

November 2012

TERMINATING EMPLOYEE BENEFIT PLANS INFORMATION

BENEFIT SELECTIONS	DESCRIPTION
HEALTH INSURANCE	Coverage will continue through the end of the month in which separation occurs. The prepayment of health insurance premium will be adjusted on your final paycheck. Continuation of coverage is available for up to 18 months after date coverage ends, at full cost of premium plus 2% administrative fee. You will receive a COBRA letter from Risk Management instructing you of the cost and procedures to follow. Conversion to an individual policy may also be available through the specific carrier. For information on an individual policy contact the carrier directly.
LIFE INSURANCE	Group life insurance coverage ends on the last day of the month in which separation occurs. You may convert your Basic Life Insurance to any form of Individual Life Policy customarily issued by the City's insurance carrier in a sum equal to or less than the entire amount of life insurance you have in effect at the time your Group Life coverage ends. You have 31 days from the date your coverage ends to apply for conversion. Conversion request forms are obtained from Risk Management. Your completed conversion request is sent to the address listed on the form. If you and/or your dependents have Portable term insurance, you can continue the coverage at the group rates subject to the provisions of the policy. Continuation must be requested within 31 days from separation date. Continuation forms are available from Risk Management.
DENTAL AND/OR VISION	Coverage will continue through the end of the month in which separation occurs. The prepayment of dental and/or vision insurance premium will be adjusted in the employee's final paycheck. Continuation of coverage is available for up to 18 months after date coverage ends, at full cost of premium plus 2% administrative fee. You will receive a COBRA letter from Risk Management instructing you of the cost and procedures to follow. Conversion to an individual policy may also be available through the specific carrier. For information on an individual policy contact the carrier directly.

**AFLAC CANCER EXPENSE AND
HOSPITAL INTENSIVE CARE
PROTECTION**

Contact MEA at (888) 217-9175 for information on when coverage ends and/or to request coverage to continue.

REIMBURSEMENTS

Dependent Care

This benefit accrues until separation. Claim forms must be submitted within 30 days of separation for services received and paid for prior to separation. You are eligible to receive the accrued amount (providing it has been claimed) at the regular distribution. The check will be mailed directly to you at your home address on file.

Dental/Medical/Vision

The full allotment is available until separation. Claim forms must be submitted within 30 days of separation for services and/or supplies received prior to separation. You are eligible to receive the full amount claimed (not to exceed the annual allotment) at the regular distribution. The check will be mailed directly to you at your home address on file.

**IF YOU HAVE ANY QUESTIONS REGARDING FLEXIBLE BENEFITS, CONTACT
RISK MANAGEMENT - EMPLOYEE BENEFITS DIVISION AT (619) 236-5924.**

EMPLOYEE SAVINGS PLANS

SUPPLEMENTAL PENSION SAVINGS PLAN (SPSP and SPSP-H)

Upon separation from City employment you may keep your monies with Wells Fargo or request a distribution. If your account is less than \$5,000, a total distribution must be taken. Contact Wells Fargo SPSP/401(k) Participant Services at 1-800-626-6504 to request a distribution kit or for any questions regarding your account.

Your SPSP benefits may be distributed in a lump-sum payment or systematic installments (depending on account balance). Your account balance is comprised of the value of all your contributions, the gains/losses on your contributions, and your vested portion of the City's matching contributions and the gains/losses on those contributions.

Upon receipt of a completed distribution form, Wells Fargo will process the distribution within seven (7) business days. A distribution statement which reports the taxable amount of the distribution and taxes withheld will accompany the check. You will receive a 1099-R after the calendar year ends from Wells Fargo reflecting the distribution. Your checks will be mailed to the address on file with Wells Fargo. If you change address you must contact Wells Fargo to request a "Change of Address" form be sent to you. The form must be notarized and returned to Wells Fargo before distribution can be completed.

The taxable portions of your SPSP funds are subject to withholding taxes and applicable early distribution penalties. You may rollover the funds to avoid the taxes. Please read the section on tax information on the next page. The taxable and nontaxable amounts will be listed separately on the distribution statement.

401(k) and 401(a)

Upon separation from City employment you may keep your monies with Wells Fargo or request a distribution. If your account is less than \$5,000, a total distribution must be taken. Contact Wells Fargo SPSP/401(k) Participant Services at 1-800-626-6504 to request a distribution kit or for any questions regarding your account.

DEFERRED COMPENSATION

Upon leaving City employment, you may keep your monies with VALIC or request a distribution. For an account that is less than \$1,000, a total distribution must be taken. If you wish to receive the funds upon layoff, you will need to complete a Deferred Compensation Plan Distribution Request form. Monies withdrawn are taxed as ordinary income. There are no early distribution penalties on these funds. These funds are eligible to be rolled into an IRA if desired. Contact VALIC at 800-892-5558 for more information on payout options or necessary forms.

Questions on any of the savings programs can also be directed to Risk Management/Employee Benefits at (619) 236-6600.

TAX INFORMATION ON DISTRIBUTIONS

Distributions from Deferred Compensation, SPSP, 401(a) and 401(k) are subject to mandatory 20% Federal and appropriate State withholding taxes. These taxes **will be withheld** from all Deferred Compensation, 401(k), 401(a) funds and the taxable portion of the SPSP funds paid to you.

The Tax Reform Act of 1986 imposes a 10% penalty tax on early distribution of tax deferred monies to terminating employees who have not reached the age of 59 1/2. In addition, a separate 2 1/2% California State penalty tax also applies. You will be responsible for paying these penalty taxes when you file your income tax returns. This does not pertain to Deferred Compensation distributions.

You can **avoid all taxes** by keeping the monies with Wells Fargo or AIG Retirement or choosing to directly rollover all of your taxable funds. In a direct rollover, the funds are made payable to the Trustee of any IRA or another qualified plan that accepts rollovers. The check will be mailed to you, unless you request otherwise, for delivery to the successor IRA or plan trustee. If you choose a direct rollover, you are not taxed until you take the funds out of the IRA or other employer plan.

Because of the complexities involved, you should consult with a tax advisor to discuss the tax consequences of your distributions.

RETIREE MEDICAL TRUST

If you were contributing to a retiree medical trust, upon separation you are now eligible to submit claims for eligible expenses to the third party administrator. Refer to your enrollment information or quarterly statement for contact information as the administrator differs depending on your bargaining group.