Updated for 2023

THE RETIREMENT GROUP LLC
PARTNERS IN RETIREMENT

Retirement Guide For Sempra/SDG&E Employees

with 2023 Tax Rates & Inflation

Introduction

The Retirement Group was founded with the goal of assisting our Sempra/SDG&E corporate employees in every aspect of their financial lives as they transition into retirement. We aim to provide the most personal service available, thus earning a reputation for excellence in our industry. For each of our clients we strive to help create financial stability and security to provide financial independence.

Our staff consists of experienced professionals who know Sempra benefits and provide a "hands on" approach to financial guidance. Not only do our clients find our team members knowledgeable, but they also discover that our staff truly cares about making their dreams a reality. We do everything in our power to keep our clients focused on where they want to go, advise them on how to get there, and continually remind them of the importance of maintaining a disciplined approach to pursue their goals.

Our company is based on the principle that education and understanding of one's current financial situation is vital to successfully make prudent decisions concerning one's financial future.

Learn more by visiting:

www.theretirementgroup.com

As you transition from Sempra, we want to share information to help you make important decisions that affect you and your family’s well-being.

This guide tells you about Sempra benefits, steps to take, and where to find resources that will help you get the most from your retirement benefits.

Please note: This guide lists the actions you must take to access your retirement benefits. Read the Tips on Using This Guide section for more information and refer to the Sempra Summary Plan Description for a full description[4].

Disclosure: The Retirement Group is not affiliated with Sempra/SDG&E.

TABLE OF CONTENTS

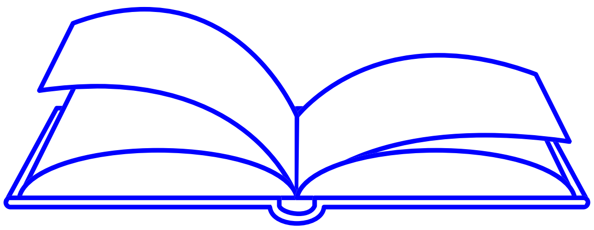
Stages of Retirement

This specially designed guide offers a summarized list of steps to simplify your transition into retirement. We provide links to websites and other resources you will need to help you get the most from your retirement benefits.

Please note: This guide is a summary of the actions you must take to access your retirement benefits. For full details, you should review the Sempra summary plan descriptions (SPD) (4) that apply to your retirement benefits. For health and welfare benefits, if you are still an active employee, call the Sempra Benefits Center and request the applicable SPDs(4). This is a summary of steps to take before and after leaving Sempra. The official plan documents are the final authority on the terms of the plans.

To find more in depth information on early retirement offers read our e-book

"Early Retirement Offers"



Stages of Retirement

Retirement planning, whether you are 20 or 60, is something we must actively plan towards annually. Unfortunately, numerous polls and experts say the majority of Americans don't know how much to save or the income they will need.

Getting started... Your 20's and early 30's

Everyone knows it's critical to start in your 20's and early 30's. Many suffer from impending anxiety from not saving enough, while others are grateful they feel secure.

TIME... It is the one advantage you will never get again. As some of you may know, compounding has significant impacts on future savings. Starting early matters and the key is to increase/maximize your Sempra 401(k) contributions.

Stages of Retirement

Say you open a tax-deductible Individual Retirement Account (IRA) at age 25 and invest $100 a month until age 65. If the account earns 8% a year, you could amass $349,100 by age 65. If you wait until age 35 to start saving the same $100 a month, you could end up with $149,035 when you are 65. Waiting 10 years to start saving and investing could cost you substantially.

There are three primary reasons why a 401(k) is such a popular retirement savings vehicle: **matching contributions, tax benefits, and compound growth.**

Matching contributions is what it sounds like: It's when your employer matches your own 401(k) contributions with company money. If your employer matches, they'll typically match up to a certain percent of the amount you put in.

Let's say that your employer matches up to 3% of your contributions to the plan, dollar for dollar. If you contribute 2% of your salary to your plan, your total 401(k) contribution will be 4% of your salary each month after the employer match is added. If you bump up your contribution by just 1% (so you're putting in 3% of your salary), your total contribution is now 6% with the employer match.

Unfortunately, many workers don't take full advantage of the employer match because they're not putting in enough themselves. A recent study revealed that employees who don't maximize the company match typically leave $1,336 of potential extra retirement money on the table each year. (23)

Working on it... Your 30's through your 40's.

At this stage, you're likely full stride into your career and your income probably reflects that. The challenges to saving for retirement at this stage come from large competing expenses: a mortgage, raising children and saving for their college. Try investing a minimum of 10% of your salary towards retirement. Always, maximize the Sempra contribution match.

One of the classic conflicts is saving for retirement versus saving for college. Most financial planners will tell you that retirement should be your top priority because your child can usually find support from financial aid whereas you'll be on your own to fund your retirement.

The home stretch... Your 50's and 60's.

Ideally, you're at your peak earning years and some of the major household expenses, such as a mortgage or child-rearing, are behind you, or soon will be. Now, it's time boost your retirement savings goal to 20% or more of your income as it's the last opportunity to stash away funds.

Workers age 50 or older, in 2020, can invest up to $19,500 into their retirement plan/401(k). Once they meet this limit they can add an additional $6,500 in catch up contributions. These limits are adjusted annually for inflation. If you are over 50, you may be eligible to use a catch-up contribution within your IRA.

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Your Pension Plan

Whether you're changing jobs or retiring from Sempra, knowing what to do with your hard-earned retirement savings can be difficult. An employer-sponsored plan, such as a Pension & 401(k), may make up the majority of your Sempra retirement savings, but how much do you really know about that plan and how it works? There are seemingly endless rules that vary from one retirement plan to the next, early out offers, interest rate impacts, age penalties, & complex tax impacts.

Increasing your investment balance and reducing taxes is the key to a successful retirement plan spending strategy. Our advisors at The Retirement Group can help you understand how your retirement 401(k) fits into your overall financial picture and how to make that plan work for you.

