

March 13, 2024

ACTION NEEDED: SEIU Post Employment Program Pre-Designation

On Tuesday, March 12, 2024, the Board of Supervisors approved Agenda Item #3.23, SEIU Qualifying Sick Leave Payout Side Letter. This Side Letter provides that all active SEIU employees shall make a one-time irrevocable election upon hire into an SEIU represented classification to have qualifying sick leave deposited into either a VEBA and/or a 457 Deferred Compensation Plan within a designated 60-day timeframe.

This letter is to notify employees covered by the SEIU MOU of the opportunity to make a one-time irrevocable election, provide information regarding the election options and the 60-day window.

What is changing?

- Prior to this Side Letter, SEIU represented employees who have at least five years of continuous County service and retire, the value of their qualifying sick leave was automatically deposited into a VEBA Health Savings Reimbursement Plan account.
- Effective March 21, 2024, SEIU represented employees shall make a one-time irrevocable election for how their qualifying sick leave will be deposited upon retirement. The value of the qualifying sick leave will be deposited into either a VEBA and/or a 457 Deferred Compensation Plan if the employee has at least five years of continuous County service.

Why the change?

It was determined that the provisions in the SEIU MOU could be susceptible to IRS Constructive Receipt taxation rules. The process was changed to conform to IRS tax code. 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 (see Treasury Regulation § 1.451-2(a)). However, income is not constructively received if the taxpayer's control of its receipt is subject to substantial limitations or restrictions.

What are the election Options?

Option 1: 100% 457 Deferred Compensation

Option 2: 100% VEBA Health Savings Reimbursement Plan

Option 3: 50% 457 Deferred Compensation and 50% VEBA Health Savings Reimbursement Plan

****Note:** Employees who do not make an election within the 60-day specified timeframe will be automatically defaulted to the 100% 457 Deferred Compensation.

What is a 457 Deferred Compensation Plan?

The 457 Deferred Compensation Plan – a qualified 457(b) 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 reimbursements 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 SEIU employees beginning Thursday, March 21, 2024 through Monday, May 20, 2024.
- All New Hires, Rehires or those transferring into SEIU 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**

****Note:** 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.