages = salary earnings + FBP credits

Net Income = Gross Wages – (Pre/Post-Tax Deductions+ State/Fed Taxes)

When Will You Receive FBP Credits?

Employees will receive their initial FBP Credit allotment after:

- They have made their *medical* election *(or the waiver option)* through SAP Self-Services

and

- They post a combination of at least 40 hours of FBP Credit eligible time in a pay period

Eligible time = Hourly pay, Annual Leave, Discretionary Leave, Holiday, Floating Holiday, Comp Time and some protected leaves

Required vs. Optional Benefits

FBP credits can be used towards:

Required	Optional
1. Making a Medical election: • Choose coverage options i.e. Employee only, employee & spouse, etc.; or • Waiver (coverage outside of City) 2. Enrolling in the City's Basic Life Insurance Policy	1. Dental and Vision Insurance 2. Flexible Spending Accounts 3. 401 (K) Flex allotment

FBP Credit

Questions?

Health Insurance Plans
Medical, Dental, and Vision

Medical Insurance (Required)

Medical plans available to *all* General Members

Medical Plans	
City of San Diego Plans	**MEA-Sponsored Plans**
• Kaiser Traditional HMO • Kaiser Deductible HMO • Cigna HMO • Cigna Scripps Select(new) • Cigna PPO	• Sharp HMO Classic HMO • Sharp HMO Select HMO • Sharp Deductible HMO

Refer to "Benefits Information & Costs" handout for more information

Dental and Vision Insurance (Optional)

Dental Plans		
City of San Diego Plans (Unrepresented, L911, & DCAA)	**MEA-only Plans**	**Local 127-only Plans**
• United Concordia DHMO • United Concordia DPO	• MetLife DHMO • MetLife DPO	• Dental Health Services DHMO • Dental Health Services DPO

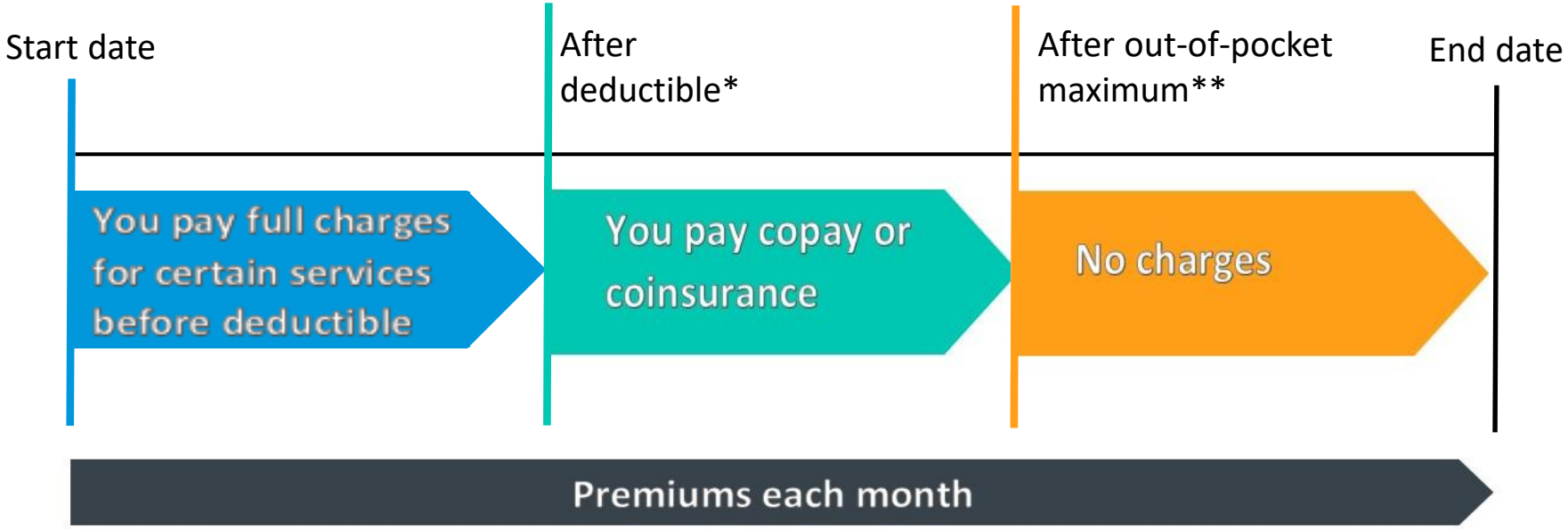
Vision Plans	
All Classifications except MEA	**MEA-only Plan**
• CoSD VSP	• MEA VSP

Refer to “Benefits Information & Costs” handout for more information

Choosing between and HMO vs. PPO

HMO/DHMO Health Maintenance Organization	PPO/DPO Preferred Provider Organization
Premium is more affordable	Higher premium cost
Required to use "in-network" medical or dental group/providers for discounted rates Referral from Primary Care Physician required to see specialists	Can access any doctor/dentist anywhere
Co-payment for office visits, hospital, prescriptions, emergency room, etc.	Pay percentage of total cost of treatment (i.e. 10%, 20%, etc.); will receive discount if using an in-network doctor/dentist
Home address must be within 30 radius miles of the medical provider	No limitations on location of providers from your home address

Understanding Deductible Plans



* Annual deductible = $1,000 individual/$2,000 Family (two or more)