"Workers are far more likely to rely on their workplace defined contribution (DC) retirement plans as a source of income. 8 in 10 believe this will be a major or minor source of income in retirement. 3 in 4 expect income to come from their personal retirement savings or investments."
- Employee Benefit Research Institute

As of March 2019, 71% of full-time private-sector American workers had access to an employer retirement plan, but only 56% chose to participate. Regardless of what you choose to do with the funds from your employer retirement plan, you're already ahead of 44% of all workers.(1)

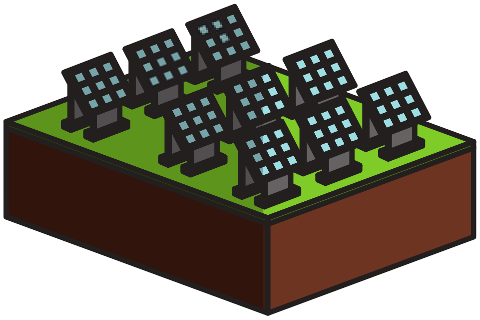
Cash Balance Plan

The current Pension Plan for San Diego Gas & Electric employees is what's referred to as a Cash Balance Plan. If you were a participant in the old Pension Plan at the time it was converted to a Cash Balance Plan in 2003, your starting plan balance was dependent on several factors including when your participation in the plan began and how many years of service you had at the time of the conversion. Regardless of your employment status at the time the pension plan was converted to a Cash Balance plan, you will always receive the greater of your Cash Balance plan account or the present value of your June 30, 2003 benefit under the prior plan (referred to as the Grandfathered Frozen Benefit).

The company currently contributes 7.5% of your pay into the Cash Balance Plan account for you. You will also accumulate interest credits in your account which will increase the total value over time. This is at no cost or contribution on your part.

When it is time to receive your pension benefit, you can elect to take it as a lump sum or an annuity. A lump sum is a one time payment that will allow you to access your full benefit immediately. Often a lump sum is rolled over into an IRA to further defer any income taxes. An annuity is a series of monthly payments that you will receive for the rest of your life.

This can be a difficult decision to make and you want to make sure you understand the potential risks of each option. To sort through the pros and cons associated with your specific needs contact a Sempra focused advisor at The Retirement Group at (800)-900-5867.



Your Pension Plan - Overview

Lump sum distribution calculations from the SDG&E Frozen Grandfathered Benefit Plan are based on prevailing interest rates at the time an employee retires or separates from service. Generally, the lower the interest rate, the higher the lump sum distribution value and vice versa. Starting on January 1, 2008, the Pension Plan began using the provisions of the Pension Protection Act of 2006 (see below for more information) and phased out the use of the 30-Year GATT rate, which was replaced by the “CCBR”, or, Composite Corporate Bond Rate.

- Historically, the Corporate Bond Rate has run between 1% to 2.0% higher than the GATT rate.

The Pension Protection Act of 2006

As of 2013, the plan has fully phased in the use of the “three segment” Composite Corporate Bond Rate (CCBR) described in the above section. So lump sum conversions of the Frozen Grandfathered Benefit Plan calculated in 2013 and beyond are based upon 100% of the prior year November month average of the CCBR.

Changes to Your Plan Administrator

As of January 2018, My Retirement Connection is the plan administrator for Sempra's pension benefits.

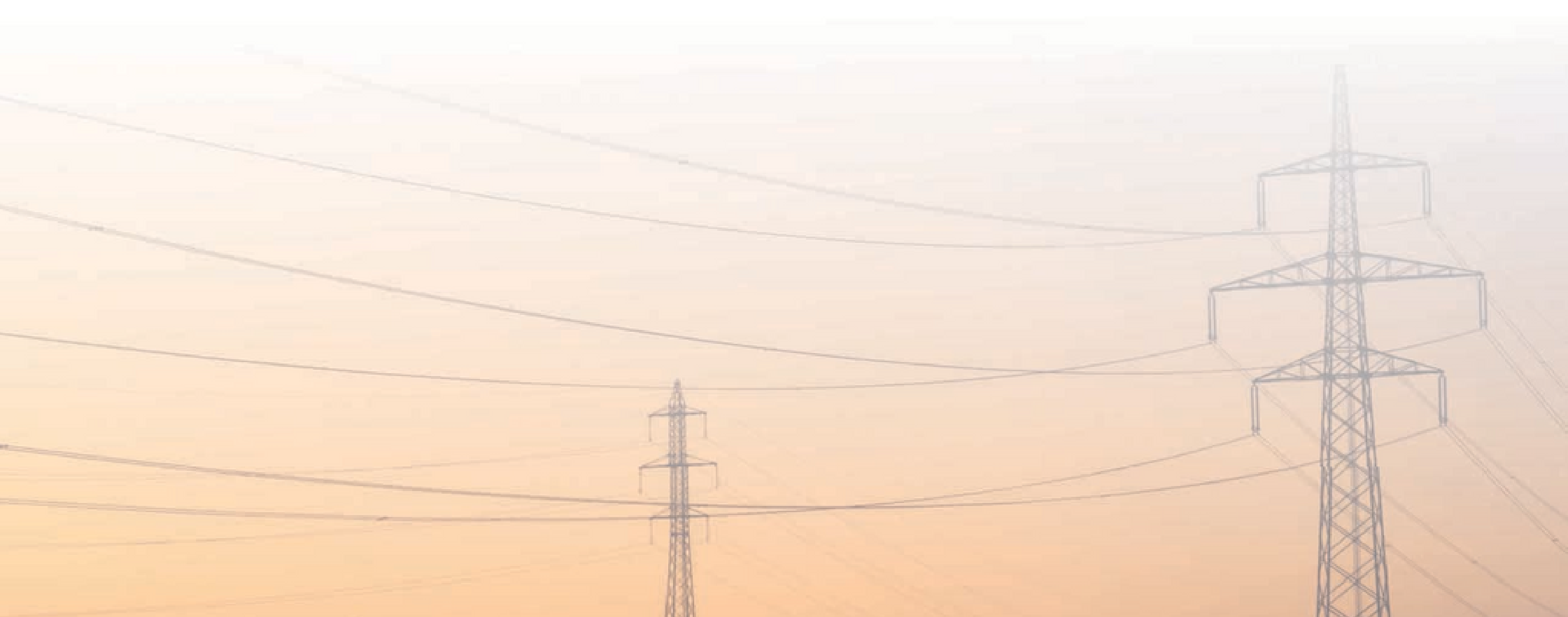
You can access your benefits here at:
Their website: myretirementconnection.ehr.com,, or by
Phone: 855-376-7237 (Monday-Friday, 7:00am - 5:00 pm PST)

Deferred Compensation Plan

The deferred compensation plan is a good way to avoid taxes up front, but there are additional risks and consequences as a result.

