

**SOUND TRANSIT  
STAFF REPORT**

**RESOLUTION NO. R2002-20**

**Ratification of Pension Plan Changes  
Under Section 401 (a) of Internal Revenue Code**

<b>Meeting:</b>	<b>Date:</b>	<b>Type of Action:</b>	<b>Staff Contact:</b>	<b>Phone:</b>
Audit and Reporting Subcommittee	12/4/02	Discussion	<b>Hugh Simpson, Chief Financial Officer</b>	(206) 398-5082
Finance Committee	12/5/02	Discussion/Possible Action to Recommend Board Approval		
Board	12/12/02	Action		

**OBJECTIVE OF ACTION**

To ratify changes included in ICMA's plan documents for Sound Transit's Money Purchase Pension Plan provided under Section 401(a) of the Internal Revenue Code to incorporate tax law changes resulting from Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and minor tax law changes referred to as "GUST."

**ACTION**

Ratifies the administrative adoption of pension plan amendments to Sound Transit's Pension Plan as required by tax law changes under Section 401 (a) of the Internal Revenue Code.

**KEY FEATURES**

- Sound Transit's 401(a) pension plan documents have been updated to include tax law changes as required by EGTRRA and tax law changes referred to as GUST. GUST are the following five laws that affect Section 401 (a) of the Internal Revenue Code and required amendments to the Plan documents:
  - General Agreement on Tariffs and Trade, part of the Uruguay Round Agreements Act passed in 1994
  - Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA")
  - Small Business Job Protection Act of 1996 ("SBJPA")
  - Taxpayer Relief Act of 1997 ("TRA '97")
  - Internal Revenue Service Restructuring and Reform Act of 1998 ("RRA")
- Attachment A summarizes the tax law changes associated with GUST and EGTRRA.
- Sound Transit has submitted a letter of determination to the Internal Revenue Service and expects a favorable outcome within the next several months. (*Note:* A Letter of Determination is a process used by employers' "trustees" who have pension programs to have their plan documents reviewed by the Internal Revenue Service to ensure tax qualification. ICMA has also submitted its amended plan documents to the IRS for a letter determination. However, as an extra step to ensure tax qualification Sound Transit submits letters of determination when deemed necessary.)

- Executive management has created an internal committee consisting of participants from Legal, Administrative Services, Board Administration and Finance and Information Services to perform the following tasks related to the pension and deferred compensation plans at Sound Transit:
  - Ensure fiduciary duties are met as an employer.
  - Review and negotiate fee structure with ICMA.
  - Review plan documents and ensure plan is up to date.
  - Review provider's performance.
  - Review communications from provider.
  - Communicate with Audit and Reporting Subcommittee on an annual basis or as needed.
- These minor amendments to the Plan document that have been adopted administratively in order to meet deadlines imposed by the tax code are submitted to the Board for ratification.

**BUDGET DISCUSSION**

There are no budget impacts to the Staff Operating Budget from this action.

**REVENUE, SUBAREA, AND FINANCIAL PLAN IMPACTS**

There are no impacts to the financial plan from this action.

**HISTORY OF PROJECT**

**Prior Board or Committee Actions  
and Relevant Board Policies**

<b>Motion or Resolution Number</b>	<b>Summary of Action</b>	<b>Date of Action</b>
Resolution 32	Adopting independent retirement plans in lieu of PERS and in lieu of Social Security and establishing a money purchase pension plan qualified through Section 401 (a) of the Internal Revenue Code; with ICMA as the provider.	8/12/94
Resolution 100	Amending the pension plan to incorporate tax law revisions to Section 415 of the Internal Revenue Code.	12/11/97

**LEGAL REVIEW**

BN 11-22-02

## **SOUND TRANSIT**

### **RESOLUTION NO. R2002-20**

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority ratifying the adoption of amendments to the agency's pension plan as required by tax law changes under Section 401 (a) of the Internal Revenue Code.

WHEREAS, the Regional Transit Authority ("Sound Transit") 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, Sound Transit has established a qualified retirement plan for such employees that serves the interest of Sound Transit by enabling it to provide reasonable retirement security for its employees, by providing increased flexibility in its human resources management system, and by assisting in the attraction and retention of competent personnel; and;

WHEREAS, by Resolution No. 32, the Sound Transit Board selected ICMA Retirement Corporation, an affiliate of International City Management Association ("ICMA"), as the agency's pension plan provider; and

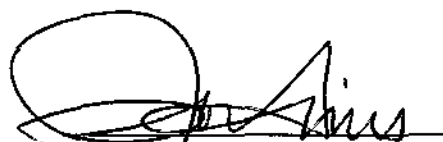
WHEREAS, amendments to the Internal Revenue Code have been enacted that require changes to the structure of and allow enhancements of the benefits of the qualified retirement plan under Section 401 (a) of the Internal Revenue Code; and

WHEREAS, under provisions of ICMA's prior pension plan documents, the amendments are adopted within 30 days of notice from ICMA; and

WHEREAS, on February 21, 2002 the amendments to the ICMA Money Purchase Plan and Trust were adopted by Sound Transit's Chief Financial Officer.

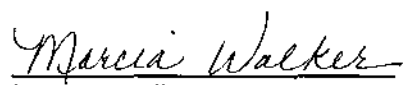
NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that the administrative adoption of the amendments to the ICMA pension plan documents (The ICMA Retirement Corporation Government Money Purchase Plan and Trust Money Purchase Plan) is ratified.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on December 12, 2002.



Ron Sims  
Board Chair

ATTEST:



Marcia Walker  
Marcia Walker  
Board Administrator