



COUNTY *of* VENTURA

COUNTY EXECUTIVE OFFICE
SEVET JOHNSON, PsyD
County Executive Officer

Mike Pettit
Assistant County Executive Officer

Scott Powers
County Chief Financial Officer

Danielle Keys
County Human Resources Director
Labor Relations

October 8, 2024

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, California 93009

Subject: Approval of Amendments to the County of Ventura 401(k) Shared Savings Plan Document and the Section 457 Plan Document.

Recommendation

It is recommended that your Board:

1. Approve and sign the attached proposed Amended 401(k) Shared Savings Plan Document (Exhibit 2) and the attached proposed Amended Section 457 Plan Document (Exhibit 4) to incorporate the addition of a Roth In-Plan Conversion option, withdrawals for qualified federally declared disasters, and eligible distributions for domestic abuse victims.

Strategic Priority

The Plan Documents for the 401(k) Shared Savings Plan and the Section 457 Plan outline the terms and conditions of the County's deferred compensation benefit as a supplemental retirement savings plan. As employee benefits, the 401(k) Shared Savings Plan and the Section 457 Plan support the County's Strategic Priority to attract, hire, develop, and retain a diverse workforce empowered to meet the needs of our customers.

Fiscal/Mandates Impact

There is no fiscal impact resulting from this action.

Discussion

Roth In-Plan Conversion

A Roth in-plan conversion is a retirement strategy that lets account owners move pre-tax assets into Roth assets within the same plan. This strategy can help build tax-free retirement income and manage future tax liabilities. Examples of eligible assets may include the participant's contributions, contributions from their employer, or assets rolled in from a former employer.

A Roth in-plan conversion can benefit participants in the following ways:

- Roth provides additional savings flexibility within the Plan, allowing participants to diversify their retirement assets between pretax and Roth.
- Provided that participants meet the appropriate requirements, contributions and earnings of Roth contributions can be withdrawn tax-free and penalty-free in retirement.

Participants will pay taxes on the base contribution and any associated earnings as part of the Roth in-plan conversion. The applicable taxes incurred as result of a Roth in-plan conversion must be paid in the income tax year that the conversion occurred. Taxes incurred as a result of an in-plan conversion are not withheld from payroll or converted contributions; participants are responsible for the tax liability. Participants will receive an IRS Form 1099-R at the end of the calendar year, which will include consolidated tax information on all the applicable conversions for the year.

The recent addition of the Roth 401(k) has created participant interest in the Roth in-plan conversion. Deferred Compensation staff and our dedicated Fidelity Workplace Consultant have received employee inquiries and requests for the Roth in-plan conversion option to be added to our plans.

Because the conversion of non-Roth money to a Roth account within the plan is a complex decision for the participant, all transactions will be conducted through Fidelity's highly trained telephone representatives. There is no fee to participants to convert eligible participants contributions to an in-plan Roth account.

Withdrawals for Qualified Federally Declared Disasters

On December 29, 2022, President Biden signed into law the SECURE 2.0 Act of 2022 (the Act) as part of the Consolidated Appropriations Act of 2023. This Act builds upon the 2019's Setting Every Community Up for Retirement Enhancement Act (the "SECURE" Act) and includes both required and optional changes to defined contribution (DC) and defined benefit (DB) plans with varying effective dates.

The optional SECURE 2.0 provision, Withdrawals for Qualified Federally Declared Disasters, provides permanent rules relating to the use of retirement funds in the case of qualified federally declared disasters. Qualified individuals' principal places of residence during the incident period of any qualified disaster must be located in the disaster area and they must have sustained an economic loss because of the disaster. The provision allows up to \$22,000 in total to be distributed from employer-sponsored retirement plans without being subject to the 10% additional tax on early distributions, and the income may be reported over three years on their federal income tax returns. Distributions can be

repaid to a tax preferred retirement account. Amounts distributed prior to the disaster to purchase a home can also be recontributed.

Eligible Distributions for Domestic Abuse Victims


The optional SECURE 2.0 provision, Eligible Distributions for Domestic Abuse Victims, allows retirement plans to permit participants who are victims of domestic abuse to self-certify their status and request a distribution for up to the lesser of \$10,000, indexed for inflation, or 50% of the participant's vested account balance. The distribution is not subject to the 10% additional tax on early distributions. A participant can repay the withdrawn money from the retirement plan within three years.

The Deferred Compensation Committee, composed of the County Executive Officer, Treasurer-Tax Collector, Auditor-Controller, County Counsel, and County Human Resources Director/Labor Relations (or designees), concurs with the recommendation and approves the amendments to the Plan Documents.

Redlined and clean versions of the Amended 401(k) Shared Savings Plan Document (Exhibits 1 and 2, respectively) and the Amended Section 457 Plan Document (Exhibits 3 and 4, respectively) are attached.

The County Executive Office, County Counsel, and the Auditor-Controller's Office have reviewed this letter. If you have any questions regarding this item, please contact me at (805) 654-2561 or Patty Zoll, Deferred Compensation Manager, at (805) 477-7234.

Respectfully submitted,



Danielle Keys
County Human Resources Director/Labor Relations



Sevet Johnson, PsyD
County Executive Officer

c: Jeffery S. Burgh, Auditor-Controller
Tiffany N. North, County Counsel
Mike Pettit, Assistant County Executive Officer
Scott Powers, County Chief Financial Officer

Attachments:

- Exhibit 1 – Amended 401(k) Shared Savings Plan Document (Redlined)
- Exhibit 2 – Amended 401(k) Shared Savings Plan Document (Clean)
- Exhibit 3 – Amended Section 457 Plan Document (Redlined)
- Exhibit 4 – Amended Section 457 Plan Document (Clean)