



The Dane County PRIME Choice Retiree Benefit Plan

Introduction

Dane County has adopted a Post-Retirement Leave Conversion Medical Reimbursement Plan (hereinafter, "Medical Plan") and a Governmental 401(a) Special Pay Plan (hereinafter, "Retirement Plan") (together called the "Plans") to allow retiring employees to convert accumulated leave into a supplemental retirement benefit. Participation in this program is mandatory.

The Plans are intended to allow flexibility in the conversion of the unused accumulated sick leave, vacation and holiday pay. Dane County will apply a formula, described, to convert a retiring employee's unused accumulated leave balances into a dollar amount. During an exit interview, the county will determine if the accumulated leave should be placed in a medical trust account or a tax deferred retirement account.

Under this program, retirees will continue to be allowed to defer their enrollment in the county's health and dental plans for a period of up to ten years after their retirement, provided that they were participating in the health and/or dental plans at their retirement.

Conversion of Leave Balance to a Dollar Amount

- 1) **Sick Leave:** The retiree's sick leave balance will be converted to a dollar amount as follows: Total hours of accumulated sick leave to a maximum of 1700 x regular hourly rate of pay at time of retirement.
- 2) **Vacation:** The retiree's vacation leave balance will be converted to a dollar amount as follows: Total hours of earned vacation leave x regular rate of pay including longevity and incentive pay at time of retirement.
- 3) **Sabbatical/vacation bank:** The retiree's sabbatical/vacation bank will be converted to a dollar amount as follows: Total hours in the employee's sabbatical/vacation bank x regular rate of pay including longevity and incentive pay at time of retirement.
- 4) **Holiday and Wellness pay:** The retiree's holiday balance (including wellness hours) will be converted to a dollar amount as follows: Total hours of holiday pay x regular rate of pay including longevity and incentive pay at time of retirement.

Vacation and Holiday/Wellness Pay

No later than fifteen (15) days after the retirement of an employee Dane County will deposit the amount calculated under #2 (vacation) and under #4 (holiday) into a 401(a) retirement account. This amount will not be subject to FICA tax. In addition, federal and state income

tax will not be due on the amount deposited until it is withdrawn from the 401(a) plan. The retiree will have immediate access to these funds and can decide to leave them in the 401(a) plan, roll the balance to an individual IRA or withdraw them and pay tax on any amount withdrawn. The IRS has an annual limit to 401(a) deposits of \$46,000.

Sick Leave and Vacation/Sabbatical Bank

The amount calculated under #1 (sick leave) and #3 (Vacation/Sabbatical Bank) is subject to the PRIME Choice plan. Under this plan, the county chooses how these amounts will be paid to the retiree, either as a contribution to a retiree medical trust account for payment of insurance premiums and other medical expenses or to the 401(a) plan as a cash distribution.

This decision is based on an exit interview designed to assess the retiree's financial needs and their access to health care. The interview includes a formal questionnaire, but the retiree is encouraged to bring whatever information they want to assist in this decision process. Employees can bring anyone to the interview such as a spouse or partner. Represented employees may also ask a bargaining unit representative to attend. Once the decision is made, it is irrevocable. The county will notify the employee of the result in writing, not more than 30 days after the interview.

If the retiree refuses to participate in the interview process, then the amount of those leave balances will go to the 401(a) plan as described below.

The Medical Plan Trust

If the interview determines that the retiree needs to use their sick leave and vacation/sabbatical bank amount for medical costs, Dane County will make an annual contribution to the Medical Plan Trust. These funds can be used for insurance premiums and for other medical expenses such as prescription or dental copays. Interest will accrue on the unspent funds.

The annual contribution will be equal to 135% of the annual cost of health and dental insurance premiums for County sponsored insurance for the retiree and dependent(s), if any. If the retiree chooses a non-County sponsored plan, the annual contribution will be equal to 135% of the annual cost of the health and dental insurance premiums for the retiree and dependent(s), if any, plus the amount of the plan deductible up to \$5,000 per person (\$10,000 maximum), annually. If the retiree's health and/or dental insurance premium cost increases during the calendar year, the retiree **must notify** the County, and the County will make a supplemental contribution equal to 100% of the additional premium amount for that calendar year.

If the retiree participates in outside insurance, it is the responsibility of the retiree to notify the County and provide documentation of any premium change including annual increases.

Retirees must notify the County of any change in the plan(s) that they will enroll in by November 15 of the preceding year. If the County does not receive such notification, the annual contribution amount shall be based upon the plan(s) that they are currently in.

For retirees who defer their participation in the County's health and or dental insurance plans, contributions will commence once the retiree begins participation in the County's health and or dental plans.

An annual contribution of 35% of the cost of the Single (HMO) premium shall be made for retirees who choose to defer their participation in the County's health and/or dental insurance plans.

If a retiree initially defers participation in the County's health and or dental plan, and during the deferral period, determines to never participate in the County's health and or dental plans, then the County will begin making an annual contribution equal to 135% of the family HMO health plan and the family dental plan. Such contributions will commence upon notice by the retiree to decline coverage or at the end of 10 years following retirement, which ever comes first.

The annual contributions will continue until the retiree's sick leave and vacation/sabbatical bank balances are exhausted. If the retiree dies, the balance in the medical trust can be used by the retiree's surviving spouse or dependents

If the retiree dies before the balance is exhausted and has no surviving spouse or dependents, the County will make a payment of the remaining balance to the retiree's estate. This distribution will be subject to income tax.

The Special Pay Plan

If the interview determines that the retiree has access to medical insurance or has immediate other financial needs Dane County shall make a contribution equal to 100% of the retiree's sick leave and vacation/sabbatical bank as calculated in #1 and #3 to the 401(a) Retirement Plan Trust up to the annual contribution limit for the Retirement Plan Trust. Any amount over that limit will be deposited into a 457 account, up to the applicable limit for the 457 plan, and will be subject to FICA taxes.

The retiree may withdraw the funds from the 401(a) account without paying any penalty, sales or surrender charges. The retiree may also leave their balance in the 401(a) account and invest in the mutual funds offered under the plan.



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