



Midpeninsula Regional
Open Space District

R-23-114
Meeting 23-29
October 11, 2023

AGENDA ITEM 8

AGENDA ITEM

Addition of Post-tax Contribution Option (“Roth”) to the Midpeninsula Regional Open Space District’s IRS Section 457 Deferred Compensation Plans

GENERAL MANAGER’S RECOMMENDATION

Adopt a Resolution authorizing the addition of a post-tax contribution option (Roth) to the Midpeninsula Regional Open Space District’s IRS Section 457 deferred compensation plans and affirm the General Manager’s authority to approve administrative changes to the District’s IRS Section 457 deferred compensation plans on behalf of the District.

SUMMARY

In 1986, the Board of Directors (Board) approved establishing an IRS Section 457 deferred compensation plan (“457 plan”) for Midpeninsula Regional Open Space District (District) employees. In 1987, the Board approved ICMA Retirement Corporation (now MissionSquare) as the administrator of the plan, to perform record keeping and administrative services. In 2009, the Board approved adding the CalPERS 457 deferred compensation plan as another plan option for District employees. Recent legislation passed at the end of 2022 includes upcoming changes that will impact the District’s 457 plans. These changes require Board of Directors (Board) approval. Alongside these required changes, the General Manager also recommends adding a post-tax contribution option, as described in this report.

DISCUSSION

The purpose of the 457 plan is to encourage employees to save and invest in their own retirement through deferred compensation. Under this plan, employees may defer part of their compensation on a tax-deferred basis and invest these funds through a variety of investment options made available through the plan providers. The District has agreements with two deferred compensation providers: MissionSquare (formerly ICMA-RC) and CalPERS, which has record keeping and administrative services provided by VOYA (formerly ING). In addition to the 457 plans, eligible District employees may participate in 401(a) plan and Retirement Health Savings (RHS) plan, which are other forms of deferred compensation plans approved by the Board (2002 and 2006 respectively) both of which are currently administered by MissionSquare.

On December 29, 2022, the Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act was signed into law and includes a series of changes to retirement savings plans. One of the changes will impact the “age 50 catch-up” provision, which allows individuals who are age 50 and older to make additional contributions to their retirement accounts on a pre-tax basis. The “Special catch-up” contributions are exempt from this legislation. Originally, the

legislation was set to begin on January 1, 2024, however, the Internal Revenue Service (IRS) has issued a two-year administrative transition period (delay) extending the effective date to January 1, 2026. The administrative transition period is designed to facilitate an orderly transition for compliance with that requirement. Beginning January 1, 2026, earners making \$145,000 or more (in the prior calendar year and indexed annually) must make catch-up contributions on a post-tax (Roth) basis rather than pretax contributions. The catch-up amount for people aged 50 and older in 2023 is currently \$7,500.

The General Manager recommends that the Board approve the addition of a post-tax contribution option (Roth) to the 457 deferred compensation plan to comply with the Secure 2.0 Act. This change will also provide District employees younger than 50 years of age with additional options within the 457 plan.

Finally, the attached resolution affirms the General Manager’s authority to approve minor administrative changes to the District’s 457 plan on behalf of the District.

FISCAL IMPACT

None

PRIOR BOARD AND COMMITTEE REVIEW

None

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

This item is not a project subject to the California Environmental Quality Act.

NEXT STEPS

The General Manager or designee will complete the necessary paperwork with MissionSquare and CalPERS to add the Roth 457 option. Administrative Services staff will take necessary steps to implement the new plan option and communicate the changes with District employees.

Attachment(s)

1. Resolution authorizing the addition of a post-tax contribution option (Roth) to the District’s IRS Section 457 deferred compensation plans, and affirming the General Manager’s authority to approve administrative changes to the District’s IRS Section 457 deferred compensation plan on behalf of the District

Responsible Department Head:

Stefan Jaskulak, Chief Financial Officer/Director of Administrative Services

Prepared by/Contact person:

Rebecca Wolfe, Human Resources Supervisor

RESOLUTION NO. 23-__

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MIDPENINSULA REGIONAL OPEN SPACE DISTRICT AUTHORIZING THE ADDITION OF A POST-TAX CONTRIBUTION OPTION (ROTH) TO THE DISTRICT'S 457 DEFERRED COMPENSATION PLANS AND AFFIRMING THE GENERAL MANAGER'S AUTHORITY TO APPROVE MINOR ADMINISTRATIVE CHANGES TO THE DISTRICT'S 457 PLAN

WHEREAS, the Board of Directors of the Midpeninsula Regional Open Space District (“Board”) has established deferred compensation plans pursuant to IRS Section 457 for the benefit of its employees; and

WHEREAS, the District has two deferred compensation providers: MissionSquare (formerly ICMA-RC) and CalPERS, which has record keeping and administrative services provided by VOYA (formerly ING); and

WHEREAS, the Secure 2.0 Act signed into federal law in December 2022 implements changes to retirement savings plans; and

WHEREAS, the District’s implementation of the Secure 2.0 Act through the addition of a post-tax contribution option (Roth) to the 457 deferred compensation plan will comply with the new law and provide District employees with flexibility and options within the 457 plan; and

WHEREAS, the Board of Directors hereby affirms the authority of the General Manager or designee to approve minor administrative changes to the 457 deferred compensation plan for purposes of providing the benefit to District employees.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS as follows:

1. The General Manager is directed to add a post-tax contribution option (Roth) to the District’s 457 deferred compensation plans.
2. The General Manager or designee is authorized to provide information and cooperation to its deferred compensation providers, which are currently MissionSquare (formerly ICMA-RC) and CalPERS/VOYA (formerly ING), as may be needed on an ongoing basis in the administration of the District’s 457 plans.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on _____, 2023 at a regular meeting thereof, by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

ATTEST:

APPROVED:

Craig Gleason, Secretary
Board of Directors

Yoriko Kishimoto, President
Board of Directors

APPROVED AS TO FORM:

Hilary Stevenson, General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

Maria Soria, District Clerk