** Out-of-pocket maximum = $6,250 individual/$12,500 Family (two or more)

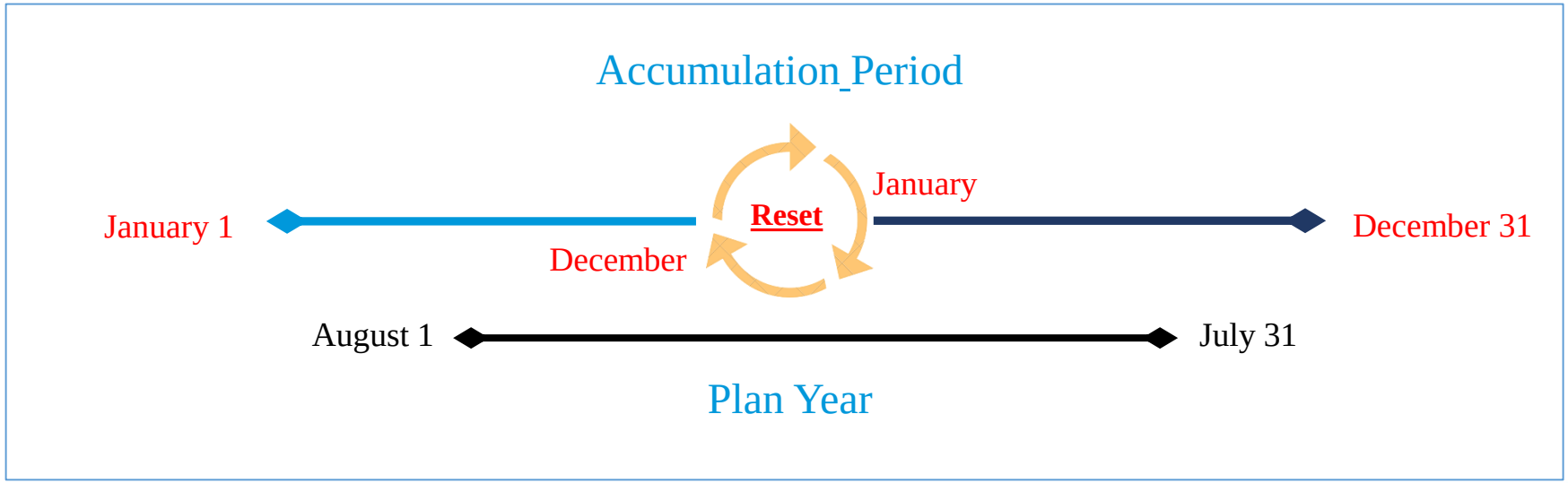
Accumulation Period is based on **CALENDAR** year

Accumulation Period for Deductible Plans

Accumulation Period is based on the **CALENDAR** year

The deductible year begins on January 1st and ends on December 31st. Calendar-year deductibles reset every January 1st.

This means you could pay more than one deductible in a single plan year (fiscal year).



Who Can Be Enrolled in Benefits?

Health Plans - Medical, Dental, and Vision

- Spouse/Domestic Partner
- Children under age 26
  - Biological, Adopted, Stepchildren, Children of Domestic Partner, or children covered under Court order
  - Unless mentally or physically disabled (subject to approval)

Premiums and Coverage

Health insurance premiums are pre-paid plans

Premiums deducted from pay periods in one month pay for the next month's coverage

Example: premiums deducted from the two pay periods in August pay for September insurance coverage

Premiums and Coverage

Depend on:

- Your hire/promotion date,
- When you enroll in benefits, and
- The month you want coverage to begin . . . you may have "catch-up" premiums

What happens:

- Catch-up premiums will be deducted in addition to your regular premium deductions (typically 2-3 pay periods)

Don't worry . . .

- Flexible Benefits Credits will be retroactive to your hire/promotion date and may help off-set the "catch up"
- Employees can choose when their benefits begin

Meet Bob

- New Hire
- Wants his coverage to begin the first of the month after his date of hire.
- Did not complete enrollment until day 30
- No premiums were collected in first month he was hired.

As a result:

- Bob owed one month of catch-up premiums
- The catch-up premiums were deducted in addition to the new cost of his coverage.

Catch Up Premiums – Example

	Retroactive		Current		Year to Date
	Hours	Amount	Hours	Amount	Amount
Gross Wages					
HOLIDAY PAY			8.00	122.16	122.16
HOURLY PAY			72.00	1,099.44	3,542.64
Sharp Classic FBP Credit		913.00		456.50	1,369.50
Total Gross Wages		913.00		1,678.10	5,034.30
Pre-Tax Deductions					
SHARP DEDUCTIBLE HMO PRE				521.25	521.25
BASIC TERM LIFE PRE TX				0.15	0.15
RMT EE Pre				3.05	9.15
SPSP-H Mandatory				106.42	331.20
Total Pre-Tax Deductions				630.87	861.75

Sharp Deductible ($173.75+$347.50=$521.25)

***Flex Credit is paid back to date of benefit eligibility**

Health Insurance

Questions?

Life Insurance Plans

Overview

- Life Insurance helps protect the financial future of those who depend on an employee's paycheck
- Beneficiaries (chosen by the employee) receive a lump sum amount upon an employee's death

Basic Term Life – Mandatory

Basic Term Life Insurance:

- Covers employee only
- Coverage ends after employee's last day of active employment
- Pre-tax

Basic Term Life – Mandatory

Classifications	Semi-monthly cost
• MEA • Local 127 • Local 911	Members can designate level of insurance coverage: • $10,000 Policy = $0.15 • $25,000 Policy = $0.38 • $50,000 Policy - $0.75
• Deputy City Attorney Association • Unrepresented and Unclassified	• Automatically receive $50,000 Basic Life insurance • Cost paid by the City of San Diego

Portable Term Life - Optional

Portable Term Life (PTL):

- Insurance paid by the employee
- Can insure spouse, domestic partner, and children
- Can sign-up anytime in SAP Self-Services – Anytime Insurance
- When an employee leaves employment or becomes ineligible he/she may elect to "port" (e.g. transfer) their coverage to an individual term policy *without providing evidence of insurability*
- Post-tax

Portable Term Life – Optional

There is a Guaranteed Issue during the initial enrollment for the following amounts:

- Employee - $250,000
- Spouse/Domestic Partner - $50,000

Employee may apply for up to $500,000; however

- Evidence of Insurability (EOI) will be required above the guaranteed issue, and
- Application is subject to approval by Insurance Company

Note: If you receive a pop-up regarding EOI during initial enrollment, please disregard

