

SPSP BALLOT AND INFORMATION

PURPOSE FOR THIS SPSP AMENDMENT

In May 2010, the participants voted to amend the SPSP plan document to allow participants that had voluntarily transferred SPSP funds to SDCERS to purchase service credit to voluntarily elect to transfer these funds back to SPSP. This prior vote did not address whether earnings (interest credited to these transferred amounts pursuant to SDCERS provisions) could also be transferred to SPSP. As it is the intent of the City and SDCERS to allow these earnings to also be transferred to SPSP, the SPSP plan document needs to be amended to specify that these earnings can also be transferred to SPSP. This change will enable SDCERS to transfer these earnings to the participant's SPSP account and avoid immediate taxable distributions to the participants of these earnings amounts.

This change has been reviewed and approved by the office of the City Attorney and the labor organizations representing SPSP participants. This proposed change is deemed to be administrative in nature and not required for compliance purposes. Therefore, pursuant to the SPSP plan document, a majority vote by active SPSP membership in favor of the change is required for the change to be made.

BALLOT ISSUE

Shall the plan document for the Supplemental Pension Savings Plan (SPSP) be amended to include the following change:

Description of Change	Comments
<p><u>Allow participants to transfer earnings associated with direct plan-to-plan transfer amounts from SDCERS to SPSP of SPSP funds that were previously transferred to SDCERS under existing SPSP provisions.</u></p>	<p>On occasion SDCERS must return contributions paid by participants to purchase service credit. Currently, only the funds originally transferred from the participant's SPSP account are allowed to be returned to SPSP. Earnings credited under the terms of SDCERS are not allowed to be transferred to SPSP thus creating a taxable corrective distribution to participants.</p> <p>If approved, the SPSP plan document would be changed to insert the bolded language as shown below:</p> <p>“Once in any Plan year, upon 30 days’ written notice to the Plan Administrator, a Participant may voluntarily elect to transfer back to the Plan all or a part of the amount he or she elected to transfer out of the Plan to the SDCERS or other qualified governmental plan pursuant to this Section 15.01 plus applicable earnings credited to such amounts pursuant to the terms of SDCERS or other qualified governmental plan.”</p> <p>This change would allow the participant to transfer the original funds <u>and</u> the earnings and continue to defer taxation on the funds and the earnings.</p>

BALLOT SUMMARY

- A “YES” vote will allow the change stated by the Ballot Issue to be allowed.
- A “NO” vote will not allow the change stated on the Ballot Issue to be allowed.