The money that is deferred into the Deferred Compensation Plan is an unsecured liability for Sempra. This is important because if Sempra were to file for bankruptcy, this liability would likely go to creditors instead of employees. It would be used as collateral for the company not being able to pay off its debt. This presents unnecessary risk in your retirement plans.

A harsh consequence of the deferred compensation plan is that you can no longer do Roth conversions after retirement. In the early years of retirement, retirees may convert their retirement account into a Roth IRA to defer taxes. These conversions will count as income, but they will likely be the only income as long as the retiree has not started taking social security yet. This small amount of income likely puts the retiree in the 12% tax bracket, allowing more of the retirement account to go to the Roth IRA. However, this strategy would not work if the retiree receives deferred compensation distributions during the early years of retirement. The retiree would likely be pushed into a higher tax bracket and would not be able to contribute as much money to the Roth IRA.



Your Pension Plan: Payment Options

Forms of Payment

- Single Life Annuity
- Lum p Sum
- Life and Term-Certain Annuity
- Joint and Survivor Annuity
- Uniform Income

At this time in the economic cycle there is unbelievable inflation risk. You'll have no inflation protection if you select the annuity. You may want the security of the monthly benefit. If that's the case you should take the annuity and buy a life insurance policy (protection for spouse, children), which will maximize your pension.

Thinking about what to do with your pension is an important part of planning for your retirement at Sempra. Should you take the Lump Sum or Annuity? When should you take it? What is best for you and your family?

You should routinely use the tools and resources found on The Retirement Group's e-book gallery, such as the *Utilityykit(*17), to model your pension benefit in retirement and the pension payment options that will be available to you.

You can also contact a Sempra focused advisor at The Retirement Group at (800)-900-5867. We will get you in front of a Sempra dedicated advisor to help you start the retirement process and tell you about your payment.

To find more information on determining how much cash flow you need in retirement, read our e-book

"Determining Cash Flow"

Your Pension Plan

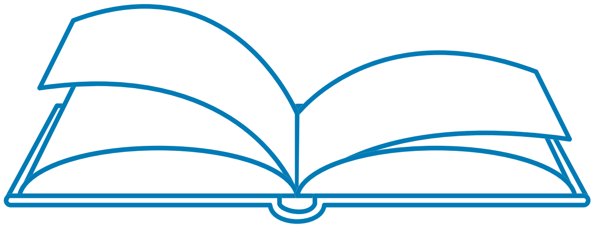
Note: We recommend you read the Sempra Summary Plan Description.
The Retirement Group is not affiliated with Sempra.

Next Step:

- Determine if you should take the Sempra Pension as a Lump Sum or Annuity.
- How do interest rates affect your decision?
- Use the "*UtilityKit*" (17) to understand cash flow, interest rates, and explore which pension option might be the best fit for you during retirement.
- As you get closer to your retirement date, contact a Sempra focused advisor at The Retirement Group and also read the applicable SPD Summary(4) to start your retirement process.
- Sempra will need you to provide documents that show proof of birth, marriage, divorce, Social Security number, etc., for you and your spouse/legally recognized partner.
- Sempra has Beneficiary Designation online to make updates to your beneficiary designations, if applicable to your pension program. Please read your SPD for more details(4).

To find more in-depth information on our Utilitykit, click here

"Utilitykit"



Lump-Sum vs. Annuity

Retirees who are eligible for a pension are often offered the choice of whether to actually take the pension payments for life, or receive a lump-sum dollar amount for the "equivalent" value of the pension – with the idea that you could then take the money (rolling it over to an IRA), invest it, and generate your own cash flows by taking systematic withdrawals throughout retirement.

The upside of keeping the pension itself is that the payments are guaranteed to continue for life (at least to the extent that the pension plan itself remains in place and solvent and doesn't default). Thus, whether you live 10, 20, or 30 (or more!) years in retirement, you don't have to worry about the risk of outliving the money.

By contrast, selecting the lump-sum gives you the potential to invest, earn more growth, and potentially generate even greater retirement cash flow. Additionally, if something happens to you, any unused account balance will be available to a surviving spouse or heirs. However, if you fail to invest the funds for sufficient growth, there's a danger that the money could run out altogether, and that you may regret not having held onto the pension's "income for life" guarantee.

Ultimately, though, whether it is really a "risk" to outlive the guaranteed lifetime payments that the pension offers, by taking a lump-sum, depends on what kind of return must be generated on that lump-sum to replicate the payments. After all, if the reality is that it would only take a return of 1% to 2% on that lump sum to create the same pension cash flows for a lifetime, there is little risk that you will outlive the lump-sum even if you withdraw from it for life(10). However, if the pension payments can only be replaced with a higher and much riskier rate of return, there's also a greater risk those returns won't manifest and you could run out of money.

For more information on lump sum vs. annuity, read our ebook

"Lump Sum vs. Annuity"

Interest Rates and Life Expectancy

In many defined benefit plans, like the Sempra pension plan, current and future retirees are offered a lump-sum payout or a monthly pension benefit. Sometimes these plans have billions of dollars worth of unfunded pension liabilities, and in order to get the liability off the books, they offer a lump-sum.

Depending on life expectancy, the initial lump-sum is typically less money than regular pension payments over a normal retirement time frame. However, most individuals that opt for the lump-sum plan to invest the majority of the proceeds, as most of the funds aren't needed immediately after retirement.

Something else to keep in mind is that current interest rates, as well as your life expectancy at retirement, have an impact on annuity payout options of defined benefit pension plans. Lump sum payouts are typically higher in a low interest rate environment, but be careful because lump sums decrease in a rising interest rate environment.

Additionally, projected pension lump sum benefits for active employees will often decrease as an employee ages and their life expectancy decreases. This is can potentially be a detriment of continuing to work, so it is important that you run your pension numbers often and thoroughly understand the timing issues. Other factors such as income needs, need for survivor benefits, and tax liabilities often dictate the decision to take the lump-sum over the annuity option on the pension.

For more information on rising interest rates, read our ebook

"Rising Interest Rates"

Your 401(k) Plan

As of 2020, the 401(k) contribution limit is $19,500 for people under 50 years old, and $26,000 for people 50 years and older. These contributions can be pretax or Roth 401(k) contributions.

Sempra makes matching contributions to your 401(k). Sempra will match 50% of every dollar you contribute up to 6% of your pay. That means when you contribute 6% of your pay, you will get an additional 3% of your pay from Sempra. Sempra also offers a "stretch match" if you contribute another 5% of pay to the 401(k) plan. When you contribute an additional 5%, Sempra will match an additional 1% of your pay. So, if you contribute 11% of your pay to the plan, Sempra will contribute an additional 4% to your account.