Portable Term Life – Optional

Children may be insured for $5,000 or $10,000

- Biological, Adopted, Stepchildren, or Children of Domestic Partner – up to age 26
- Employee or Spouse/Domestic Partner must also be enrolled
- Combined dependent coverage for family or other dependents may not exceed employee's combined Basic & Portable Term Life total amount

Life Insurance Premiums & Coverage

Premiums

- Life insurance plans are post-paid plans
- Premiums deducted in July pay for July coverage
- The Hartford is the insurance carrier

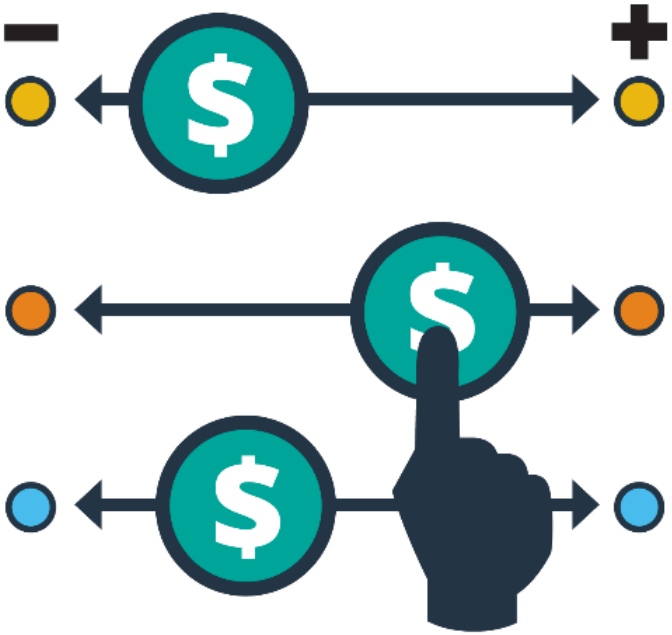
Coverage

- Basic Term - First of the month after your ***hire/promotion date***
- Portable Term - First of the month after ***enrollment <u>and</u> approval***

How to Enroll

- Enroll and designate beneficiaries through SAP Self-Services

Be sure to keep your beneficiaries updated!



Flexible Spending Accounts (FSA)

Overview

Allows an employee *the option* to set aside pre-tax money to pay for eligible:

- Health care expenses for the employee, spouse, and eligible dependents

  DMV = Dental/Medical/Vision

- Dependent/Child Care expenses incurred due to employment with City of San Diego

  DCC = Dependent/Child Care

- Dependents other than children may qualify – contact a Flexible Benefits Specialist

Flexible Spending Accounts

Overview

Employee designates an annual contribution amount which is deducted on a semi-monthly basis throughout the plan year

Plan Year minimum and maximum designations:

- DMV: $240/$2,700 - Per Employee
- DCC: $240/$5,000 - Per Household

Flexible Spending Accounts

Benefit Type	Begins	Ends
Health Benefits Plan Year	August 1	July 31
Flexible Spending Accounts	July 1	June 30

Services for money you set aside now need to be *incurred* (e.g. went to doctor or purchased prescription) for claim to be reimbursed

Plan Carefully – this is a Use it or Lose it benefit!

Whose Expenses are Eligible for Reimbursement?

- Spouse
- Child through the end of the calendar year in which he/she turns 26
- Qualifying Relative
  - Multiple factors to consider whether a relative meets the tax dependent threshold – Contact Flexible Benefits

Not for domestic partner unless he/she is a "qualifying relative" of the employee

Whose Expenses are Eligible for Reimbursement?

- Children who are under 13 years of age
- Disabled spouse, elderly parent, or other dependent who:
  - Is physically or mentally incapable of self-care
  - Lived with the employee for more than half the year
  - Care is needed so the employee (or their spouse) can work, look for work, or attend school full time

How to Submit an FSA Claim

WageWorks is the administrator of the City's Flexible Spending as of FY 2019. Some of the changes include:

- Debit card for DMV account
- Submit receipts via mobile phone
- 24-hour online access to account
- Ability to set-up payments for recurring expenses

When you enroll in the FSA reimbursement option you will receive information on how to establish a log-in with WageWorks and process claims.

Life Insurance & Flexible Spending Accounts

Questions?

We'll now complete our Enrollment Forms . . .

The City of SAN DIEGO

FBP Initial Enrollment Plan Form

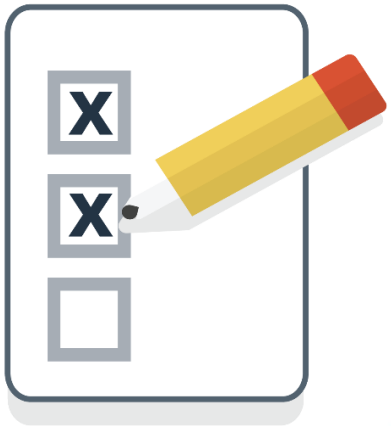
Benefits selected during Open Enrollment start August 1st

Indicate waiver option or benefits enrollment

If enrolling, when would you like your benefits to begin?

- First of the month following hire/promotion date, or
- Delay one additional month following hire/promotion date

Please allow 2 pay cycles following benefits enrollment for your deductions to normalize



FBP Initial Enrollment Plan Form

Please Note: this form does not complete the enrollment process!

Even if you waive your medical coverage you still need to select this option in SAP Self-Services

If you do not complete the enrollment process in SAP Self-Services you will automatically be enrolled in the lowest cost medical plan available to you as required by our Flexible Benefits Plan document

Important Deadlines!

If you do not enroll by the deadline:

- **You will automatically be enrolled in the lowest cost Medical Plan and the lowest tier of Basic Life Insurance that is available to you**

If you don't provide dependent verification documents within 30 days of enrolling:

- **Your dependents can be dis-enrolled**

FBP Initial Enrollment Plan Form

Please turn in form and **copies** of dependent verification documents

- If you don’t have a copy please take a picture and email to benefits@sandiego.gov

Verification Documents

Verification documents include:

- Spouse – Marriage Certificate
- Domestic Partner – Notarized Affidavit of Domestic Partner Relationship or State Registration
- Children – Birth Certificate, Adoption records, and/or Court legal document

10 - minute break.

