City of Clovis
Retirement Investment Options

City of Clovis
Retirement Savings Guide

January, 2025

INVESTING IN YOUR FUTURE

This guide provides basic retirement investment options available to full-time City of Clovis employees. Contributing to retirement investments early in an employee's career can help create a more comfortable retirement. However, this guide is not a comprehensive listing of all retirement investment options, nor is it intended to be investment advice.

It is recommended that employees consult with representatives at CalPERS, MissionSquare, or outside accountants and investment advisors to discuss the best options for their particular situation.

CalPERS:

Website: calpers.ca.gov

888-CalPERS (888-225-7377)

MissionSquare:

Website: missionsq.org

800-669-7400

Questions:

City of Clovis Personnel/Risk Management

1625 Shaw Avenue, Suite 103
Clovis, CA 93611

559-324-2725 ph
559-324-2865 fax

www.cityofclovis.com/general-services/personnel/

California Public Employee Retirement System (CalPERS)

ALL CITY OF CLOVIS EMPLOYEES ARE ENROLLED IN CALPERS

Upon hire, all City of Clovis employees are automatically enrolled in a mandatory defined-benefit plan, also known as a pension plan, through the California Public Employee Retirement System or CalPERS. A defined-benefit plan is computed using a formula that considers length of employment and salary history. Employees should refer to their MOU for their retirement formula. Sworn Police and Fire "Safety" employees have different retirement benefits from all other employees who are considered "Miscellaneous."

Generally, employees hired by Clovis or another CalPERS agency prior to December 31, 2012 are considered Classic Employees. Employees hired January 1, 2013 or later are considered New employees or PEPRA employees. PEPRA stands for Public Employees' Pension Reform Act.

Employees can review their retirement benefits and calculate estimated retirement income by creating an account at calpers.ca.gov. Employees can also make an individualized appointment with a retirement planner at the website, or by calling 888-CAL-PERS (888) 225-7377. In addition, employees should consider completing a CalPERS Special Power of Attorney form while they are still working which allows someone to make retirement decisions for the employee if they are incapacitated.

457(b) Deferral Plan

TWO GREAT CONTRIBUTION OPTIONS FOR ADDITIONAL RETIREMENT SAVINGS

Employees have the option to contribute to a 457(b) plan, also known as a Deferred Compensation Plan, in addition to the mandatory CalPERS contributions. A 457(b) is a retirement savings plan for government entities, and is similar to a 401(k).

Contributions to this retirement savings plan are taken directly from an employee's check either before taxes (Traditional pre-tax) or after taxes (Roth post-tax), or a combination of pre-tax and post-tax. Distributions from pre-tax assets are taxed upon distribution. Distributions of Roth assets, including accrued investment income, are tax free upon distribution, as long as the first Roth contribution was made at least five years prior.

Employees control how their funds are invested in their 457(b) account and can receive guidance from a MissionSquare representative who will make recommendations based on the employee's age, expected retirement date, and comfort level for investment risk and volatility.

Funds placed into the 457(b) have no vesting period. Fund distribution can occur:

- At any age if the employee separates from the City of Clovis.
- When current employees are age 59 1/2.
- At any age due to certain emergency situations, with approval.

457(b) accounts have a maximum annual contribution amount per IRS regulations. The 2025 caps are:

- $23,500 for employees under age 50.
- $31,000 for employees who are age 50-59, or who are age 64 and over during 2025.
- $34,750 for employees who are age 60-63 during 2025.

For updated annual contribution maximums, visit:

https://cityofclovis.com/general-services/personnel/employee-resources/

LET'S DO THE MATH! HERE'S AN EXAMPLE:

◊ Employee base salary is $7,000/month or $84,000/year.
◊ Contributing just 3% of salary is $105 per pay period ($2,520/year).
◊ If contributions are pre-tax, employee will only see around $85-$90 less in their take-home check, depending upon their tax situation.
◊ If employee is eligible for matching funds (see page 3), the City will contribute an additional $2,520 for the year (up to 3% of base salary).
◊ With average returns after 10 years, they would have $37,000 or $75,000 with the match. After 20 years, $94,00 or $189,000 with the match.

457(b) Contribution Options

Traditional Pre-Tax

- Employee contributes to the plan through payroll contributions.
- Contributions are deducted from employee pay before taxes (pre-tax) which lessens the impact to take-home pay.
- Investment earnings grow tax-deferred.
- Employee pays taxes when funds are withdrawn.
- Employee selects how to investment from plan investment options. The investment options are under the oversight of the City's third-party fiduciary.

Roth Post-Tax

- Employee contributes to the plan through payroll contributions.
- Contributions are deducted from employee pay after taxes (post-tax) which is a larger impact to take-home pay.
- Investment income and distributions are not taxed when withdrawn as long as the first Roth contribution was made at least five-years prior.
- Employee selects how to investment from plan investment options. The investment options are under the oversight of the City's third-party fiduciary.

