



San Mateo County Chapter AFSCME FLASH

Number 1, April 9, 2007

County Deferred Compensation Committee – New AFSCME Representative Needed

The Assignment - *The County Deferred Compensation Committee advises Human Resources and the Board of Supervisors regarding the firms that provide deferred compensation programs for County workers, proposes and modifies investment policies, evaluates the performance of the funds made available through those firms – advising deletion of funds that do not perform according to the policy goals – and makes binding decisions regarding individual workers' requests for hardship withdrawals from their deferred compensation accounts.*

The Vacancy - *AFSCME Local 829 has a seat on this Committee, and it has recently become vacant with the March 31 retirement of Bill Santos, who held it for many years in addition to prior service as Local Vice President, negotiator and steward for the County Chapter. Bill deserves a major vote of appreciation for his service to fellow members, and wishes for a great retirement.*

The AFSCME seat on the Deferred Compensation Committee must now be filled, and volunteers are invited from members interested in serving in this County-wide capacity on behalf of AFSCME members.

The Requirements - *The specific requirements of the position are these:*

- **Time** - *The Committee meets 2-3 times per year on work time, and spends additional time evaluating hardship withdrawal requests electronically, for a total of 10-12 hours' service per year. An initial briefing on the Committee's functions and processes is provided to new Committee members by Paul Hackleman, County Benefits Manager.*
- **Important Qualities** *for this position are: good judgment and the ability to be impartial; familiarity with sound investment principles and practices; ability and motivation to regularly attend to Committee business and attend meetings as notified, and willingness to report to the AFSCME membership on important policy issues considered by the Committee.*

*If you are interested in this assignment on behalf of AFSCME, please contact **Charlene Shores, Local 829 President at 650-573-2560** as soon as possible. A decision will be made on this representative position no later than April 20th.*

Board to Vote on Retirement "Air Time"

if the Board of Supervisors votes to approve it on April 24th, workers will soon be allowed to purchase up to 5 years of additional retirement service credit, with no requirement that those years be previously worked, and will be able to do so utilizing funds from their deferred compensation account. (over)

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Ability to Purchase "Air Time", *continued*

Q: *OK, what IS "air time" and why is it different from other types of time I can buy or "buy back"?*

A: *Past service time that was cashed out when you left the County, time worked as extra help, Tier 3 service time you want to convert to the "better plan" and time spent in military service – all are types of prior public service time that can be or could be purchased by individuals who want to increase their amount of service toward their retirement benefit. "Air time" can also increase a worker's retirement service time, but differs because:*

- 1) It's not based on public service time you must have worked (thus the word "air"). It's just time you buy.*
- 2) It's relatively expensive. Specifically, it costs the individual more than past service or extra help time, and about the same as Tier 3 or military service time. Here's why: the law provides that when you "buy back" prior service or extra help time, the employer has to "put back" their contribution toward your future benefit, so you only pay the employee share. Not so for Tier 3 or military time **or** air time. With those, the worker pays the whole cost for the years they purchase - their side and the County's – so that when they begin to draw their retirement benefit, it is close to fully paid for, and doesn't weaken the retirement fund.*

Q: *I know a little about this issue, but I'd heard that the County was stalling **and** that we couldn't use our deferred compensation funds for this purpose; what has changed?*

A: *Until recently, it appeared that use of deferred compensation funds to purchase air time might not be allowed by the IRS, for the very reason that this time is not connected with prior service already worked. PERS allowed it, but there was a risk that their deferred comp plans might be found invalid by the IRS. Counties covered by the 1937 Retirement Act were more cautious about this, and were very cautious about making sure air time purchases wouldn't result in a hidden cost to their retirement fund, so few have implemented the program up to now. The Unions negotiated a report back from the County on this issue in last year's bargaining. Happily, **recent rulings and legislation** have changed the picture dramatically: deferred compensation funds **can** now be used, and as reported on page 1, the Board will be voting on implementation of the air program later this month.*

Q: *I've already "bought back" my 9 months' service time as extra help, and I also "bought back" a year's time I worked for another county. So, will I also be eligible to buy "air time"?*

A: *Yes, any worker who is vested in the County's system (generally, 5 years) is eligible.*

Q: *But, if it's expensive, why would it be worth doing?*

A: *You have to look at your own circumstances. If you are retiring fairly early, are healthy and can anticipate a long life after retirement, there probably isn't any better place you could put the money, because the retirement system must continue to pay you or your survivor the increased benefit (attributable to the additional years you purchased) for your entire post-retirement lifetime, even if the amount you paid has long been used up. It's the gift that keeps on giving. If you get (or calculate, based on information made available to you) an estimate of cost as well as how much your benefit would increase, you can determine if it's worth the investment.*

Q: *When can I do this?*

A: *Once implemented (again, if approved by the Board) you can get an estimate and make this purchase at any time in your County services after you are vested in the retirement system, and for up to 120 days after you retire.*