The City of SAN DIEGO

Employee Retirement Savings Plans Overview

Mandatory Retirement Savings Plans

Overview

- Employees will be in one of the following Defined Contribution plans:
  - SPSP-H ***or*** 401(a) ***or*** SPSP
- Employees are automatically enrolled
- Mandatory deductions are taken on a pre-tax basis
- Wells Fargo Institutional Retirement and Trust (IRT) is Plan Administrator

  1-800-728-3123; Wellsfargo.com

Which Plan Are You Eligible for (General Member)?

SPSP-H (Supplemental Pension Savings Plans)

- Original date of hire on or after July 20, 2012

401(a)

- Original date of hire between July 1, 2009 – July 19, 2012; **or**
- Originally hired before July 1, 2009 and withdrew SDCERS funds

SPSP

- Original hire date before July 1, 2009 and kept retirement funds in SDCERS

SPSP-H Plan

Contribution

- General Members Mandatory: 9.2% (pre-tax)
- Safety Members Mandatory: 11% (pre-tax)
- City matches 100%

Vesting: 100% vested in City & employee contributions

Loans: Not available

Hardship Withdrawal: Not available

401(a) Plan

Contribution

- Mandatory: 1% pre-tax; City matches 100%
- Voluntary post-tax; no City match

Vesting: 100% vested in City & employee contributions

Loans: Not available

Hardship Withdrawal: Not available

SPSP Plan

Contribution

- Mandatory: 3% (pre-tax); City matches 100%
- Voluntary: up to 3.05% (post-tax); City matches 100% (pre-tax contribution into SPSP account)

Vesting

- Employee contribution: 100%
- City contribution: 20% per year; 100% after 5 years

Loans

- One loan at a time; 50% of account balance up to $50k maximum

In-Service Withdrawal

- Once per year after two years of participation (City match portion not available for withdrawal)
- Taxes may apply

Hardship Withdrawal

- Available

Voluntary Retirement Savings Plans

Two Defined Contribution Plans – available to all employees:

- 401(k) Plan (Wells Fargo)
- 457(b) Deferred Compensation Plan (CalPERS)

Contributions

- Can contribute up to maximum contribution into both voluntary plans
- Minimum contribution $10 per pay period
- 2020 max = 19,500.00 under 50 and $26,000.00 over 50

401(k)

Contribution

- 401(k): Pre-tax through payroll deductions; and/or
- 401(k) Flex: Have the option to contribute remaining Flexible Benefit Credits
- No City match

	401(k) Flex Contribution	Anytime Savings 401(k) Contribution
When changes can be made	Only during Open Enrollment or following a Qualifying Event	Anytime
When contributions are deducted	Semi-monthly (24 pay periods)	Bi-weekly (26 pay periods)
What contribution is pulled from	Remaining FBP credits	Bi-weekly earnings

401(k) Flex – Frequently Asked Questions

457(b) – Deferred Compensation Plan

Contribution

- Pre-tax through payroll deductions; no City match
- ***Note: contributions will decrease mandatory savings contribution calculations - SPSP-H and 401(a)***

Fund Selection

Employees can designate their investment allocation; if no designation is made contributions will go to the default fund:

- Wells Fargo plans: Target Date Retirement Funds
- CalPERS: Target Date Retirement Funds

Financial advisors recommend you select the appropriate funds for you based on your age and risk tolerance

Educational Resources

1. Information packets will be mailed to your home
2. Resources are available on Wells Fargo and CalPERS websites - register for online access
3. Financial Advisors are available from Wells Fargo and CalPERS to assist you for one free hour
4. Attend in-person education sessions and webinars

Look for notices via emails, posters, and on CityNet

How Can My Retirement Funds Be Accessed?

1. Retire
2. Terminate employment with the City
3. Disabled – as defined in the plan document
4. Death
5. Loans: SPSP & 401(k) & 457(b) Deferred Compensation
6. In-Service Withdrawals: SPSP only
7. Hardship: SPSP, 401(k) & 457(b) Deferred Compensation only

A Word About Withdrawals

Loans

- **Not all plans have loan or hardship withdrawals**
- Must maintain payments or they may be subject to default penalties

Hardship Withdrawal

- IRS definition: foreclosure, eviction, medical expenses, funeral expenses

Enrollment Information

Mandatory Savings Plans:

Automatic enrollment

Voluntary Savings Plans:

Enroll through SAP Self-Services – Anytime Savings Plans

Effective Dates (from date of enrollment)

401(k) - next pay period

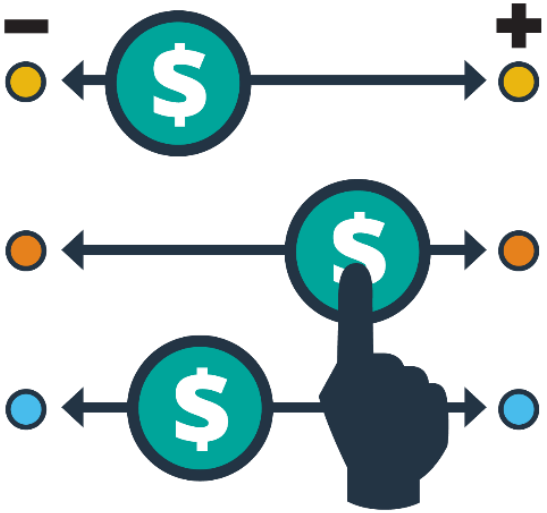
457(b) Deferred Compensation Plan - the following month

Beneficiaries

Retirement savings plans - require a designated beneficiary for each plan (these are separate from life insurance)

To designate a beneficiary for SPSP, SPSP-H, 401(a), 401(k), or 457(b) deferred compensation, access Anytime Beneficiary through SAP Self-Services

Note: if you are married, your spouse/registered domestic partner must receive at least 50% of the community property interest unless he/she signs a notarized consent waiver



Retiree Medical Trust (RMT) Overview

Overview

What is the Retiree Medical Trust?

