



Date: May 2, 2007  
 Committee Meeting Date: May 17, 2007  
 Board Meeting Date: June 7, 2007  
 ACTION X DISCUSSION      INFO     

**BOARD MEMORANDUM**

**TO:** Administration and Finance Committee  
 Santa Clara Valley Transportation Authority  
 Board of Directors

**THROUGH:** Michael T. Burns *Michael T. Burns*  
 General Manager

**FROM:** Bill Lopez *Bill Lopez*  
 Chief Administrative Officer

**SUBJECT:** Amendments To 457 Deferred Compensation Plan and  
 401(a) Money Purchase Plans

**RECOMMENDATION:**

**Policy-Related Action: Yes**                      **Government Code Section 84308 Applies: No**

Authorize amendments to VTA's 457 Deferred Compensation Plan and 401(a) Money Purchase Plans to incorporate provisions authorized or mandated by federal regulations and to make clarifications to certain administrative provisions of the Plans.

**BACKGROUND:**

VTA offers a pre-tax savings plan for all employees under Internal Revenue Code Section 457. VTA's 457 Deferred Compensation Plan was implemented July 1, 1999. A Deferred Compensation Committee oversees the 457 Plan. The Plan is funded entirely through employee contributions.

VTA's Money Purchase Plan for Non-Represented employees and for employees represented by AFSCME is a pre-tax savings plan under Internal Revenue Code Section 401(a) and was adopted August 4, 2005. This Plan is also funded entirely through employee contributions. VTA's 401(a) Money Purchase Plan for the General Manager was adopted March 7, 2002 and amended and restated August 4, 2005.

## **DISCUSSION:**

The 457 Plan and the 401(a) Plans are periodically revised to incorporate changes in tax laws and to incorporate needed administrative changes and clarifications.

The following changes are being made to the 457 Plan to bring it into compliance with the regulations and for administrative purposes:

- Changing the Committee representation from six members to seven members, adding one AFSCME representative;
- Clarifying the meaning of distribution;
- Clarifying the meaning of beneficiary, beneficiary designations, and beneficiary distribution methods;
- Clarifying that beneficiaries are not eligible for emergency withdrawals and requiring the liquidation of rolled over assets prior to application for emergency withdrawal;
- Requiring that the principal residence be within the state of California when applying for a principal residence loan;
- Revising the loan interest rate provision for participants on active military service;
- Clarifying plan transfer provisions;
- Adding a provision for non-spouse beneficiaries to transfer funds to an inherited IRA;
- Adding a provision allowing in-service plan-to-plan transfers to purchase defined benefit plan credit for periods for which there is no performance of actual service (“airtime”).

Attachment A contains a detailed list of the 457 Plan Document revisions.

The following changes are being made to the 401(a) Plans to bring them into compliance with the regulations and for administrative purposes:

- Clarifying the meaning of beneficiary, beneficiary designations, and beneficiary distribution methods;
- Clarifying rollover provisions;
- Clarifying the provision allowing in-service plan-to-plan transfers to purchase defined benefit plan credit for periods for which there is no performance of actual service (“airtime”);
- Deleting joint and survivor annuity and retirement survivor annuity distribution requirements;
- Requiring that the principal residence be within the state of California when applying for a principal residence loan;
- Revising the loan interest rate provision for participants on active military service.

Attachments B and C contain detailed lists of the 401(a) Plan Document revisions.

**ALTERNATIVES:**

There are no alternatives to the mandated changes if the Plan is to remain in compliance with tax laws and regulations. The Board can elect not to approve some or all of the administrative changes.

**FISCAL IMPACT:**

There is no fiscal impact as a result of these changes.

