

RSA/RSC Post Employment Program Frequently Asked Questions (FAQ)

1. **Question:** *What is the Post Employment Program?*

Answer:

- The Post Employment Program offers employees a unique way to save taxes on their leave balance payouts.

2. **Question:** *Why do I need to make this election prior to my employment with the County ceasing?*

Answer:

- Regulations under (Treas. Reg. § 1.451-2(a)) of the Internal Revenue Code state that Constructive Receipt is an IRS principle in tax law that requires an employee to pay taxes on non-cash wages, including unused leave balances credited to an account or made available to an employee without restriction in the future. The employee does not have to physically receive cash to be taxed. Constructive Receipt applies anytime an employee has the choice to convert non-cash benefits into a taxable or non-taxable (VEBA) option.

3. **Question:** *What leave balances will be contributed towards the Post Employment Program?*

Answer:

- Annual, Vacation, Extra Vacation, Holiday and Sick (if retiring) leave balances are eligible for the Post Employment Program if one of the following apply.
- Employees with 5 or more years, but less than 15 years, of continuous County service, will have all accrued sick leave contributed at fifty percent (50%) of their current salary value, up to a maximum of 960 hours of full pay.
- Employees with 15 or more years of continuous service will have all accrued sick leave contributed at one hundred percent (100%) of their current salary value, up to a maximum of 960 hours of full pay.

4. **Question:** *What are my options?*

Answer:

- Employees will have the option to make a one-time irrevocable election which consists of two Plans.
- 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.

- 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.

5. **Question:** *What is the current maximum allowable contribution into the Special Pay Plan?*

Answer:

- The 2025 maximum allowable contribution to the 401(a) Special Pay Plan is \$70,000 and subject to change annually. The IRS periodically increases the dollar limit to reflect cost-of-living increases. If your leave balance payout exceeds the annual maximum allowable contribution limit, you will have the option to further defer any excess leave into the 457(b) Deferred Compensation Plan. Under the Deferred Compensation Plan the pre-tax contributions are deferred from income tax and not subject to state and federal income taxes, however your Social Security and Medicare (FICA) taxes are not waived. The after-tax contributions are taxed upfront and are not taxable at the time of distribution if the distribution is made after five consecutive tax years since the first Roth contribution and if the distribution is made after age 59 ½, or due to death, or disability and any remaining balance will be paid to you as cash, and subject to taxes.

6. **Question:** *What are the Tax Benefits and Considerations for each Plan?*

Answer:

- Under the Special Pay Plan, the contributions and investment earnings are deferred from income tax until you receive distribution. Exempt from Social Security and Medicare taxes (and not counted toward Social Security earnings).
- Under the Deferred Compensation Plan the pre-tax contributions are deferred from income tax and not subject to state and federal income taxes, however your Social Security and Medicare (FICA) taxes are not waived.
- Under the VEBA Health Savings Plan the contributions, investment earnings, and distributions from the account are exempt from state and federal income taxes, exempt from Social Security and Medicare taxes (and are not counted towards your social security earnings).

7. **Questions:** *How can I learn more about each option?*

Answer:

- Plan Documents and Summary Plan Descriptions are available on our website <https://rc-hr.com/retirement-benefits> > Retirement Forms or available upon request to the Retirement Division.

8. **Question:** *What if I do not make any election within the 60-day window?*

Answer:

- If no election is made within the 60-day election window, 100% of the payable value of the employee's qualifying leave balances will be contributed to the 401(a) Special Pay Plan and subject to the maximum limits set by the IRS. Any remaining monies shall be paid to the employee.

9. **Question:** *How long will my election remain in effect?*

Answer:

- The employee's one-time irrevocable election shall remain in effect through the duration of time in the represented bargaining unit. Should the employee transition to a classification in another bargaining unit, and subsequently return to the previous bargaining unit, the initial irrevocable election will remain in effect.

10. **Question:** *How do I make my election?*

Answer:

- Employees can access the Post Employment Program election page via PeopleSoft Self-Service by navigating to: **Menu > Self Service > Benefits > Post Employment Election** during the 60-day election window.

Are there any resources to assist?

- Employees can find step-by-step Instructions, 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.