In addition to pre-tax contributions, you can also make after-tax contributions as well to the 401(k) plan. The 2020 limit on these after-tax contributions is $57,000. It is important to note that this $57,000 includes employer contributions as well as employee contributions. One advantage of the after-tax contributions is that they can be rolled into a Roth IRA when you leave Sempra.

The record-keeper for your 401(k) benefits is T. Rowe Price. You can access your 401(k) benefits at their
website: http://rps.troweprice.com, or by
phone: (800) 922-9945

For more information on rollover strategies, read our ebook

"Rollover Strategies for 401(k)s"

Your 401(k) Plan

When you retire, if you have balances in your 401(k) plan, you will receive a Participant Distribution Notice in the mail. This notice will show the current value that you are eligible to receive from each plan and explain your distribution options. It will also tell you what you need to do to receive your final distribution. Please call The Retirement Group at (800)-900-5867 for more information and we can get you in front of a Sempra focused advisor.

Next Step:

- Watch for your Participant Distribution Notice and Special Tax Notice Regarding Plan Payments. These notices will help explain your options and what the federal tax implications may be for your vested account balance.
- "*What has Worked in Investing*"(18) & "*8 Tenets when picking a Mutual Fund*" (7).
- To learn about your distribution options, call The Retirement Group at (800)-900-5867. Click our e-book for more information on "*Rollover Strategies for 401(k)s*"(14)
- Use the Sempra Online Beneficiary Designation to make updates to your beneficiary designations, if needed.

Note: If you voluntarily terminate your employment from Sempra, you will not be eligible to receive the annual contribution.

Your 401(k) Plan

When is the last time you reviewed your 401(k) plan account or made any changes to it? If it's been a while, you're not alone. 73% of plan participants spend less than five hours researching their 401(k) investment choices each year, and when it comes to making account changes, the story is even worse.

When faced with a problem or challenge, many of us are programmed to try to figure it out on our own rather than ask for help. The Christmas Eve ritual of assembling toys without looking at the instructions and that road trip when we refused to stop to ask for directions come to mind. But when we're talking about 401(k) investing, choosing to go at it alone rather than get help can hurt.

Over half of plan participants admit they don't have the time, interest or knowledge needed to manage their 401(k) portfolio. But the benefits of getting help go beyond convenience. Studies like this one, from Charles Schwab, show those plan participants who get help with their investments tend to have portfolios that perform better: The annual performance gap between those who get help and those who do not is 3.32% net of fees. This means a 45-year-old participant could see a 79% boost in wealth at age 65 simply by contacting an advisor. That's a pretty big difference.

Getting help can be the key to better results across the 401(k) board. A Charles Schwab study found several positive outcomes common to those using independent professional advice. They include:

- **Improved savings rates** – 70% of participants who used 401(k) advice increased their contributions.
- **Increased diversification** – Participants who managed their own portfolios invested in an average of just under four asset classes, while participants in advice-based portfolios invested in a minimum of eight asset classes.
- **Increased likelihood of staying the course** – Getting advice increased the chances of participants staying true to their investment objectives, making them less reactive during volatile market conditions and more likely to remain in their original 401(k) investments during a downturn. Don't try to do it alone.

Get help with your 401(k) investments. Your nest egg will thank you.

Source: 26

In-Service Withdrawals

General Rules: You may withdraw amounts from your account while still employed by an employer under the circumstances described. Certain withdrawals are subject to regular federal income tax and if you are under age 59 ½ you may also be subject to an additional 10% penalty tax. You can determine whether you are eligible for a withdrawal, and request one, via internet access or by calling the Sempra Benefits Center.

Rolling Over Your 401(k)

As long as the participant is younger than age 72, an in-service distribution can be rolled over to an IRA. A direct rollover would avoid the 10% early withdrawal penalty as well as the mandatory 20% tax withholding. Refer to your SPD for more information & possible restrictions on rollovers/withdrawals.

Because a withdrawal permanently reduces your retirement savings and is subject to tax, you should always consider taking a loan from the plan instead of a withdrawal to meet your financial needs. Unlike withdrawals, loans must be repaid, and are not taxable (unless you fail to repay them). In some cases, as with hardship withdrawals, you are not allowed to make a withdrawal unless you have also taken out the maximum available plan loan.

Note: The Plan Administrator reserves the right to modify the rules regarding withdrawals at any time, and may further restrict or limit the availability of withdrawals for administrative or other reasons, in its sole discretion. All participants will be advised of any such restrictions, which will apply equally to all employees.

For more information about 401(k) savings plans, read our e-book

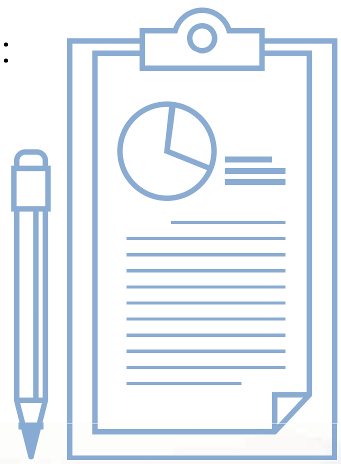
"A Look at 401(k) Plan Fees

Borrowing from your 401(k)

Should you borrow from your 401(k)? Maybe you lose your job, have a serious health emergency, or face some other reason that you need a lot of cash. Banks make you jump through too many hoops for a personal loan, credit cards charge too much interest ... and suddenly, you start looking at your 401(k) account and doing some quick calculations about pushing your retirement off a few years to make up for taking some money out.

It's your money, and you need it now. But take a second to see how this could adversely affect your retirement plans.

