

August 12, 2002

Honorable Mayor and Members of  
The Hermosa Beach City Council

Regular Meeting of  
September 10, 2002

## **AMENDMENT OF SECTION 457 DEFERRED COMPENSATION PLANS**

### **RECOMMENDATION**

It is recommended that the City Council adopt the restated plan documents for each of the City's three deferred compensation providers, Hartford Life Insurance Company, ICMA Retirement Corporation and the United States Conference of Mayors Deferred Compensation Program. The three plan documents are available in the Finance Department.

### **BACKGROUND**

Changes to the laws governing Section 457 deferred compensation plans were passed as part of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which was signed by President Bush in March 2002. There were 20 states, including California, who were not in compliance with EGTRRA. California is now in compliance, with conforming legislation signed by the Governor in May.

### **ANALYSIS**

There are numerous changes to the plans as a result of the new law. Some of the most significant changes are the increase in the contribution limit from \$8,500 to \$11,000, with \$1,000 increases each year until 2006 and cost of living adjustments thereafter, an increase in pre-retirement catch-up contributions and a new catch-up contribution for participants aged 50+. There are also several changes to distribution and portability provisions. A complete list of changes is available upon request in the Finance Department.

The City Attorney has reviewed all of the restated plan documents supplied by the providers.

Respectfully Submitted,

CONCUR:

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Viki Copeland  
Finance Director

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Stephen Burrell  
City Manager