



Legislation Text

File #: 21-512, **Version:** 1

City of San Leandro City Council Resolution Authorizing the Amendment and Restatement of the City of San Leandro 457(b) Deferred Compensation Plan to Include the Roth Contribution Option

SUMMARY AND RECOMMENDATIONS

Staff recommends that the City Council adopt a resolution authorizing the amendment and restatement of the City of San Leandro 457(b) Deferred Compensation Plan to reflect the addition of the Roth Contribution option.

BACKGROUND

The City established a Deferred Compensation Plan ("Plan") in 1983. The Plan has been amended and restated to comply with legislative changes over the years. As stated in the plan document, *"the primary purpose of this Plan is to permit Employees of the Employer to enter into an agreement which will provide for deferral of payment of a portion of his or her current compensation until death, retirement, severance from employment, or other event, in accordance with the provisions of the Code Section 457(b), with other applicable provisions of the Code, and in accordance with the General Statutes of the State."*

The plan document must be amended to include the Roth option stated above. In the 457(b) Governmental Deferred Compensation Plan, City employees are allowed to make pre-tax contributions into individual retirement accounts. With the Roth Contribution option, employees may elect to make after-tax contributions into individual retirement accounts. When using the Roth option, plan participants contribute to their retirement accounts with after-tax dollars, and their contributions and any investment earnings grow tax-free. The money they withdraw from a Roth account at retirement is tax-free income, provided they are 59½ or older and held their account for at least five years.

Please note that this new option is not an additional benefit to employees, but it will provide employees the flexibility to diversify their retirement savings into pre-tax and after-tax accounts.

The amendment to the Plan is effective September 1, 2021. If or when the resolution is adopted by the City Council, staff will sign the plan document and submit it to the City's service provider, Empower Retirement, for processing. A copy of the amended plan document is attached to the staff report.

FISCAL IMPACTS

There are no additional costs as a result of this change.

ATTACHMENT:

- Amended City of San Leandro 457(b) Deferred Compensation Plan - Effective

September 1, 2021

PREPARED BY

Susan Hsieh, Finance Director