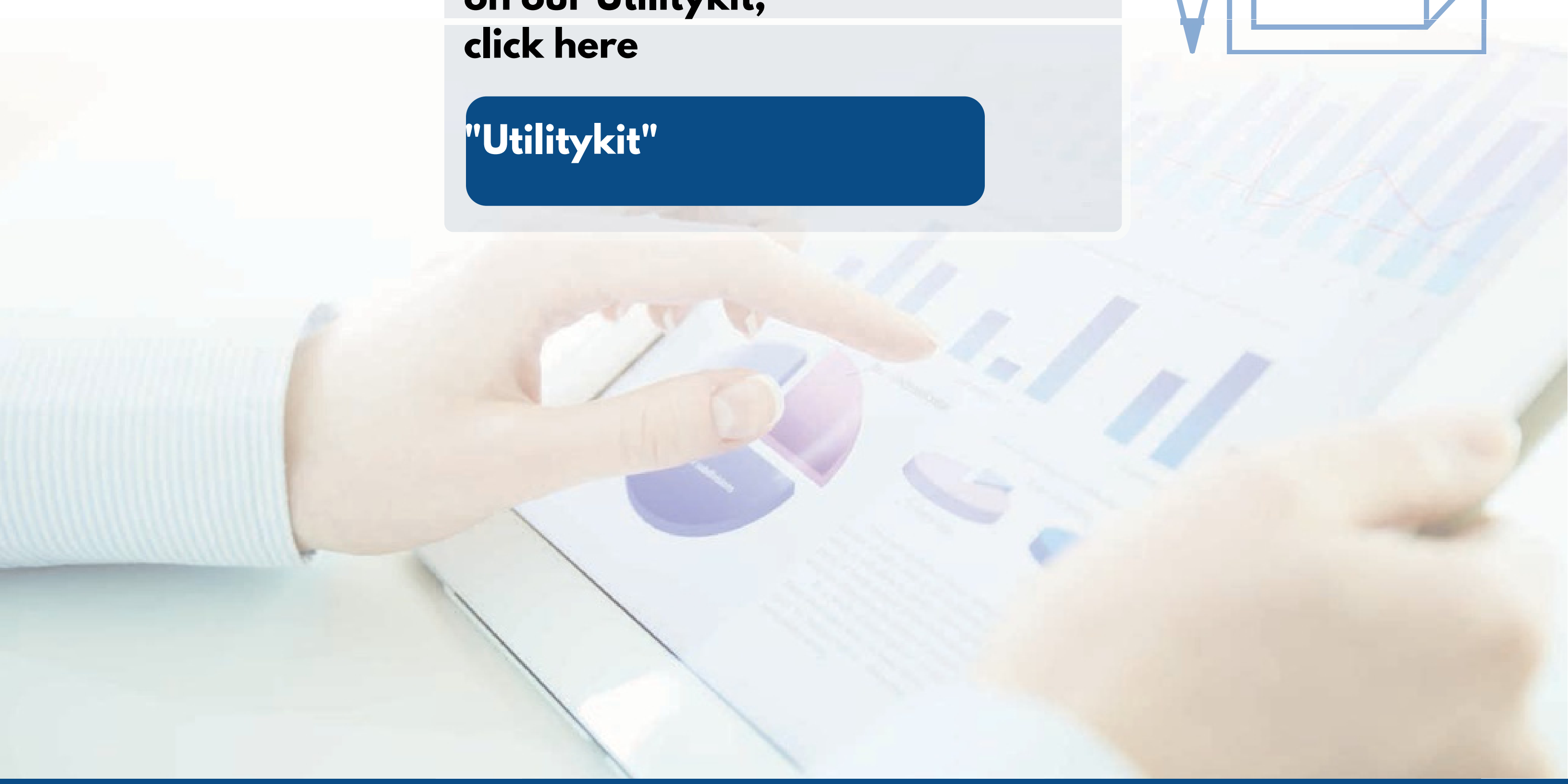
Remember: Borrowing from your 401(k) may result in the following:



- **Losing growth potential on the money you borrowed**
- **Repayment and tax issues, if you leave your employer**

To find more in-depth information on our Utilitykit, click here

"Utilitykit"



Net Unrealized Appreciation (NUA)

When a Sempra employee qualifies for a distribution they have three options:

- Roll-over your qualified plan to an IRA and continue deferring taxes
- Take a distribution and pay ordinary income tax on the full amount
- Take advantage of NUA and reap the benefits of a more favorable tax structure on gains

How does Net Unrealized Appreciation work?

First an employee must be eligible for a distribution from their qualified plan; generally at retirement or age 59 1⁄ , the employee takes a "lump-sum" distribution from the plan, distributing all assets from the plan during a 1 year period. The portion of the plan that is made up of mutual funds and other investments can be rolled into an IRA for further tax deferral. The highly appreciated company stock is then transferred to a non-retirement account.

The tax benefit comes when you transfer the company stock from a tax-deferred account to a taxable account. At this time you apply NUA and you incur an ordinary income tax liability on only the cost basis of your stock. The appreciated value of the stock above its basis is not taxed at the higher ordinary income tax but at the lower long-term capital gains rate, currently 15%. This could mean a potential savings of over 30%. Let's take a look at an example.

For more information about Net Unrealized Appreciation, read our e-book

"Net Unrealized Appreciation"

Net Unrealized Appreciation Example

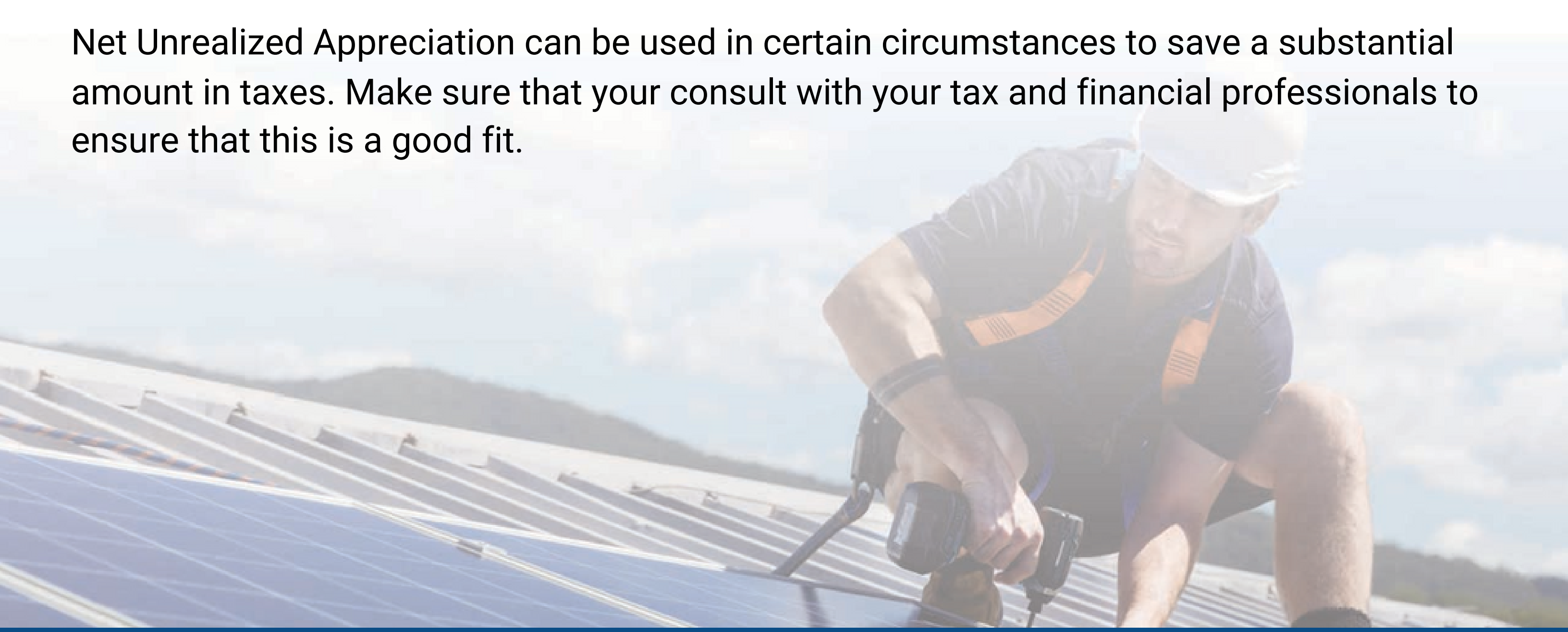
Let's assume the value of Sempra stock within your account is $500,000. The price you paid for the stock is $75,000. If you roll the entire amount to an IRA you will owe nothing in taxes presently. Over time if you were in the 24% federal tax bracket you will pay $120,000 in taxes for distributions.

