

## Post Employment for Exempt Management, Management, Confidential and Other Unrepresented Employees Frequently Asked Questions (FAQ)

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

**Answer:**

- The Post Employment Program provides eligible employees with an opportunity to direct qualifying leave balance payouts into approved post-employment benefit accounts to maximize tax advantages and retirement planning opportunities.
- Employees separating from County service with five (5) or more years of continuous County service may be eligible to contribute qualifying leave balances toward the Post Employment Program, subject to applicable plan rules, IRS limits, and County policies.

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

**Answer:**

- Regulations under Treasury Regulation § 1.451-2(a) of the Internal Revenue Code address the constructive receipt doctrine. Constructive receipt is an IRS tax principle which generally provides that employees may become taxable on compensation when funds are credited to an account, set apart, or otherwise made available without substantial limitations or restrictions.
- Employees do not need to physically receive cash for taxable income to occur. Because qualifying leave balances may be directed into taxable and/or non-taxable post-employment accounts, the County is requiring employees to make a prospective irrevocable election in advance to maintain compliance with IRS regulations.

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

**Answer:**

- Annual, Vacation, Extra Vacation, Holiday and Sick leave pursuant to Section 708 of the Exempt Management, Management, Confidential, and Other Unrepresented Employees Resolution.
- Employees with (5) or more years, but less than fifteen (15) years, of continuous County service will have accrued sick leave payable at fifty percent (50%) of current salary value, up to a maximum of 960 hours of full pay.
- Employees with fifteen (15) or more years of continuous County service will have accrued sick leave payable at one hundred percent (100%) of current salary value, up to a maximum of 960 hours of full pay.

4. **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.

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

**Answer:**

- **100% 401(a) Special Pay Plan** - One hundred percent (100%) of the payable value of qualifying leave balances shall be deposited into the employee's 401(a) Special Pay account, up to the legal limit, and any remaining monies shall be paid to the employee.
- **100% VEBA Health Reimbursement Arrangement (HRA)** - One hundred percent (100%) of the payable value of qualifying leave balances shall be deposited into a VEBA account.
- **50% 401(a) Special Pay Plan / 50% VEBA** - Fifty percent (50%) of the payable value of qualifying leave balances shall be deposited into the employee's 401(a) Special Pay account, up to the legal limit.
- **100% 457(b) Deferred Compensation Plan** - One hundred percent (100%) of the payable value of qualifying leave balances shall be deposited into the employee's 457(b) Deferred Compensation account, up to the legal limit, and any remaining monies shall be paid to the employee.
- **75% 401(a) Special Pay Plan / 25% VEBA** - Seventy-five percent (75%) of the payable value of qualifying leave balances shall be deposited into the employee's 401(a) Special Pay account, up to the legal limit with twenty-five percent (25%) of the payable value of qualifying leave balances deposited into the VEBA account. Any remaining monies shall be paid to the employee.
- **25% 401(a) Special Pay Plan / 75% VEBA** - Twenty-five percent (25%) of the payable value of qualifying leave balances shall be deposited into the employee's 401(a) Special Pay account, up to the legal limit, with seventy-five percent (75%) of the payable value of qualifying leave balances deposited into the VEBA account. Any remaining monies shall be paid to the employee.

6. **Question:** *What are the 457(b), 401(a) Special Pay and VEBA plans?*

**Answer:**

- **457(b) Deferred Compensation** - A qualified plan that provides participants with an opportunity to contribute eligible leave balances at retirement up to the maximum allowable contribution limits set by the IRS. The Plan provides tax shelter on contribution's income earnings until the participant withdraws the funds in lump-sum or periodic payments. Distributions are granted thirty (30) days after separation of employment not subject to a 10% penalty if under age 59 ½. Distributions from the Plan are taxable as ordinary income in the year received and may be subject to applicable federal and state income tax withholding. In the event of your death, your beneficiary will be entitled to receive a lump sum payment of your contributions plus interest.
- **401(a) 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 lumpsum or periodic payments. Distributions are granted thirty (30) days after separation of employment. Distributions from the Plan are taxable as ordinary income in the year received and may be subject to applicable federal and state income tax withholding. In addition, distributions taken prior to age 59½ may be subject to a 10% early withdrawal penalty under IRS rules unless an applicable exception applies. In the event of your death, your beneficiary will be entitled to receive a lump sum payment of your contributions plus interest.

- **VEBA Health Reimbursement Plan (HRA)** - A health reimbursement arrangement provides participants with post-employment health expense reimbursement that may be used for qualified out-of-pocket medical/dental/vision expenses, and insurance premiums. There is no beneficiary provision under this plan. However, in the event of your death your account balance will be available to your surviving spouse, and/or any qualified dependents under the definition as defined by Internal Revenue Code Sections 105(b) and 152 for medical reimbursement until your account is exhausted. In the event of your death and have no eligible survivors the remaining funds will be forfeited and recontributed to the Plan. Distributions from this plan other than those stated above will not be permitted.

7. **Question:** *What is the current maximum allowable contribution into the 401(a) Special Pay Plan?*

**Answer:**

- The 2026 maximum allowable contribution to the 401(a) Special Pay Plan is \$72,000 and subject to change annually.
- 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.

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

**Answer:**

- Under the Special Pay Plan 401(a), 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 457(b), 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).

9. **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.

10. **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.

11. **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.

12. **Question:** *Are there any resources to assist?*

**Answer:**

- 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](mailto:Retirement@rivco.org).