- Health Reimbursement Account

Account becomes available when you leave employment

May be utilized for:

- Purchase of medical insurance and/or
- Reimbursement of IRS Section 213 allowable services (e.g. doctor appointments, prescription medications, etc.)

Reimbursements are not taxable

Who is eligible?

General Members *hired on or after* July 1, 2009 are eligible for the RMT

- Mandatory: 0.25% (pre-tax);
- City matches 100%
- Can designate fund allocation; otherwise it will go into default fund

Enrollment Information

- Eligible employees are automatically enrolled
- HRA Administrator is Voya 1-866-678-8322
- Default fund: Vanguard Prime Money Market
- Welcome packet will be sent in approximately 60 days
  - Can register on-line and change allocation

Beneficiaries/Dependents

The Retiree Medical Trust has no beneficiary designation; however:

Any remaining account balance at the time of the employee's death may continue to be used by your ***listed*** eligible dependents

Important to Keep Dependents Up To Date!

What if I was Hired Before July 1, 2009?

Employees between July 1, 2005 – June 30, 2009

- Not eligible for retiree health benefits through the City

Employees hired before July 1, 2005

- "Option C" – Retiree Health Reimbursement Account
- Amount received is based on age years of service (contact Employee Savings for Plan Administrator information)
- Employee will receive a one-time City contribution within 60 days of the date they are first eligible to retire
- Once the contribution is made the employee assumes control of the investment

Employee Savings

Questions?

For Future Reference

Major Life Events

Major Life Events = Qualifying Events

Life changing events qualify you to add/drop dependents from a plan outside of the Open Enrollment period (June)

Qualifying Event Examples	
Marriage	Divorce
Birth or Adoption	Court Order
Loss of Coverage	Gain Coverage
Overage Dependent	Death of Dependent
Reduction in Work Hours	Job/Class Change

What To Do When There Is Qualifying Event

1. Complete the **Qualifying Event Form**

2. Provide proof of the qualifying event ***within 30 days of the qualifying event:***
   - Ex: Marriage or birth certificate; final divorce papers; statement from health provider

If 30-day deadline is missed, changes will not be allowed until next Open Enrollment Period

When You Leave Employment

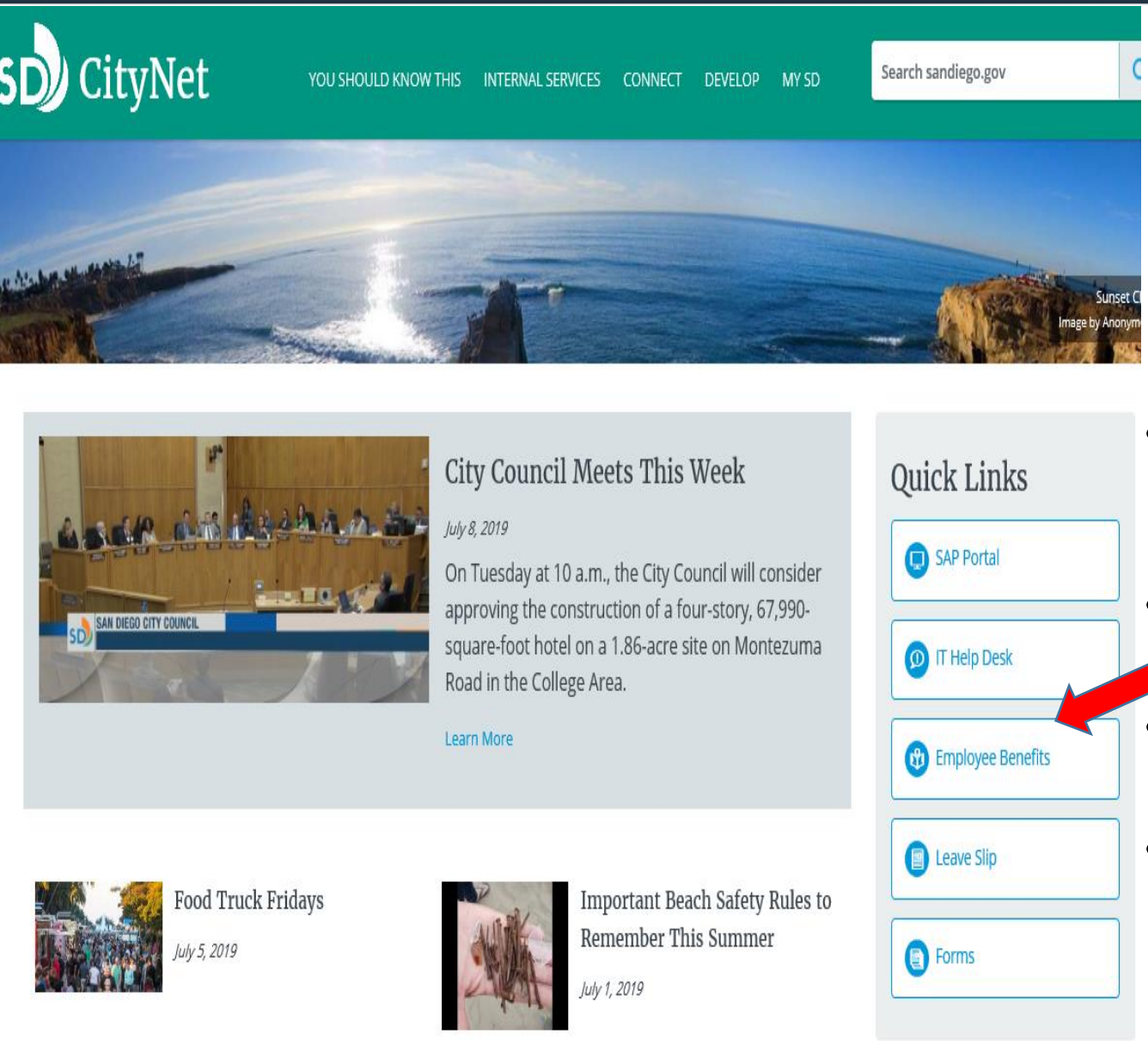
When Health Coverage Ends

- 1st of the month after an employee's last day of active employment (e.g. on paid status)

