

ACTION NEEDED: Riverside Sheriff's Association Law Enforcement Unit (RSA) Post Employment Program Pre-Designation 60-Day Window Period January 13, 2025, through March 13, 2025

On December 10, 2024, the Board of Supervisors approved Agenda Item #3.21 the RSA Memorandum of Understanding (MOU). As part of the Riverside Sheriff's Association (RSA) Law Enforcement Unit Memorandum of Understanding (MOU), active RSA employees are required to make a one-time, irrevocable election regarding the deposit of qualifying leave.

Election Details:

- Upon hire into an RSA represented classification, all active employees must make a one-time decision to have qualifying leave deposited into either a Voluntary Employees' Beneficiary Association (VEBA) and/or a 401(a) Money Purchase Plan (also referred to as the Special Pay Plan).
- This election must be made within a designated 60-day timeframe from the date of eligibility.

Please carefully consider your options and make your election within the provided 60-day window, as this decision is irrevocable.

What is changing?

- Prior to this MOU, RSA represented employees who have at least five years of continuous County service and separate, had the option to designate where the value of their qualifying leave was to be deposited into at the time of separation.
- Effective January 13, 2025, RSA represented employees shall make a one-time irrevocable election for how their qualifying leave will be deposited upon separation. The value of the qualifying leave will be deposited into either a VEBA and/or a 401(a) Special Play Plan if the employee has at least five years of continuous County service.

Why the change?

The recent modification to the Riverside Sheriff's Association (RSA-LEU) Memorandum of Understanding (MOU) was made to ensure compliance with IRS tax regulations, specifically the constructive receipt principle.

Constructive receipt is an IRS tax rule which mandates that employees pay taxes on non-cash wages, such as unused leave balances, when those amounts are credited to an account or made available to the employee without restriction.

According to Treasury Regulation § 1.451-2(a), an employee is considered to have "constructively received" income if they have unrestricted access to the funds, making them subject to taxation. However, income is not considered constructively received if the employee's access to those funds is subject to substantial limitations or restrictions.

To avoid triggering constructive receipt taxation, which could result in unintended tax consequences, the process was changed to align with IRS tax code and regulations.

What are the election Options?

Option 1: 100% Special Pay Plan

Option 2: 100% VEBA Health Savings Reimbursement Plan

Option 3: 50% Special Pay Plan and 50% VEBA Health Savings Reimbursement Plan

Employees who do not make an election within the 60-day specified timeframe will be automatically defaulted to 100% Special Pay Plan.

What is a 401(a) Special Pay Plan?

The Special Pay Plan – a qualified 401(a) plan that provides participants with an opportunity to contribute their eligible leave balances into a retirement plan up to the current maximum allowable contribution per IRS contribution limits. The plan provides tax shelter on contributions and income earnings until the participant withdraws the funds in lump-sum or periodic payments. **In the event of your death, your beneficiary will be entitled to receive a lump sum payment of your contributions plus interest.**

What is a VEBA Health Savings Plan?

The VEBA Health Savings Plan – a health reimbursement arrangement that provides participants with post-employment health expense reimbursement that may be used for qualified out-of-pocket medical/dental/vision expenses, and qualified insurance premiums (IRS Pub. 502). Contributions, investment earnings, and reimbursement from the VEBA Health Savings Plan account are exempt from Federal and State income taxes, as well as exempt from Social Security and Medicare taxes. **In the event of your death and you have no eligible survivors, the remaining funds will be forfeited and recontributed to the Plan.**

When is the 60-day Window?

- The 60-day window will be effective for all active RSA employees beginning January 13, 2025, through March 13, 2025.
- All New Hires, Rehires or those transferring into RSA will have a separate 60-day window based on the effective date of their action.

Where do I make my irrevocable election?

- Employees can complete their Post Employment election via [PeopleSoft HCM](#) by navigating to: **Menu > Self Service > Benefits > Post Employment Election**

Your election is irrevocable, which means that the election made during the specified timeframe will remain in place unless you should terminate from the County of Riverside and rehire, or you are in an ineligible bargaining unit upon separation.

Are there any resources to assist?

- Employees can find step-by-step Instructions, answers to Frequently Asked Questions (FAQ's), and the Post Employment Program Pre-Designation Guidelines on the Human Resources Retirement Division website at <https://rc-hr.com/retirement-benefits> and navigating to the "Retirement Forms" section.

Have more questions?

For more information, please contact the Human Resources Retirement Division at (951) 955-4981, Option 2 or email Retirement@rivco.org.