



# COUNTY OF HUMBOLDT

For the meeting of: 10/26/2021

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File #: 21-1537

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To: Board of Supervisors

From: Treasurer/Tax Collector

Agenda Section: Consent

SUBJECT:

..title  
401(a) Defined Contribution Plan Termination  
..end

RECOMMENDATION(S):

..Recommendation

That the Board of Supervisors:

1. Approve Resolution \_\_\_\_ to terminate the county 401(a) Defined Contribution Plan (Attachment 1)
2. Authorize the Treasurer-Tax Collector to send the letter of intent to Empower to begin the process of terminating the 401 (a) Defined Contribution Plan (Attachment 2)

..Body

SOURCE OF FUNDING:

Treasurer - Tax Collector 1100-112

DISCUSSION:

Humboldt County adopted a 401(a) Defined Contribution Plan on May 28, 2002, Resolution 02-48 (Attachment 3). The 401 (a) was primarily established to enable long-term employees with significant paid-to-off (PTO) to tax defer a portion of that PTO compensation owed to them upon retirement. The 401(a) is a separate and distinct plan from the 457 Deferred Compensation Plan, which will continue as-is and will not be impacted or affected by this agenda item in any way.

All retirement plans must abide by Internal Revenue Service (IRS) guidelines. A condition of meeting those guidelines is that at all employers must restate their plan documents every 6 years to incorporate legal updates that have occurred during that timeframe. Upon review of those restatement documents the Treasurer-Tax Collector (TTC), the designated 'Plan Administrator' for county retirement savings plans, found that IRS guidance for 401(a) plans and specifically the '414(h)(2) pick-up contributions' provision within 401a plans, had changed since the last restatement period (2016). Wherein the county 401 (a) no longer meets the standardized 401(a) Summary of Plan Provisions document under 'Mandatory Contributions.' The current statement outlines that "As a condition of employment, you (the employee) must agree to contribute from 1% to 50 % of your compensation to the Plan"; as compared to the original county Plan Document, and the previous restatement documents, which stated under 'Mandatory Employee Contributions' that "Employees may choose to have a portion of their termination pay" contributed to the Plan as a Pick-up Contribution."

Because of this change the TTC has determined that the 401(a) plan cannot reasonably be brought into compliance with IRS requirements and still meet the objectives for which the plan was originally adopted; hence this recommendation to terminate the 401(a) plan.

Should your Board agree that termination of the 401(a) plan is appropriate, the TTC will send a letter of intent (LOI) to Empower, the Plan Provider and 'record keeper', to begin the process of termination. That process will include prohibiting any additional county employees to enroll in the 401(a) and will also require the county to notify all current 401(a) account holders to either rollover (transfer) their money into their 457 accounts or any other pre-tax retirement account, or they can take a lump sum distribution of all remaining funds.

The TTC will notify all current 401(a) account holders of these requirements and will work to ensure that all assets have been removed from the 401(a) within one year of termination of the Plan; per IRS requirements.

As is noted in the attached resolution and the LOI; the last contribution to the 401(a) was July 23, 2021 and the effective date of termination will be today, October 26, 2021.

**FINANCIAL IMPACT:**

To terminate the 401(a) there will be minimal hard costs. TTC staff time to complete the tasks toward fulfilling all termination requirements will be absorbed into operations.

There will be salary savings in the Human Resource, Auditor-Controller (Payroll Division), and TTC departments once 401(a) administration is no longer needed. All 6-year restatement costs will also cease, expected costs for 2021 are \$1200.

**STRATEGIC FRAMEWORK:**

This action supports your Board's Strategic Framework by managing our resources to ensure sustainability of services. Click here to type another item(s) from the Strategic Framework, or leave as a period.

**OTHER AGENCY INVOLVEMENT:**

None

**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

Your Board could decide not to terminate the 401(a) but this is not recommended due to the fact that the Plan is out of compliance with IRS guidelines, and to bring the Plan into IRS guidelines would defeat the purpose for which the plan was adopted.

**ATTACHMENTS:**

1. Resolution to Terminate the 401(a) Defined Contribution Plan
2. Empower LOI to Terminate 401(a) Defined Contribution Plan
3. Adoption of 401(a) Defined Contribution Plan on May 28, 2002

**PREVIOUS ACTION/REFERRAL:**

Board Order No.: N/A  
Meeting of: May 28, 2002  
File No.: N/A  
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