COBRA

- Provides employee with 18 months of continued group health (medical, dental, vision) coverage after separation of employment
- Employee responsible for full cost of benefits plus 2% administrative fee

Resources



CityNet

http://citynet.sandiego.gov

Employee Benefits

- Enrollment Information (link to enrollment video)
- Insurance & Reimbursement Forms
- Provider Information (Health Care Plans)
- Life Insurance

Next Steps

Today . . .

1. Make note of your deadline to enroll
2. Turn in FBP Initial Enrollment Form
3. Turn in verification documents if enrolling dependents

If you need to send verification documents:

Scan and email to Benefits@sandiego.gov; Subject Line: Verification Documents;

Fax to (619) 533-3256;

Interoffice Mail to the Benefits Office - MS 51B; or

Drop off in mail slot at Civic Center Plaza (CCP) 10th floor between 8am-4pm.

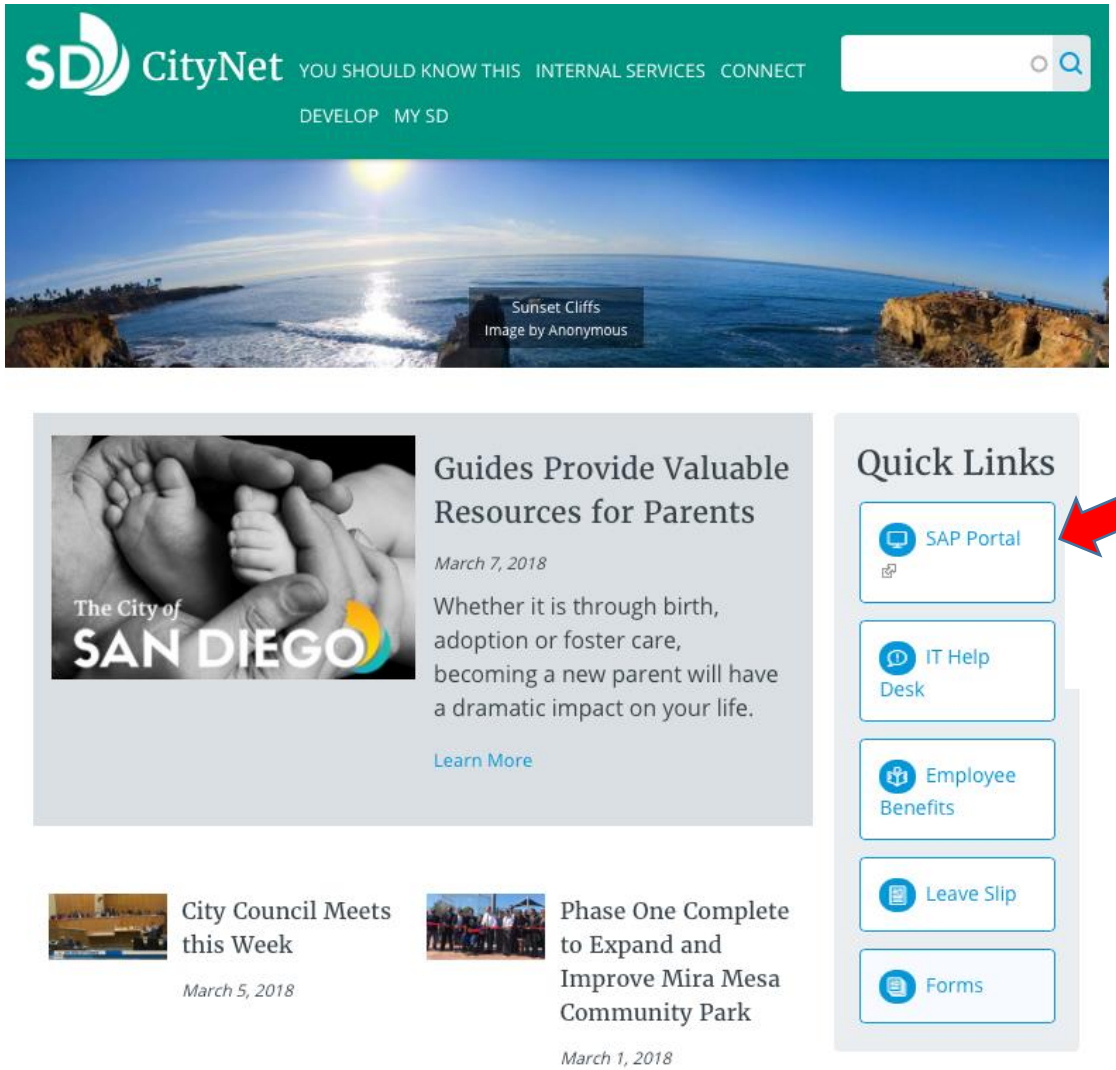
How to Enroll in Benefits

Enrollment Video

An Enrollment Video is available on the Flexible Benefits Website

https://www.sandiego.gov/risk-management/flexible-benefits

SAP Portal



CityNet

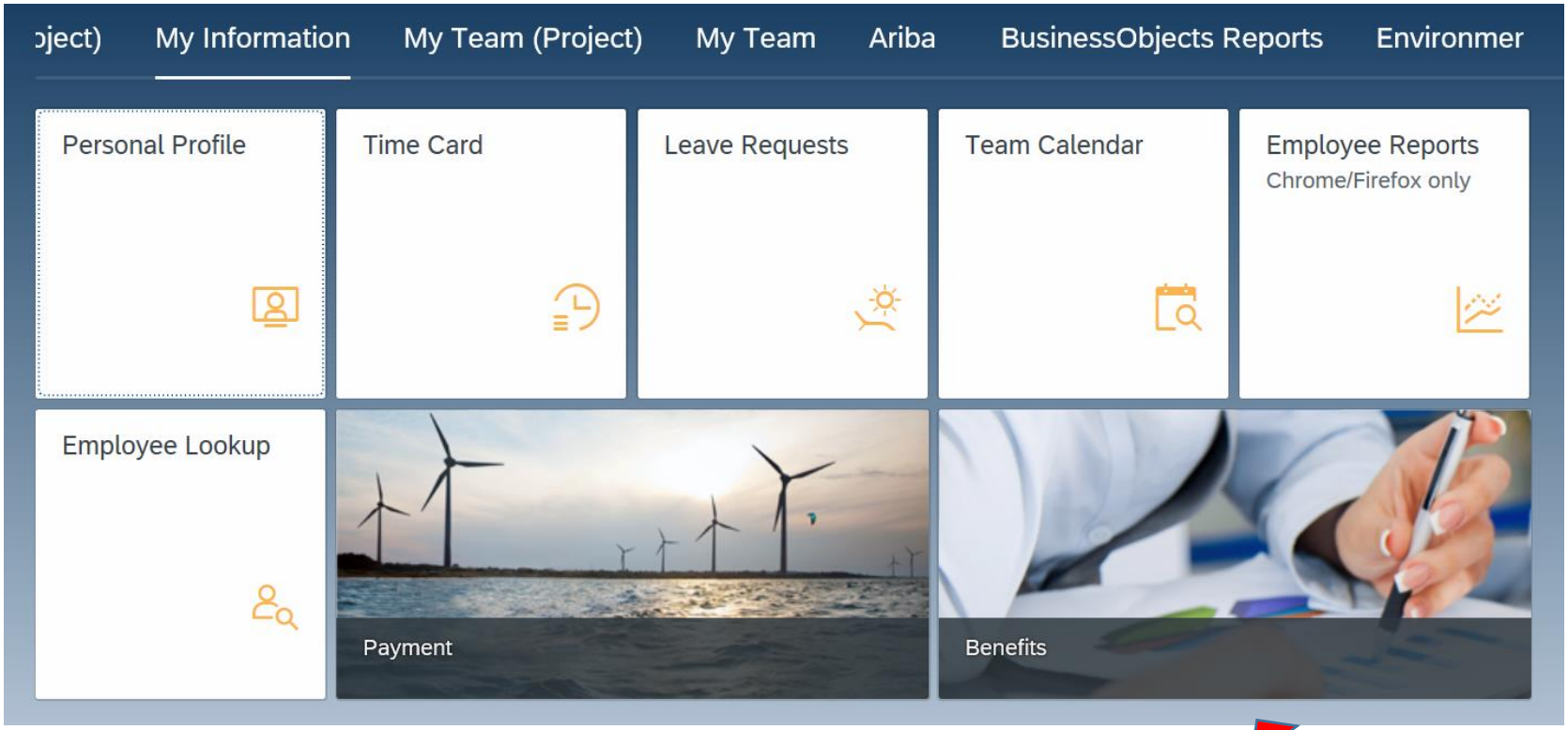
http://citynet.sandiego.gov

SAP Portal

- Benefits Enrollment – City computer

SAP Portal

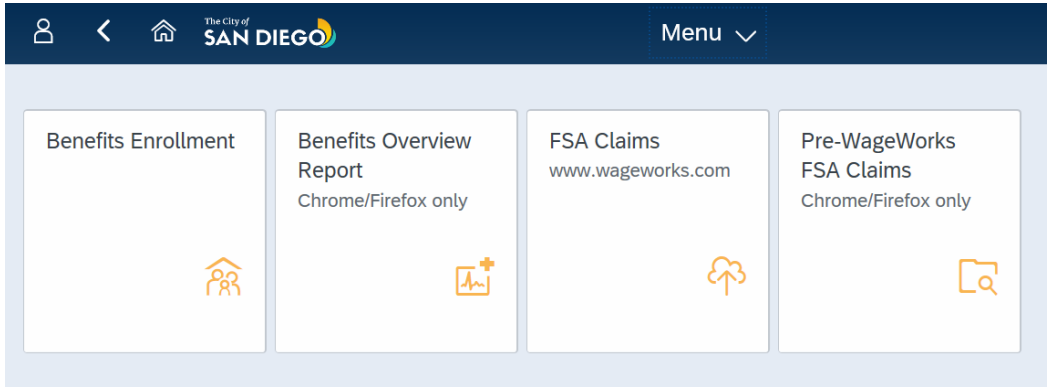
1. Select the My Information tab



2. Select the Benefits tile

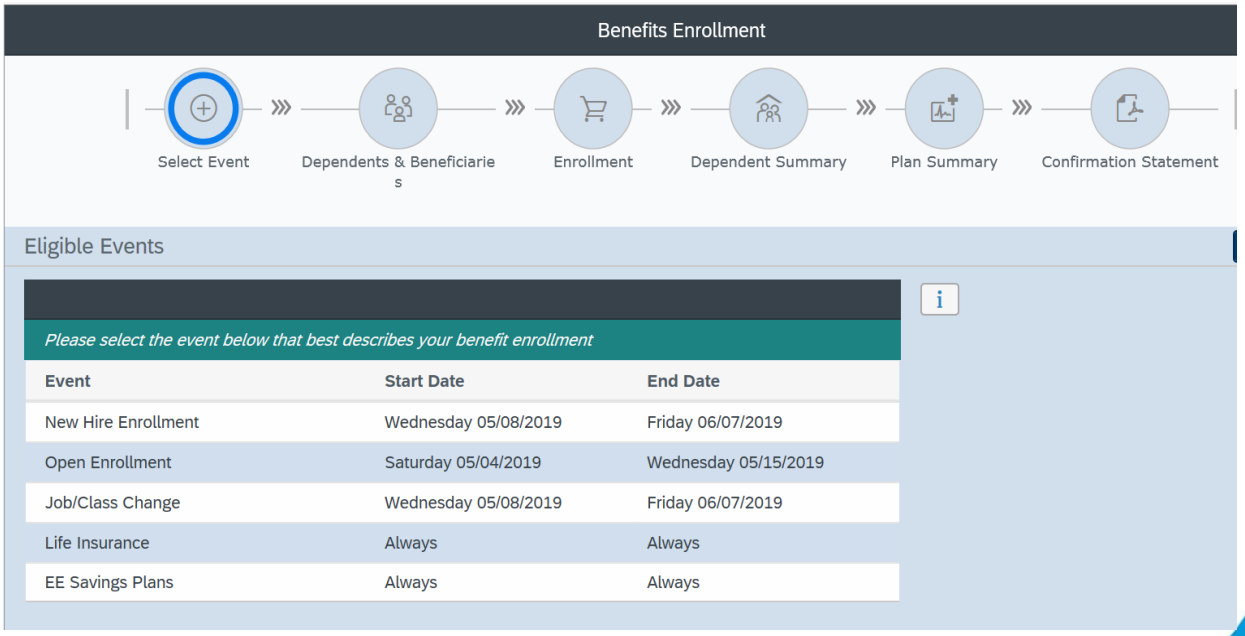
SAP Portal

3. Select Benefits Enrollment Tile



4. Select the New Hire option

For employees hired in the month of June, complete New Hire *then* Open Enrollment options.



Event	Start Date	End Date
New Hire Enrollment	Wednesday 05/08/2019	Friday 06/07/2019
Open Enrollment	Saturday 05/04/2019	Wednesday 05/15/2019
Job/Class Change	Wednesday 05/08/2019	Friday 06/07/2019
Life Insurance	Always	Always
EE Savings Plans	Always	Always

Risk Management Contacts

We are here to help . . .

Flex Benefits

(619) 236-5924 or
benefits@sandiego.gov

Employee Savings

(619) 236-6600 or
