



Agenda Date: 10/3/2006
Agenda Placement: 6Q

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Patricia Tyrrell for Robert Westmeyer - County Counsel
County Counsel
REPORT BY: Patricia Tyrrell, Attorney IV , 259-8251
SUBJECT: Resolution amending 401(a) retirement savings plan

RECOMMENDATION

County Counsel and the Napa County Deferred Compensation Board of Control recommend adoption of a resolution amending the 401(a) Retirement Savings Plan.

EXECUTIVE SUMMARY

County Counsel and the Napa County Deferred Compensation Board of Control recommend adoption of a resolution amending the 401(a) Retirement Savings Plan relating to automatic distributions that may occur upon termination of employment.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

Sections 411(a)(11) and 417(e) of the Federal Internal Revenue Code (hereafter "Code") permit qualified 401(a) plans to include provisions allowing for the immediate distribution of a separating participant's benefit, without

such participant's consent, where the present value of the nonforfeitable accrued benefit is less than \$5,000.

Section 401(a)(31)(B) of the Code requires that such mandatory distributions of more than \$1,000 be paid in a direct rollover to an individual retirement plan of a trustee or issuer designated by the plan administrator if the distributee does not make an affirmative election to have the amount paid in a direct rollover to an eligible retirement plan or to receive the distribution directly. The Code also requires that the plan administrator notify the distributee in writing that the distribution may be paid in a direct rollover to an individual retirement plan.

The County's 401(a) plan presently provides for a mandatory distribution if the benefit is less than \$5,000. The proposed amendment of the County's 401(a) plan would change that existing provision so that a mandatory distribution would only occur if the amount does not exceed \$1,000, thereby eliminating the need for the County to designate an individual retirement plan and notify participants that such distributions may be paid to such a plan if the distributee fails to act. Such an amendment would reduce administrative costs associated with providing such notifications.

SUPPORTING DOCUMENTS

A . Resolution

CEO Recommendation: Approve

Reviewed By: Maiko Klieman