

401K

Below is an e-mail sent to APDEA members on August 10, 2004

Folks,

The original 401K program required the Muni to match 1 dollar for every 2 dollars we contributed up to 2% of base pay, in other words a 2 for 1 match. Depending on each of your wages this translated to approx. \$500 to \$1,400 a year. The problem was many could not afford to contribute the \$1,000 to \$2,800 required to pick up the Muni's matching contribution.

During the course of our latest negotiations we did better. We negotiated a 1 for 1 match up to 2% of "eligible earnings." What is eligible earnings? It is overtime, shift differential, education, specialty pay and leave cash in. This was a much better deal than what we had before, but it created an unforeseen problem. How does the Muni know what 2% of eligible earnings are until the end of the year? The Muni had no way of stopping, or capping, the 1 to 1 match. Each employee will have a yearly salary, some would have education, while others may get more overtime, while still others might have specialty pay and education.

The solution was to negotiate an artificial cap which would be adjusted at the end of the year. I signed a Memorandum of Agreement on July 28, 2004 that sets the cap at \$2,000. What this means is the Muni will match you dollar for dollar up to \$2000. At the end of the year if your eligible earnings are over \$100,000, the Muni will make up the difference on their match. Keep in mind to qualify for the Muni \$2000 match, you have to contribute at least \$2000.

I encourage each of you to enroll in the 401K or adjust your contribution to gain the full \$2,000 match. If you are enrolled in 457 Deferred Comp and can't afford to contribute any more money, think about cutting back on your contribution to 457 and split it with the 401K. This is a benefit that is in the contract for the next 5 ½ years. If you take full advantage of this you will have, at a minimum, \$11,000 from the Muni and the earning potential over the 5 ½ years of your contribution in addition to the Muni contribution. If money is still tight for some of you remember at the first of the year we have a 3.3% raise and that would be another opportune time to enroll or increase your contribution.

Keep in mind that we are the only union in the Municipality that has an employer matching 401K program. Take advantage of the free money! I know this is a bit complicated. If you need further clarification, please contact me anytime.