

Deferred Compensation Plan BOARD REPORT 11-04

Date: January 10, 2011
To: Board of Deferred Compensation Administration
From: Staff
Subject: Roth 457 Update

*Board of Deferred Compensation
Administration
Eugene Canzano, Chairperson
Richard Kraus, Vice-Chairperson
Sangeeta Bhatia
Cliff Cannon
Tom Moutes
John R. Mumma
Michael Perez
Robert Schoonover
Maggie Whelan*

Recommendation:

That the Board of Deferred Compensation Administration receive and file the following information regarding implementation of a Roth 457 savings option within the Deferred Compensation Plan.

Discussion:

At the Board's December 21, 2010 meeting, staff reported to the Board that the Plan had contacted the City's Sacramento lobbyists to inquire about the typical length of time the State of California takes to draft and approve the conforming tax legislation. The City's lobbyist had then contacted the Chief Consultant for the Assembly's Revenue and Taxation Committee who explained that California law provided language that would not require additional conforming legislation for the Roth 457. The City's lobbyist also referred staff to an individual that works with the Franchise Tax Board, who confirmed this information.

Staff has tentatively scheduled an implementation date of May 1, 2011 for the Plan's Roth 457 savings option. The following are updates in certain areas that need to be addressed before implementation:

Governing Documents - Staff has obtained model Plan Document language from Great-West Retirement Services. In addition, staff has begun working with the City Attorney and Mercer Investment Consulting to identify any changes, if necessary, to the City Administrative Code. A draft of the revised Plan Document as well as a draft of necessary changes to the Administrative Code will be presented to the Board at the February 15, 2011 meeting. Staff anticipates that all changes to the Plan's governing documents will be completed by mid-April.

Payroll changes – Staff is attempting to schedule a meeting with the City Controller to address the addition of a separate payroll deduction for the Roth savings option. Additionally, staff will discuss the system changes that would need to occur to guarantee that a participant does not over contribute the maximum annual limits between both the regular and Roth contributions to Deferred Compensation.

Staff has scheduled a follow-up meeting with DWP Payroll in February to discuss the modifications to the files that will need to be sent to Great-West for the Roth contributions. Staff will coordinate a meeting with the programmers from DWP and Great-West to make sure that new rules and reporting are handled properly.

Communications - Staff has begun working with Great-West on drafting materials and redrafting existing documents that would be required as part of introducing the Roth 457 savings option. Staff's initial focus is on developing a core document to explain what the Roth 457 savings option represents and how it can be differentiated from traditional contributions. A crucial part of crafting this document involves developing a conceptual analogy or metaphor which will help participants relate this concept to one more generally familiar.

In addition to this piece, the following documents have been identified as priority targets for revision:

- Plan Enrollment Booklet
- Plan Enrollment Form
- Plan Highlights
- Plan Distribution Form
- Plan Distribution Guide
- Plan Website

Great-West is also in the process of developing materials on Roth 457 for all of its plan sponsor clients. Staff will be reviewing these materials for the purpose of assessing their use in the City's Plan and customizing as necessary.

Staff will continue to update the Board on the progress of the Roth 457 implementation.

Submitted by: _____
Natasha Gameroz

Reviewed by: _____
Steven Montagna

Approved by: _____
Alejandrina Basquez