



## Motion No. M2020-28

### Amending Sound Transit's Retirement Plans

Meeting:	Date:	Type of action:	Staff contact:
Rider Experience & Operations Board	05/07/2020 05/28/2020	Recommend to Board Final action	<b>Julie Honeywell, Chief Human Resources Officer</b>

### Proposed action

Authorizes the chief executive officer to execute an amendment to Sound Transit's 401(a) and 457(b) retirement plans to add the provisions providing coronavirus relief to certain participants pursuant to the Coronavirus Aid, Relief, and Economic Security Act.

### Key features summary

- The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) contains mandatory and optional provisions which would amend Sound Transit's 401(a) and 457(b) retirement plans.
- The amendment includes employees who are impacted by the coronavirus (diagnosed employees, spouses or dependents and employees who have been financially impacted).
- The amendment allows:
  - Coronavirus-impacted employee distributions effective January 1, 2020.
    - Employees can elect to take a distribution of up to \$100,000 from their 401(a) or 457(b) retirement plans without a 10 percent early withdrawal penalty.
    - Employees are given the option to repay the distribution option over a three-year period with no tax implications. For employees who choose not to repay the distribution, associated taxes would be paid over a three year period.
  - Coronavirus-impacted employee loans under the enhanced loan provisions of the CARES Act effective immediately.
    - Employees can elect to take out a loan of up to 100 percent of the vested balance from their 401(a) or 457(b) plan.
    - This option is only available through September 23, 2020.
    - New and existing loan payments can be delayed by one year, although interest would continue to accrue.
- There is no additional cost to the retirement plan and it is administered entirely by Empower Retirement.

### Background

Sound Transit's benefit programs are designed to ensure that employees and their families are taken care of when illness strikes. The Sound Transit 401(a) plan, which is a Social Security replacement plan,

has been offered since 1994 and the 457(b) plan, which includes employee only contributions, has been offered since 1980.

The CARES Act was passed by Congress and signed into law on March 27, 2020. Certain provisions within the act provide economic assistance to Sound Transit employees and their families who are or will be affected by the Coronavirus pandemic. Implementing this change allows Sound Transit the flexibility to use plans already in place at no additional cost to the agency and with no significant impact to the plans themselves.

### **Fiscal information**

This action will have no fiscal impact on the agency.

### **Disadvantaged and small business participation**

Not applicable to this action.

### **Public involvement**

Not applicable to this action.

### **Time constraints**

A one month delay would significantly limit agency employees' ability to take advantage of the options provided by the CARES Act which are only available until September 23, 2020.

### **Prior Board/Committee actions**

Resolution No. R2018-40: Adopting a Procurement, Agreements and Delegated Authority Policy and superseding Resolution Nos. 78-2, 42, 58, and 98-7 and Motion Nos. M2004-111 and M99-2.

Resolution No. R2010-05: Regarded the administration of the 401 (a) and 457(b) employee retirement plans, amended Resolution 32, creating a retirement plans committee, delegating oversight and management responsibilities for the employee retirement plans, indemnifying the Sound Transit Board, officers and employees to the extent they are making decisions or acting as fiduciaries of the retirement plans, and authorizing the purchase of fiduciary insurance.

Resolution No. R32: Adopted a retirement program, including independent retirement plans in lieu of Public Employees' Retirement System (PERS) coverage and in lieu of Social Security coverage for participating employees of the Regional Transit Authority.

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**Environmental review** – KH 4/29/20

**Legal review** – AJP 4/30/2020



## Motion No. M2020-28

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing the chief executive officer to execute an amendment to Sound Transit's 401(a) and 457(b) retirement plans to add the provisions providing coronavirus relief to certain participants pursuant to the Coronavirus Aid, Relief, and Economic Security Act.

### Background

Sound Transit's benefit programs are designed to ensure that employees and their families are taken care of when illness strikes. The Sound Transit 401(a) plan, which is a Social Security replacement plan, has been offered since 1994 and the 457(b) plan, which includes employee only contributions, has been offered since 1980.

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The amendment includes employees who are impacted by the coronavirus (diagnosed employees, spouses or dependents and employees who have been financially impacted).

The amendment allows:

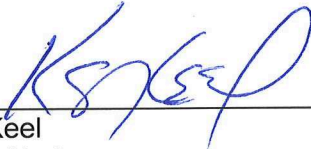
- Coronavirus-impacted employee distributions effective January 1, 2020.
  - Employees can elect to take a distribution of up to \$100,000 from their 401(a) or 457(b) retirement plans without a 10 percent early withdrawal penalty.
  - Employees are given the option to repay the distribution option over a three-year period with no tax implications. For employees who choose not to repay the distribution, associated taxes would be paid over a three year period.
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  - This option is only available through September 23, 2020.
  - New and existing loan payments can be delayed by one year, although interest would continue to accrue.

There is no additional cost to the retirement plan and it is administered entirely by Empower Retirement.

**Motion**

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to execute an amendment to Sound Transit's 401(a) and 457(b) retirement plans to add the provisions providing coronavirus relief to certain participants pursuant to the Coronavirus Aid, Relief, and Economic Security Act.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on May 28, 2020.

  
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Kent Keel  
Board Chair

**Attest:**

  
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Kathryn Flores  
Board Administrator