OVERVIEW OF OPTIONS FOR SAVINGS PLANS POST EMPLOYMENT

There are numerous distribution options available to employees from their 457(b) Deferred Compensation Plan (Deferred Comp), 401(k) Plan, 401(a) Plan and Supplemental Pension Savings Plans (SPSP, SPSP-H). The purpose of this document is to provide individuals with a general overview of these options.

Note:
1. The following is provided as general information. Any differences between the content of this overview and the plan documents, the plan documents will prevail.
2. Specific questions regarding your pension (if eligible) should be referred to SDCERS.
3. For specific 457(b), 401(k), 401(a) and SPSP questions, contact the City's Risk Management Department Employee Savings Section at (619)236-6600.
4. Any tax questions should be referred to a qualified tax advisor.

457(b) DEFERRED COMPENSATION PLAN

No future contributions may be made after leaving City employment. There is no Required Minimum Distribution (RMD) necessary until age 70 ½ years of age. At this point, the IRS mandates the beginning of the Required Minimum Distribution.

However, once a person is no longer a City employee (retirees hired as provisional are considered termed employees for distribution purposes), he or she may begin distributions, at will, at any age without penalty. This is due to the fact that plan participants must only be "separated from service" (retired or terminated) to begin distributions of their account. In other words, 457 plan distributions are "service based" and not subject to age restrictions.

As long as there is more than $1,000 in your account you may leave your money in your account for as long as you want. Distributions may be taken in any fashion a person chooses: full or partial lump sum, or systematic (monthly/quarterly/semi-annual/annual) withdrawals which may be changed, stopped and/or restarted until funds are depleted. Mandatory Tax Withholding applies to distributions you receive, documentation is sent annually for tax return preparation and funds in the account remain tax-deferred until distributed.

Assets in the plan may be rolled over to either another employer plan (if allowed by the new plan) or IRA after separation. Pre-tax funds may be rolled over to the City of San Diego 401(k) Plan. When received by the new plan, the funds assume the new plan's rules (for example, early withdrawal penalties apply if funds are withdrawn from an IRA before 59½). Transfers from the 457 plan are <u>reportable</u> to the IRS but <u>not taxable</u> in the year of transfer. Finally, rules governing the City's plan do not allow rollovers into the 457 plan after separation.

401(k) PLAN

No future contributions may be made after leaving City employment, with the exception of continuing loan payments. New loans are not allowed once you have left City employment. You may continue to make payments directly to Wells Fargo on an existing loan. There is no required mandatory distribution necessary until age 70 ½ years of age (or actual retirement age if still actively employed by the City). At this point, the IRS mandates the beginning of the Required Minimum Distribution (RMD).

However, once a person is no longer a City employee (retirees hired as provisional are considered termed employees for distribution purposes), he or she can have access to the account. Whether a distribution is subject to the early withdrawal penalty is a question for a qualified tax advisor.

As long as there is more than $5,000 in your account you may leave your money in your account for as long as you want. When you would like to take a distribution, funds may be distributed as a partial, full lump sum, a rollover or systematic (monthly/quarterly/semi-annual/annual) withdrawals until funds are depleted. Mandatory tax withholding applies to distributions you receive, documentation is sent annually for tax return preparation and funds in the account remain tax-deferred until distributed.

Qualified pre-tax plans, such as DROP, pre-tax SPSP/SPSP-H, pre-tax 401(a) and 457(b), may be eligible for rollover into the 401(k) plan after separation.

Assets in the plan may be rolled over to either another employer plan (if allowed by the new plan) or IRA after separation. When received by the new plan, it assumes the new plan's rules (for example, early withdrawal penalties apply if funds are withdrawn from an IRA before 59½). Transfers from the 401(k) plan are <u>reportable</u> to the IRS but <u>not taxable</u> in the year of transfer.

401(a) PLAN

Non-safety employees hired from 7/1/2009 to 7/20/2013 and qualifying non-safety rehires after 7/20/2013 participate in this plan. The plan has been funded by eligible participants via two contribution sources – Employee (EE) and Employer (ER) contributions. EE mandatory and ER contributions (and all earnings) are considered "pre-tax" in nature and are subject to ordinary income tax when withdrawn. Voluntary EE contributions are made on an "after-tax" basis (contributions are taxed before being made to the 401(a) Plan) and are not subject to ordinary income tax when withdrawn.

No future contributions may be made after leaving City employment. There is no required mandatory distribution necessary until age 70 ½ years of age (or actual retirement age if still actively employed by the City). At this point, the IRS mandates the beginning of the Required Minimum Distribution (RMD).

However, once a person is no longer a City employee (retirees hired as provisional are considered termed employees for distribution purposes), he or she can have access to the account. Whether a distribution is subject to the early withdrawal penalty is a question for a qualified tax advisor. EE voluntary contributions are not subject to early withdrawal penalties since they were made after tax.