Employer Match into 457(b) Plan for all Units Except Management and Bargaining Units without a 401a agreement

- Employer matching contributions for eligible employees are placed into 457(b) account along with employee contributions for all units except management.
- Employer contributions are taxed upon distribution.
- Employee selects how funds are invested.

Employer Match into 401(a) Plan for Management Employees and Bargaining Units with a 401(a) agreement

- Employer matching contributions are placed into a separate 401(a) account.
- Employer contributions are taxed upon distribution.
- Upon account set-up, funds are placed into Target Date fund based on the employee's age. After initial set-up, employee may select different funds to invest in.
- Employee will see both 457(b) and 401(a) account balances with a single login to MissionSquare.

Employer Matching

A WAY FOR ELIGIBLE EMPLOYEES TO MAXIMIZE RETIREMENT SAVINGS

Some employees are eligible for a matching 457(b) contribution from the City. Refer to your MOU for your City matching eligibility. For eligible employees, matching contributions are calculated and made on a per pay period and dollar for dollar basis, up to 3% of the employee's base salary. Both employee and employer contributions to the 457(b) count toward the annual IRS maximum. Employee contributions can either be pre-tax or Roth post-tax, or a combination of both. There is no vesting period for the City matching funds.

Depending upon your MOU, the matching funds are either placed into the employee's 457(b) or 401(a) account. Employer matching funds are on a pre-tax basis regardless if to the 457(b) or 401(a) account. Employer match can only be made to the plan stated in your MOU, not both. The 401(a) plan does not allow for employee contributions and was set-up for the City matching funds only. The 401(a) funds can be withdrawn without penalty:

- At age 59 1/2 if still working for the City or if the employee separated from the City prior to the year the employee is eligible for retirement (age 50 for Safety or 55 for Miscellaneous)
- At age 50 for Safety or 55 for Miscellaneous if employee separated from the City during of after the calendar year of the required age above.

Roth IRA

ANOTHER POST-TAX SAVINGS OPTION

Besides Roth contributions to the 457(b), the City offers a Roth Individual Retirement Account (IRA) through MissionSquare. Like Roth contributions to the 457(b), the IRA consists of employee contributions that are made after payroll taxes are deducted. Withdrawals from a Roth IRA are tax and penalty free at age 59 1/2 as long as the first Roth contribution was made five-years prior. Withdrawals prior to age 59 1/2 may incur penalties and/or taxes. There are some exceptions to allow for early withdrawal, check with MissionSquare or the IRS website to see if your situation qualifies.

Since this is an Individual Retirement Account, the City's third-party fiduciary does not oversee the product pricing or investment line-up to ensure the fees are reasonable and quality of the investments are high. There is no City matching option for the Roth IRA.

Roth IRA's have a annual contribution cap of $7,000 for those under age 50 and $8,000 for those 50 and over for year 2025. Roth IRA's also have penalties for contributors who are high wage earners.

OTHER OPTIONS WITHIN PLANS

MissionSquare representatives can provide specific recommendations for your financial situation based on age, expected retirement, income, other retirement savings, and your level of comfort with investment risk.

MissionSquare representatives can also guide you with other options such as rolling-over funds into or out of the various funds offered.

BENEFICIARY DESIGNATION

It is important that employees designate beneficiaries for all retirement accounts. Completing a beneficiary designation for one account does not apply to others. Be sure to select beneficiaries for 401(a), 457(b), Roth IRA, and CalPERS accounts. Review and revise beneficiaries when life changes occur such as marriage, divorce, addition of dependents, or the death of a beneficiary. Employees may also complete a CalPERS Special Power of Attorney document allowing another person to make decisions about their retirement funds. Visit CalPERS website for more information.

LAST THREE YEARS 457(b) "SPECIAL" CATCH-UP OPTION

Employees may have the opportunity to make additional 457(b) contributions in the last three years prior to retirement. The employee must notify Personnel and complete a form with MissionSquare so the eligible amount of additional contributions can be calculated.

Each year, the IRS sets an annual maximum contribution limit into a 457(b) account. To utilize the Special Catch-up, Personnel will review the differences between the maximum annual limit and the amount the employee has contributed for all years they have been employed by the City and eligible for the 457(b) plan. Based on the results, the employee may be able to make additional contributions to the 457(b) with the following requirements.

- There has been at least one year the employee did not contribute to the annual maximum
- Special Catch-up contributions are made in the three years prior to normal retirement age.
- The amount is the limited to the lesser of:
    1. $47,000 (Twice the basic annual limit) in 2025, or
    2. The basic annual limit plus unused basic annual limit in prior years (only allowed if not using the age 50 or over catch-up.)

The Special Catch-up period is allowed in the three years prior to the employees normal retirement year, there is no requirement for the employee to retire within or at the end of the three years. However, the employee can only do the Special Catch-up period once.