benefits@sandiego.gov

Questions?

Thank You

for attending
Employee Benefits Orientation

Helpful Information

Health Benefits – Terminology

Medical Carrier/Health Insurance Carrier/Health Insurance Company - Company that administers the claims and pays benefits for the health insurance plan you enroll in.

ex: Kaiser, Health Net, or Sharp

Medical Plan or Health Insurance Plan – HMO or PPO an employee enrolls in

ex: Kaiser Traditional or Kaiser Deductible HMOs

Medical Group – Doctors, nurses, and other health care professionals who care for patients

ex: Sharp Rees-Stealy

Primary Care Physician (PCP) – The doctor an employee designates as their physician; he/she serves as the entry point for all the patient's health care needs

Health Benefits – Terminology

Premiums – Amount of money charged by the insurance company for the plan an employee has enrolled in (this is what is deducted from the employee's paycheck)

Annual Deductible (does not apply to all plans) – Amount an employee pays for health care services before the insurance company starts to pay

Ex: $1,000 per individual or $2,000 per family

Plan Year Out-of-Pocket Maximum – Maximum amount employee will pay per individual/family per plan year

Ex: $3,500 per individual/$7,000 per family)

Co-payments – Employee's fixed out-of-pocket amount for a covered service paid by patient ($20 doctor visit)

Flexible Spending Accounts Terminology

Fiscal Year 2020 July 1, 2019 – June 30, 2020	Costs Incurred	Submit Claim on or before
Run-out Period: timeframe in the new plan year when you can *file claims for expenses incurred in the previous plan* year	July 1, 2019 - June 30, 2020	July 31, 2020
Grace Period: timeframe in the new plan year when you *can incur new expenses and file claims to use the balance left over from the previous plan year*	July 1, 2020 – Sept. 15, 2020	Sept. 30, 2020

Retirement Savings Plans – Terminology

Defined Contribution Plans

