

# Executive Summary

Board of Governors Meeting, September 27, 2023

## Retirement Plan – SECURE Act 2.0 Optional Provision

### Topic

Citizens Retirement Plan Committee is requesting approval to amend the Citizens 401(a), 401(k) and 457(b) Retirement Plans to adopt an optional provision of the Setting Every Community Up for Retirement Enhancement (SECURE) Act that went into law December 29, 2022 (2.0). The amendment will allow victims of domestic abuse to withdraw a portion of their funds without incurring a penalty and without having to disclose any facts regarding the abuse. The amendment is expected to take effect January 1, 2024, pending implementation of system changes by Citizens' plan administrator (Empower).

### 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 Resources 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. 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. On July 12, 2023, the Board of Governors adopted and approved those provisions.

On July 17, 2023, the Citizens Retirement Plan Committee voted unanimously to recommend that the Board of Governors authorize an additional amendment to the Citizens retirement plans to implement one of the optional provisions allowed in 2024. The recommended option for 2024 is as follows:

### SECURE Act 2.0 Provision

1. Penalty-free withdrawal from retirement plans for individuals in case of domestic abuse – Allows domestic abuse victims a 1-year period to take a distribution (capped at the lesser of \$10,000 or 50% of account balance on a plan aggregation basis) from an eligible retirement plan; abuse grounds include abuse of child or household member; such amounts can be repaid; victim can self-certify need; the distribution is not eligible for rollover treatment; \$10,000 cap is subject to indexed increases in future years.

The optional provision will have no financial impact on Citizens. SECURE Act 2.0 also includes two optional provisions effective beginning in 2025. These provisions will be reviewed by the Retirement Plan Committee in due course and may be the subject of future Board of Governors Action Items.

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## Recommendation

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

- a) Adopt and approve the recommended 401(a), 401(k) and 457(b) Retirement Plan amendment 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 2.0 Optional Provision

☒ **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 2.0 Provision
<b>Purpose/Scope</b>	<p>This Action Item authorizes an amendment to the Citizens 401(a), 401(k) and 457(b) Retirement Plans to adopt an optional provision of the Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0 that went into law December 29, 2022. This amendment will allow plan participants to withdraw a portion of their retirement funds without penalty in cases of domestic abuse.</p> <p>The proposed amendment is further explained in the attached Executive Summary.</p> <p>On July 17, 2023, the proposed amendment was discussed and unanimously recommended by the Citizens Retirement Plan Committee.</p>
<b>Contract ID</b>	<b>Amendment to the Retirement Plans as Authorized by SECURE 2.0</b>
<b>Budgeted Item</b>	This Action Item will not have any financial impact on Citizens.

**Retirement Plan – SECURE Act 2.0 Optional Provision**

<b>Effective Date</b>	Tentatively set for January 1, 2024, Citizens staff will work with Empower Retirement, LLC (Empower), the Retirement Plan Third-Party Administrator, to implement the change as close to that date as possible.
<b>Board Recommendation</b> (DOES NOT go through Committee)	<p>The Citizens Retirement Plan Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"><li>a) Adopt and approve the recommended 401(a), 401(k), and 457(b) Retirement Plan amendment as outlined in this Action Item; and,</li><li>b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.</li></ul>
<b>CONTACTS</b>	<p>Violet Bloom, Chief Human Resources Officer James Taylor, Director, Total Rewards</p>