

REGIONAL TRANSIT AUTHORITY

**RESOLUTION NO. 100
BACKGROUND AND COMMENTS**

Meeting:	Date:	Agenda Item:	Staff Contact:	Phone:
Finance Committee	11/20/97	No. 10	Jan Hendrickson	206-689-3148
	12/04/97	No. 6	Hugh L. Simpson	206-684-1717
Board of Directors	12/11/97	No. 7A-3		

Finance Committee Discussion 11/20/97
Resolution to follow on 12/4/97

ACTION:

Approval of RTA Board Resolution adopting proposed changes to the existing qualified retirement 401(a) plan and the deferred compensation 457 plan.

BACKGROUND:

In August of 1994, the Board adopted Resolution No. 32 approving a retirement plan that serves in lieu of and provides an alternative to the Public Employees' Retirement System (PERS) and Social Security (SSI) coverage for participating employees. Resolution No. 32 established a qualified retirement 401(a) plan and a deferred compensation 457 plan. Due to their substitution for SSI participation, these plans require that the RTA (employer) contribute 12 percent of gross salary to the 401(a) plan, and that employees contribute 6 percent of gross salary to the 401(a) plan and 4 percent of gross salary into the 457 plan.

RELEVANT BOARD POLICIES AND PREVIOUS ACTIONS TAKEN:

Resolution No. 32 established the current qualified retirement plan 401(a) and deferred compensation 457 plan. Terms of these plans may be amended per Section 1, but must have full RTA Board approval.

KEY FEATURES:

Tax law revisions to Section 415 of the Internal Revenue code that become effective January 1, 1998 allow the RTA to benefit participants with a change to the required employee contribution allocation. Three other proposed qualitative changes to our plan are also recommended as having benefit to the participants. Staff is also requesting that the Executive Director be delegated the authority to have the ability to change pension plan trustees.

RECOMMENDED CHANGES:

1. Change the required employee contribution allocation per revised tax law:

Present:	401 (a)	6%	Budget Impact: None.
	457	4%	Advantages: Defer additional pre-tax
Proposed:	401 (a)	10%	dollars.
	457	0%	

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2. Allow employees to direct investment of the employer's contribution portion (12%).
Currently, RTA Board resolution stipulates that the employer portion is invested at the employer's direction in the cash management fund.
Budget Impact: None.
Advantages: Allows employees to direct their own funds.
3. Lower retirement age from 60 to 55.
Budget Impact: None.
Advantages: Allows employees access to retirement funds at age 55 without penalties.
4. Allow 100% vesting at retirement age regardless of years of service.
Budget Impact: None.
Advantages: Full vesting rights once retirement age is reached.

REGIONAL TRANSIT AUTHORITY

RESOLUTION NO. 100

A RESOLUTION of the Board of the Regional Transit Authority for the Pierce, King and Snohomish Counties region adopting certain amendments to the Regional Transit Authority's pension plan qualified under Section 401(a) of the Internal Revenue Code of 1986, as amended ("Code"), and to the Regional Transit Authority's deferred compensation plan formed under Section 457 of the Code.

WHEREAS, the Regional Transit Authority ("the RTA") has been established to develop and implement a high capacity transportation system for the Central Puget Sound Region pursuant to Chapters 81.104 and 81.112 RCW; and

WHEREAS, the RTA adopted a pension plan qualified under Section 401(a) of the Code, and a deferred compensation plan described in Code Section 457; and

WHEREAS, the RTA adopted IMCA as the trustee of the pension plan; and

WHEREAS, certain amendments to Section 415 of the Code provide opportunities to enhance the RTA's retirement program as set forth in this resolution; and

WHEREAS, the RTA has retained the authority to amend the pension plan pursuant to Section 15.01 of the Plan document; and

WHEREAS, the RTA has retained the authority to amend the Code Section 457 plan; and

WHEREAS, the RTA now desires to make certain changes to these plans and allow for trustees changes.

NOW, THEREFORE, BE IT RESOLVED by the Board of the Regional Transit Authority as follows:

Section 1. That the RTA Pension Plan be amended to increase the employee mandatory contribution under the Plan from 6% of the participant's compensation to 10% of the participant's compensation, to provide that normal retirement age will be age 55, and to

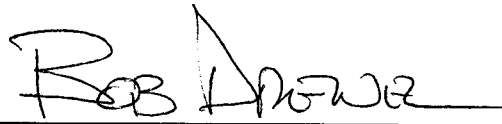
allow participants to direct the investment of both the employee and employer contributions made under the Plan pursuant to the Plan's investment choices and procedures.

Section 2. That the RTA Code Section 457 Plan be amended to eliminate the mandatory 4% employee contribution.

Section 3. That the Executive Director, or his or her designee, is hereby authorized to change pension plan trustees.

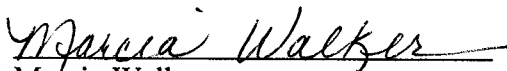
Section 4. The Executive Director, or his or her designee, is hereby authorized to take such actions as may be necessary or advisable with advice of counsel to cause appropriate amendments to be prepared and executed and to otherwise effectuate the intent of this resolution.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority for the Pierce, King and Snohomish Counties region at its meeting held on the 11 th day of December, 1997.



Bob Drewel
Chair of the Board

ATTEST:



Marcia Walker
Board Administrator