

Executive Summary

Board of Governors Meeting, July 12, 2023

Retirement Plan – SECURE Act 1.0 & 2.0 Provisions

Topic

Citizens Retirement Plan Committee is requesting approval to amend the Citizens 401(a), 401(k) and 457 (b) Retirement Plans to adopt several optional provisions of the Setting Every Community Up for Retirement Enhancement (SECURE) Act that went into law December 20, 2019 (1.0), and December 29, 2022 (2.0). These optional provisions encourage retirement planning, diversify the options available to savers, and increase access to certain tax-advantaged savings programs. The optional provisions will have no material financial impact on Citizens.

History

The SECURE Act 1.0 and 2.0 allow government entities to enhance their retirement plans by adopting up to sixteen optional provisions. Human Resource staff worked with its outside financial advisor to assess each of the options and ultimately recommended adoption of five of the options allowed in 2023. SECURE Act 2.0 also includes optional provisions effective beginning in 2024, and they may be the subject of future Board of Governors Action Items.

On May 25, 2023, the Citizens Retirement Plan Committee voted unanimously to recommend that the Board of Governors authorize an amendment to the Citizens retirement plans to implement these five options. The options are as follows:

SECURE Act 1.0 Provisions

1. In-Service Age 59 ½ Distributions - Distributions would be exempt from the IRS's 10% early withdrawal penalty for active employees.
2. Qualified Birth or Adoption Distributions - Allows a participant to withdraw \$5,000 if they have a newborn or have adopted a child (the \$5,000 is per child, per plan). Distribution would be exempt from the 10% early withdrawal penalty for those under age 59½.

SECURE Act 2.0 Provisions

3. Treatment of employer matching or nonelective contributions as Roth contributions - Permits Provides participants in the 401(a) plan the option of receiving employer-matching contributions on a Roth basis (to be implemented once the IRS clarifies the process).
4. Eliminate "First day of the month" requirement for government 457(b) plans - Under current law, participants in a governmental 457(b) plan must request changes in their deferral rate prior to the beginning of the month in which the deferral will be made. This option would allow such changes to be made at any time prior to the date that the compensation being deferred is available.

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5. Rules for use of funds in connection with qualified federally declared disaster - The new rules are (i) distributions are limited to \$22,000 per disaster; (ii) distributions must be repaid in 3-year period after distributions; (iii) income inclusion spread over 3 years; and (iv) amounts distributed prior to the disaster to purchase a home would be permitted to be recontributed, and Citizens would be permitted to provide for a larger amount to be borrowed from a plan and for additional time for repayment by affected individuals.

Recommendation

The Citizens Retirement Plan Committee recommends that the Board of Governors:

- a) Adopt and approve the five recommended 401(a), 401(k) and 457(b) Retirement Plan amendments as outlined in this Action Item; and,
- b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Retirement Plan – SECURE Act 1.0 & 2.0 Provisions

ACTION ITEM

New Contract

Contract Amendment

Other Retirement Plan Amendments

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Retirement Plan – SECURE Act 1.0 & 2.0 Provisions
Purpose/Scope	<p>This Action Item authorizes amendments to the Citizens 401(a), 401(k) and 457(b) Retirement Plans to adopt five (5) optional provisions of the Setting Every Community Up for Retirement Enhancement (SECURE) Act that went into law December 20, 2019 (1.0), and December 29, 2022 (2.0). These amendments will enhance the Retirement Plans for employees without adding any cost to Citizens.</p> <p>The five proposed amendments are listed and summarized in the attached Executive Summary.</p> <p>On May 25, 2023, the proposed amendments were discussed and unanimously recommended by the Citizens Retirement Plan Committee.</p>
Contract ID	Amendments to the Retirement Plan (Adopting Selected Provisions of the SECURE Act)
Budgeted Item	This Action Item will not have any financial impact on Citizens.

Retirement Plan – SECURE Act 1.0 & 2.0 Provisions

Effective Date	Citizens staff will work with Empower Retirement, LLC (Empower), the Retirement Plan Third-Party Administrator, to develop an implementation schedule in relation to timeframes provided by the SECURE Act. The Empower contract term is June 1, 2023 – May 31, 2033.
Board Recommendation (DOES NOT go through Committee)	<p>The Citizens Retirement Plan Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"> a) Adopt and approve the five recommended Retirement Plan amendments as outlined in this Action Item; and, b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
CONTACTS	<p>Violet Bloom, Chief Human Resources Officer</p> <p>James Taylor, Director, Total Rewards</p>