Attachments

Prepared by: Carol Horner

**VTA 457 DEFERRED COMPENSATION PLAN  
PLAN DOCUMENT  
SUMMARY OF CHANGES**

**Attachment A**

<u>ARTICLE NUMBER</u>	<u>ARTICLE TITLE</u>	<u>SECTION NUMBER</u>	<u>CHANGE</u>	<u>REASON FOR CHANGE</u>
I	PURPOSE		Revises amendment/restatement date	Administrative Change
II	DEFINITIONS	2.02	Clarifies meaning of Beneficiary	Administrative Clarification
		2.04	Adds one AFSCME representative to Committee, increasing Committee to 7 members	Bargaining Unit Representation
		2.05	Changes wages and salaries received to earned	Administrative Clarification
		2.07	Clarifies meaning of Distribution	Administrative Clarification
III	PARTICIPATION IN THE PLAN	3.05	Clarifies meaning of Beneficiary; adds reference to revoked beneficiary designation; clarifies Beneficiary distribution method	Administrative Clarification

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PLAN DOCUMENT  
SUMMARY OF CHANGES**

**Attachment A**

<u>ARTICLE NUMBER</u>	<u>ARTICLE TITLE</u>	<u>SECTION NUMBER</u>	<u>CHANGE</u>	<u>REASON FOR CHANGE</u>
VII	DISTRIBUTIONS	7.07	Deletes reference to beneficiary; requires that assets, including rolled over assets, must be liquidated by participant prior to application for emergency withdrawal	Administrative Change
		7.10	Clarifies distribution methods in cases of revoked beneficiary designations, partially invalid beneficiary designations, and no beneficiary designations	Administrative Clarification
VIII	LOANS TO PARTICIPANTS	8.02(a)	Requires that residence be within state of California	Administrative Change
		8.02 (b)	Conforms plan to federal law regarding interest rates while on active military service	Servicemembers Civil Relief Act (SCRA)

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XV	PLAN-TO-PLAN TRANSFERS	15.03	Clarifies transfer provisions	Administrative Clarification
		15.04	Adds provision for Non-Spouse Beneficiary to transfer funds to an inherited IRA	Administrative Change Based Upon Pension Protection Act of 2006 (PPA)
		15.05	Adds in-service plan-to-plan transfers to purchase defined benefit plan credit for periods for which there is no performance of actual service ("airtime")	Administrative Change Based Upon Pension Protection Act of 2006 (PPA)

**VTA 401(a) MONEY PURCHASE PLAN  
PLAN DOCUMENT  
SUMMARY OF CHANGES**

**Attachment B**

<u>ARTICLE NUMBER</u>	<u>ARTICLE TITLE</u>	<u>SECTION NUMBER</u>	<u>CHANGE</u>	<u>REASON FOR CHANGE</u>
I	PURPOSE		Revises amendment/restatement date	Administrative Change
II	DEFINITIONS	2.07	Clarifies meaning of Beneficiary	Administrative Clarification
		2.16	Clarifies meaning of Direct Rollover	Administrative Clarification
		2.24	Clarifies meaning of Eligible Rollover Distribution	Administrative Clarification
		2.29	Deletes Joint and Survivor Annuity	Administrative Change
		2.41	Deletes Qualified Election	Administrative Change
VIII	DISTRIBUTIONS	8.03(b)	Clarifies rollover provisions	Administrative Clarification
		8.03 (c)	Clarifies plan-to-plan transfers to purchase defined benefit plan credit for periods for which there is no performance of actual service ("airtime")	Administrative Clarification

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IX	DISTRIBUTION REQUIREMENTS	9.05	Clarifies beneficiary distribution rights	Administrative Clarification
		9.06	Clarifies distribution methods in cases of revoked beneficiary designations, partially invalid beneficiary designations, and no beneficiary designations	Administrative Clarification
X	DISTRIBUTION OF BENEFITS		Deletes Joint and Survivor Annuity requirement and allows beneficiary(ies) to select distribution method	Administrative Change
XI	SPOUSAL CONSENT REQUIREMENTS		Deletes Joint and Survivor Annuity and Retirement Survivor Annuity requirements and allows beneficiary(ies) to select distribution method	Administrative Change
XII	LOANS TO PARTICIPANTS	12.02(a)	Requires that residence be within state of California	Administrative Change

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XII (Continued)	LOANS TO PARTICIPANTS	12.02(b)	Conforms plan to federal law regarding interest rates while on active military service.	Servicemembers Civil Relief Act (SCRA)

**VTA 401(a) GM MONEY PURCHASE PLAN  
PLAN DOCUMENT  
SUMMARY OF CHANGES**

**Attachment C**

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