As long as there is more than $5,000 you may leave your money in your account for as long as you want. When you would like to take a distribution, funds may be distributed as partial, full lump sum or systematic (monthly/quarterly/semi-annual/annual) withdrawals until funds are depleted. All EE and ER funds are distributed on a "pro-rata" basis and all but voluntary EE contributions are taxed as ordinary income. A request can be made to have all pre-tax funds rolled over and the post-tax funds (EE voluntary contributions) paid to you.

Mandatory Tax Withholding applies to all taxable distributions you receive, documentation is sent annually for tax return preparation. EE mandatory and ER matching funds and all earnings remaining in the account remain tax-deferred until distributed.

After separation from City service only pre-tax assets (ER contributions, mandatory EE contributions and all earnings) in the plan may be rolled over to either another employer plan (if allowed by the new plan) or IRA. When received by the new plan, it assumes the new plan's rules (for example, early withdrawal penalties apply if funds are withdrawn from an IRA before 59½). Pre-tax transfers are reportable to the IRS but not taxable in the year of transfer. Pre-tax funds may be rolled over to the City of San Diego 401(k) Plan.

Post-tax (voluntary EE contributions) cannot be transferred. They will be returned to you and that amount is not subject to ordinary income taxes (since they were taxed before being contributed to 401A). Please contact Wells Fargo at 1(800)728-3123 for a breakdown of pre-tax and post-tax balances.

SUPPLEMENTAL PENSION SAVINGS PLAN (SPSP, SPSP-H)

SPSP was established for employees by the City of San Diego in 1982 in lieu of participation in the Federal Social Security System. Police Recruits hired 7/1/1991 through 7/1/2003 or after 8/1/2013 participate in SPSP-H until becoming sworn. Fire Safety members hired prior to 7/20/2012 did not participate in SPSP. All newly hired employees except sworn police hired after 7/20/2012 participate in SPSP-H. Over the years, there have been various versions of the SPSP Plan for various employee sub-groups regarding eligibility, participation and contribution requirements. In general, the plan has been funded by eligible participants via two contribution sources – Employee (EE) and Employer (ER) contributions. EE contributions were made on an "after-tax" basis (contributions are taxed before being made to the SPSP Plan and are not subject to ordinary income tax when withdrawn) until 12/31/2015. EE contributions beginning 1/1/2016 and ER contributions (and all earnings for both EE and ER contributions) are considered "pre-tax" in nature and are subject to ordinary income tax when withdrawn. For specific questions regarding your status, please contact the City's Risk Management Department Employee Savings Section (619)236-6600.

No future contributions may be made after leaving City employment, with the exception of continuing loan payments. For the SPSP plan, new loans are not allowed once you have left the City. You may continue to make payments directly to Wells Fargo on an existing loan. There is no required mandatory distribution necessary until age 70 ½ years of age (or actual retirement age if still actively employed by the City). At this point, the IRS mandates the beginning of the Required Minimum Distribution (RMD).

However, once a person is no longer a City employee (retirees hired as provisional are considered termed employees for distribution purposes), he or she can have access to the account. Whether a distribution of the City's contributions is subject to the early withdrawal penalty is a question for a qualified tax advisor. Employee contributions prior to 1/1/2016 are not subject to early withdrawal penalties since they were made after tax.

As long as there is more than $5,000 you may leave your money in your account for as long as you want. When you would like to take a distribution, funds may be distributed as partial, full lump sum or systematic (monthly/quarterly/semi-annual/annual) withdrawals until funds are depleted. Both EE and ER funds are distributed on a "pro-rata" basis.

Mandatory tax withholding applies to all taxable distributions you receive, documentation is sent annually for tax return preparation.

After separation from City service only pre-tax assets (EE contributions after 1/1/2016, ER contributions and all earnings) in the plan may be rolled over to either another employer plan (if allowed by the new plan) or IRA. When received by the new plan, it assumes the new plan's rules (for example, early withdrawal penalties apply if funds are withdrawn from an IRA before 59½). Pre-tax transfers from the SPSP plan are reportable to the IRS but not taxable in the year of transfer.

Pre-tax funds may be rolled over to the City of San Diego 401(k) Plan.

Post-tax (EE contributions prior to 1/1/2016) cannot be transferred. They will be returned to you and that amount is not subject to ordinary income taxes (since they were taxed before being contributed to SPSP). Please contact Wells Fargo at 1(800)728-3123 for a breakdown of pre-tax and post-tax balances.

Retiree Medical Trust (RMT)

After separation from City service you are eligible to access your Retiree Medical Trust (RMT). There is no minimum retirement age. Receipts for eligible healthcare expenses or monthly premiums may be submitted to the Trust for reimbursement. Full distributions are not available. Please contact HealthSecure HRA at 1(888)364-5027 for more information.