- Employee contributes a predetermined portion of his or her earnings (usually pre-tax) to an individual account
- Future benefits fluctuate on the basis of investment earnings

Defined Benefits Plans

- Plan has defined benefit payout based on years of service, age, and salary (pension plan)
- Future benefits do not change based on investment earnings
- San Diego City Employees Retirement System (SDCERS) administers the City's pension plan
- City of San Diego employees (except for sworn Police officers) originally hired on or after July 20, 2012 are <u>not</u> eligible to participate in the SDCERS pension plan

Retirement Savings Plans – Terminology

Pre-tax (Tax-deferred)

- Employee postpones paying taxes on the amount deducted for a retirement savings plan until funds are withdrawn
- Reduces income taxes on current year earnings
- When taxes are paid later, investment and earnings may be taxed at a lower rate

Post-tax

- Money invested is still subject to state and federal taxes at the time of deduction
- Reduces tax burden in retirement

Understanding Pre-Tax & Post-Tax

- Example:

  Gross Bi-weekly Pay: **$2,500**

  Withholding Tax Rate: **20%**

  Voluntary Retirement Savings Plan Contribution: **10%** of Gross Pay

Pre-tax deduction lowers adjusted gross pay, which decreases tax withholding, resulting in higher net pay

	Using Pre-tax Contribution	Using Post-tax Contribution
Gross Pay	$2,500	$2,500
Pre-tax Deduction	- 250	
Adjusted Gross Pay	$2,250	$2,500
Tax Withholding	- 450	- 500
Post-tax Deduction		- 250
Net Pay	**$1,800**	**$1,750**

What Does Vesting Mean?

When the City contributes money to your retirement savings plan, you may not have immediate full ownership; how and when you gain full ownership of the funds is known as the vesting schedule

- Contributions the employee makes are always 100% his/hers
- Contributions the City makes may be fully or partially available to the employee depending on the fund and years of service