

## **STAFF REPORT**

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**DATE:** August 28, 2023  
**TO:** Sacramento Regional Transit Board of Directors  
**FROM:** Jason Johnson, VP, Finance/CFO  
**SUBJ:** DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE ONE OR MORE AMENDMENTS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT DEFERRED COMPENSATION PLAN TO INCORPORATE REGULATORY CHANGES EFFECTIVE JANUARY 1, 2024

### RECOMMENDATION

Adopt the Attached Resolution.

### RESULT OF RECOMMENDED ACTION

Authorization of SacRT Compliance with Code changes

### FISCAL IMPACT

None as a result of this action.

### DISCUSSION

On January 1, 2002, Internal Revenue Code section 414(v) allowed participants in the Sacramento Regional Transit District (SacRT) Deferred Compensation Plan to increase contributions above the IRS cap on contributions in the year they reach age 50 and for all subsequent years. Since that time, “age 50 catch-ups” have become a prominent feature of 457(b) deferred compensation plans and other voluntary savings plans – like the 401(k) plans offered to employees who work in the private sector and the 403(b) plans offered to employees who work for schools, universities, and teaching hospitals. After multiple adjustments for cost-of-living increases, the maximum allowable contribution for participants who are under the age of 50 is currently \$22,500 per year and the maximum contribution for participants who are at or over the age of 50 is \$30,000 per year.

With the signing of the SECURE 2.0 Act on December 29, 2022, federal tax rules regarding age 50 catch-up contributions will be changing. Beginning January 1, 2024, participants who have earned \$145,000 or more from SacRT during the preceding calendar year will be prohibited from making age 50 catch-up contributions to the Deferred Compensation Plan on a pre-tax basis. Absent a change to the plan document,

this means that many participants will see their maximum annual contribution decrease by 25 percent (based on a comparison of the \$30,000 limit currently in place for participants who are at or over the age of 50 to the \$22,500 limit in place for all other participants).

Even though there will be no opportunity for participants who earn \$145,000 or more during the preceding calendar year to make pre-tax catch-up contributions on and after January 1, 2024, the opportunity to exceed the standard limit will still exist for persons who wish to make Roth contributions. Just like Roth contributions to individual retirement accounts or IRAs, Roth contributions to voluntary savings plans occur on a post-tax basis. If a participant keeps those contributions in the plan for five full calendar years and does not withdraw assets prior to the age of 59-½, then the payment is considered a qualified distribution and the Roth balance (consisting of contributions and investment gains) is not taxable.

In order for employees who earn \$145,000 or more to contribute amounts above \$22,500 into their account as a Roth contribution, SacRT's Deferred Compensation plan document must be amended. In order to provide this option to SacRT employees, staff recommends that the Board delegate authority to the General Manager/CEO to amend the Deferred Compensation Plan and approve the addition of Roth contributions (effective January 1, 2024). If the Board approves this recommendation, then the recordkeeper for the Deferred Compensation Plan (Nationwide Retirement Services) will be directed to prepare the amendment required for Roth contributions and launch a corresponding communications campaign to employees later this year.

RESOLUTION NO. 2023-08-082

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

August 28, 2023

**DELEGATING AUTHORITY TO THE GENERAL MANAGER/CEO TO EXECUTE ONE OR MORE AMENDMENTS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT DEFERRED COMPENSATION PLAN TO INCORPORATE REGULATORY CHANGES EFFECTIVE JANUARY 1, 2024**

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Board delegates authority to the General Manager/CEO to perform all necessary tasks necessary to allow Roth contributions to the Sacramento Regional Transit District Deferred Compensation Plan effective January 1, 2024 and directs the appropriate staff to direct Nationwide Retirement Services to prepare and provide the necessary plan amendment document(s) to the General Manager/CEO for approval and execution.

THAT, the Board delegates authority to the General Manager/CEO to adopt and execute the amended plan document(s) for the Sacramento Regional Transit District Deferred Compensation Plan.

THAT, the Board hereby delegates authority to the General Manager/CEO to execute any other agreements, forms, or other ministerial items required by Nationwide Retirement Services to effect the aforementioned amendment.

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PATRICK KENNEDY, Chair

A T T E S T:

HENRY LI, Secretary

By: \_\_\_\_\_  
Tabetha Smith, Assistant Secretary