If you were to take advantage of NUA you will pay ordinary income tax on the cost basis at the time of distribution. This totals $18,000 in taxes today. The tax on the Net Unrealized Appreciation would be 15% of the gain, or $63,750. Your total tax liability is $81,750.

In this example NUA saved nearly $40,000 in taxes! A few things to keep in mind:

- Sempra employees taking a distribution prior to age 59 ½ may be subject to a 10% penalty.
- NUA makes more sense when employees have a low cost basis.
- It is important to take advantage of NUA prior to a rollover. Once you roll retirement assets to an IRA it is too late to take advantage of the potential savings. To qualify, you must be eligible for a lump-sum distribution of your entire qualified account.
- Stock shares must transfer in-kind to a taxable account. This means that the shares must not sell but must move from your qualified account into your new taxable account.

Net Unrealized Appreciation can be used in certain circumstances to save a substantial amount in taxes. Make sure that your consult with your tax and financial professionals to ensure that this is a good fit.



IRA Withdrawal

What is the most efficient way to take my retirement income? Your retirement assets may consist of several retirement accounts — IRAs, 401(k)s, taxable accounts, and others. You may want to consider meeting your income needs in retirement by first drawing down taxable accounts rather than tax-deferred accounts. This may help your retirement assets last longer as they continue to potentially grow tax deferred. You will also need to plan to take the required minimum distributions (RMDs) from any employer-sponsored retirement plans and traditional or Rollover IRA accounts. That's because the IRS requires that you begin taking distributions from these types of accounts when you reach age 72 as for 2020. If you do not, the IRS may assess a 50% penalty on the amount you should have taken.
Note: New legislation allows individuals who did not turn 70 $^{1}/$ by the end of 2019 to take RMDs on April 1 of the year in which you turn age 72.

Two flexible distribution options for your IRA

When you need to draw on your IRA for income or take your RMDs, you will find two flexible options. Please note that distributions from your IRA are subject to income taxes and may be subject to penalties and other conditions if your are under 59 $^{1}/$.

- Partial withdrawals: Withdraw any amount from your IRA at any time. If you are age 72 or over, you will have to take at least enough from one or more IRAs to meet your annual RMD.
- Systematic withdrawal plans: Structure regular, automatic withdrawals from your IRA; choose the amount and frequency to meet your retirement income needs. If you are under age 59 $^{1}/$, you may be subject to a 10% early withdrawal penalty unless your withdrawal plan meets Code Section 72(t) rules discussed[20].

Note: New legislation allows individuals who did not turn 70 $^{1}/$ by the end of 2019 to take RMDs on April 1 of the year in which you turn age 72.

Your tax advisor can help you understand distribution options, determine RMD requirements, calculate RMDs, and set up a systematic withdrawal plan. Neither FSC nor its representatives provide tax or legal advice. Please consult your attorney or tax advisor for answers to your specific questions. Remember, The Retirement Group is not affiliated with Sempra.

Health Savings Account (HSA)

If you have a high-deductible health insurance plan, you may be eligible for a Health Savings Account, or HSA. The HSA can be used for various medical expenses such as your deductible, co-payments, medications, prescription glasses and dental care. The HSA is made up of pretax money. If you use the money in the HSA for qualified medical expenses, withdrawals from the HSA will also be tax-free.

HSA contributions are similar to 401(k) contributions in that they are deducted from your paycheck and go to a separate account. You can deposit up to $3,550 for a single person or $7,100 per family for 2020. If you are 55 or older, then you're allowed to make an additional $1,000 annual contribution.

Sempra automatically contributes $1,000 to your HSA each year for singles, and $2,000 for families. This counts toward the annual limits mentioned earlier. So, a single person can only contribute $2,550 of their own pre-tax money while Sempra contributes $1,000 to hit the total HSA limit of $3,550 per year.

The money in an HSA carries over from year to year. There is no time limit to use the money, differentiating HSAs from Flexible Spending Accounts (FSAs). This is one of the major benefits of HSAs.

Another benefit of an HSA is that the money can be invested in mutual funds. This enables your account to grow tax-free so that you can maximize your future benefits.

Having an HSA can be especially helpful when one starts paying Medicare premiums. Medicare has a monthly premium of $144.60 (in 2020) plus deductibles, co-pays and prescription drug costs. These costs can be covered through the HSA.

Flexible Spending Account (FSA)

Sempra offers 5 different FSAs for employees. You should be familiar with all 5 to see which ones are best for you and your family.

Healthcare FSA

The Healthcare FSA is for participants in the Anthem or Kaiser HMO health plans. Plan participants can contribute up to $2,750 of pretax money to this account. The FSA can be used for qualified out-of-pocket medical expenses not covered by the health plan. A list of qualified products that can be purchased with an FSA is at *https://fsastore.com*. One restriction of the FSA is that it needs to be used up by December 31st each year. Some companies allow additional time until March or April of the following year. Contact the Sempra Benefits Center to see when your FSA expires each year.

Limited Healthcare FSA

The Limited Healthcare FSA is for participants in the Anthem Health Care Plus plan with an HSA. Employees can contribute up to $2,750 per year, same as the regular FSA described previously. However, this FSA can only be used for vision and dental expenses. This account will cover out-of-pocket costs that are not included in the vision and dental insurance. A good strategy with this FSA is to use it to pay out your current costs so that you can save your money in the HSA, which stays with you for the rest of your life. For the Limited Healthcare FSA, the funds do not carry over from year to year.

Dependent Day Care FSA

Sempra employees can contribute up to $5,000 a year of pre-tax money into the Dependent Day Care FSA. This fund is reserved for child day care costs. The child must be under 13 years old in order for expenses to qualify. Adults may qualify if they live with you for at least half the year and are unable to care for themselves mentally or physically.

Transportation FSA

You can contribute up to $270 per month ($3,240 per year) of pretax money into the Transportation FSA for mass transit costs. The contribution amount can be adjusted each month so that you don't over-contribute to the account. All Sempra employees can sign up for this FSA at any point during the year. This FSA carries over from year to year.

Parking FSA

In addition to the Transportation FSA, you can also contribute another $270 per month ($3,240 per year) of pretax money into the Parking FSA. You can choose either a Parking FSA or a Transportation FSA or both. The Parking FSA and the Transportation FSA have the same rules.

Long Term Disability (LTD) Insurance

If you become disabled, Sempra will pay you 60% of your income up to $12,000 per month. This income is taxable since Sempra is covering the costs of this insurance. If you were to purchase a LTD insurance policy, those disability payments would be tax-free.

Life Insurance

Sempra's basic life insurance benefit is 1 year of salary. This is provided at no cost to you. You may purchase additional insurance that pays a benefit of up to 6x your salary. You must provide Evidence of Insurability if you are purchasing coverage more than 2x your salary.

Sempra Benefits Annual Enrollment

As stated in your Sempra SPD (4), annual enrollment for your Sempra benefits usually occurs each fall (Ex. Oct. 24 - Nov. 15, 2019.). Before it begins, you will be mailed enrollment materials and an upfront confirmation statement reflecting your benefit coverage to the address on file. You'll find enrollment instructions and information about your benefit options and contribution amounts. You will have the option to keep the benefit coverage shown on your upfront confirmation statement or select benefits that better support your needs. You can choose to enroll in eBenefits and receive this information via email instead.

Next Step:

- Watch for your annual enrollment information in the September/November time frame.
- Review your benefits information and utilize the tools and resources available on the Sempra Benefits Center website.
- Enroll in eBenefits.

Things to keep in mind :

- 47% of Americans cite health care as their greatest economic concern.(27)
- Medical bills are the No. 1 cause of bankruptcy in the United States. (28)
- For older Americans, healthcare costs represent the second-largest expense, behind housing.(29)

BENEFITS INFORMATION

Short-Term & Long-Term Disability

Short-Term: Depending on your plan, you may have access to short-term disability (STD) benefits.

Long-Term: Your plan's long-term disability (LTD) benefits are designed to provide you with income if you are absent from work for six consecutive months or longer due to an eligible illness or injury.

Source: Sempra SPD (4)

What Happens If Your Employment Ends

Your life insurance coverage and any optional coverage you purchase for your spouse/domestic partner and/or children ends on the date your employment ends, unless your employment ends due to disability. If you die within 31 days of your termination date, benefits are paid to your beneficiary for your basic life insurance, as well as any additional life insurance coverage you elected.

Note:

- You may have the option to convert your life insurance to an individual policy or elect portability on any optional coverage.
- If you stop paying supplementary contributions, your coverage will end.
- If you are at least 65 and you pay for supplemental life insurance, you should receive information in the mail from the insurance company that explains your options.
- Make sure to update your beneficiaries. See the SPD(4) for more details.

If you aren't sure about finances after a job loss, read our e-book

"How to Survive Financially after a Job Loss

Sempra Beneficiary Designations

As part of your retirement and estate planning, it’s important to name someone to receive the proceeds of your benefits programs in the event of your death. That’s how Sempra will know whom to send your final compensation and benefits. This can include life insurance payouts and any pension or savings balances you may have.

Next Step:
When you retire, make sure that you update your beneficiaries. Sempra has an Online Beneficiary Designation form for life events such as death, marriage, divorce, child birth, adoptions, etc.

Identifying optimal ways to claim Social Security is essential to your retirement income planning. For many retirees, understanding and claiming Social Security can be difficult. Social Security benefits are not designed to be the sole source of your retirement income, but rather a part of your overall withdrawal strategy. Knowing the foundation of Social Security and using this knowledge to your advantage can help you claim your maximum benefit.

Year of Birth	Full Retirement Age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960+	67

It is your responsibility to enroll in Medicare parts A and B when you first become eligible — and you must stay enrolled to have coverage for Medicare-eligible expenses. This applies to your Medicare eligible dependents as well.

You should know how your retiree medical plan choices or Medicare eligibility impact your plan options. Before you retire, click on our e-book "*Social Security*" (11) for more information , contact the U.S. Social Security Administration directly at (800) 772-1213, call your local Social Security Office or visit ssa.gov. They can help determine your eligibility, get you and/or your eligible dependents enrolled in Medicare or provide you with other government program information.

For more information on social security, read our e-book

Next Step:
Check the status of your Social Security benefits before you retire. Contact the U.S. Social Security Administration by calling 800-772-1213. You can also call your local Social Security office or visit ssa.gov. Also review The Retirement Group e-book on *Social Security*(11).

Social Security: Medicare

If you or your dependents are currently or will become eligible for Medicare after you leave Sempra, Medicare generally becomes the primary coverage for you or any of your dependents as soon as the individual becomes eligible for Medicare. This will affect your company-provided medical benefits. You and your Medicare-eligible dependents must enroll in Medicare Parts A and B when you first become eligible. Medical and MH/SA benefits payable under the company-sponsored plan will be reduced by the amounts Medicare Parts A and B would have paid whether you actually enroll in them or not. For details on coordination of benefits, refer to your summary plan description (SPD)(4).

If you or your eligible dependent do not enroll in Medicare Parts A and B, your provider can bill you for the amounts that are not paid by Medicare or your Sempra medical plan, making your out-of-pocket expenses significantly higher.

According to the Employee Benefit Research Institute (EBRI), Medicare will only cover about 60% of an individual's medical expenses. This means a 65-year-old couple, with average prescription-drug expenses for their age, will need $259,000 in savings to have a 90% chance of covering their healthcare expenses. A single male will need $124,000 and a single female, thanks to her longer life expectancy, will need $140,000.

Projected annual Medicare costs for an individual: Part B and Part D premiums[13] ›

Year	Age	Part B	Part D	Annual B+D
2020	65	$1,725	$871	$2,596
2030	75	$3,238	$1,636	$4,874
2040	85	$6,078	$3,070	$9,148

Next Step:
Get Medicare prescription drug information by visiting medicare.gov.

Check your SPD Summary(4) to see if you're eligible to enroll in Medicare Parts A and B (4). If you become Medicare eligible for reasons other than age, you must contact the Sempra Benefits Center about your status.

How we can help:	Time to Retirement		
	Several Years	2 Years or Less	In Retirement
Familiarize you with individual healthcare plans	✓	✓	✓
Estimate your healthcare costs in retirement	✓	✓	✓
Design an overall retirement plan for you	✓	✓	✓
Incorporate healthcare costs into your plan	✓	✓	✓
Manage your plan to help you achieve your goals	✓	✓	✓
Explain the basics of Medicare		✓	✓
Familiarize you with the Medicare enrollment process			✓
Help you avoid coverage delays and possible penalties			✓

Divorced or Divorcing?

Sempra/SDGE and Divorce

Are you divorced or in the process of divorcing? Your former spouse(s) may have an interest in a portion of your Sempra retirement benefits.

“Happily ever after” and “until death do us part” won’t happen for 28% of couples over the age of 50.3. Most couples saved together for decades, assuming they would retire together. After a divorce, they face the expenses of a pre-or post-retirement life, but with half their savings.(33)

What's required?

Before you can start your pension—and for each former spouse who may have an interest—you’ll need to provide Sempra with the following documentation:

- A copy of the court-filed Judgment of Dissolution or Judgment of Divorce along with any Marital Settlement Agreement (MSA)
- A copy of the court-filed Qualified Domestic Relations Order (QDRO)

You’ll need to submit this documentation to the Sempra online Pension Center regardless of how old the divorce or how short the marriage.

IMPORTANT: If you don’t provide Sempra with the required documentation, your pension benefit could be delayed or suspended.

For more information on strategies for divorce individuals, read our e-book

"Strategies for Divorced Individuals"

Divorced or Divorcing?

Social Security and Divorce

You can apply for a divorced spouse's benefit if the following criteria are met:

- You are at least 62 years of age
- You were married for at least 10 years prior to the divorce
- You are currently unmarried
- Your ex-spouse is entitled to Social Security benefits
- Your own Social Security benefit amount is less than your spousal benefit amount, which is equal to one-half of what your ex's full benefit amount would be if claimed at Full Retirement Age (FRA)

Unlike with a married couple, your ex-spouse doesn't have to have filed for Social Security before you can apply for your divorced spouse's benefit, but this only applies if you've been divorced for at least two years and your ex is at least 62 years of age. If the divorce was less than two years ago, your ex must already be receiving benefits before you can file as a divorced spouse.

Divorce doesn't even disqualify you from survivor benefits. You can claim a divorced spouse's survivor benefit if the following are true:

- Your ex-spouse is deceased
- You are at least 60 years of age
- You were married for at least 10 years prior to the divorce
- You are single (or you remarried after age 60)

In the process of divorcing?

If your divorce isn't final before your retirement date, you're still considered married. You have two options:

- Retire before your divorce is final and elect a joint pension of at least 50% with your spouse—or get your spouse's signed, notarized consent to a different election or lump sum.
- Delay your retirement until after your divorce is final and you can provide the required divorce documentation

Survivor Checklist

What your survivor needs to do

- Report your death. Your spouse, a family member or even a friend should call the Sempra Benefits Service Center as soon as possible to report your death.
- Collect life insurance benefits. Your spouse or other named beneficiary will need to call the Sempra Benefits Service Center to collect life insurance benefits.

If you have a joint pension

- Start the joint pension payments. The joint pension is not automatic. Your joint pensioner will need to complete and return the paperwork from the Sempra Pension Call Center to start receiving joint pension payments.
- Be prepared financially to cover living expenses. Your spouse will need to be prepared with enough savings to bridge at least one month between the end of your pension payments and the beginning of his or her own pension payments.

If your survivor has medical coverage through Sempra

- Decide whether to keep medical coverage.
- If your survivor is enrolled as a dependent in Sempra-sponsored retiree medical coverage when you die, he or she needs to decide whether to keep it. Survivors have to pay the full monthly premium.

Attend a Retirement Group Webinar on your SEMPRA/SDGE Pension Plan, Click here to reserve your spot!

Webinar RSVP

Life after Sempra/SDGE -- Why would I work?

FINANCIALLY: BENEFITS OF WORKING

Make up for Decreased Value of Savings or Investments.
Low interest rates have made it great for Lump Sums but harder to generate portfolio income. Some people continue to work to make up for poor performance of their savings and investments.

Maybe you took a Sempra offer & left earlier than you wanted and less retirement savings than you needed.
Instead of drawing down savings, some decide to work a little longer to pay for extras you've always denied yourself in the past. See our e-book "*Early Retirement Offers*" (9) for more information.

Meet Financial Requirements of day-to-day living.
Expenses can increase during retirement and working can be a logical and effective solution to this problem.

Keep Insurance or Benefits
You may choose to continue working in order to keep your insurance or other benefits. Many employers offer free to low cost health insurance, for part-time workers.

EMOTIONALLY: BENEFITS OF WORKING

Staying Active and Involved
Retaining employment, even if it's just part-time, can be a great way to use the skills you've worked so hard to build over the years and keep up with friends and colleagues.

Enjoy Yourself at Work.
Just because the government has set a retirement age with its Social Security program doesn't mean you have to schedule your own life in such a manner. Many people genuinely enjoy their employment and continue working because their jobs enrich their lives.

A New Job Opportunity comes along.
You might find yourself with very tempting job opportunities at a time when you thought you'd be withdrawing from the workforce.

Notes: Assumes assets are 60% in stocks and 40% in bonds and withdrawals increase each year with inflation. Source: David Blanchett, Morningstar

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For more resources

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