



CITY OF DANBURY

155 DEER HILL AVENUE
DANBURY, CONNECTICUT 06810

DENA DIORIO
DIRECTOR OF FINANCE

(203)797-4652
FAX: (203)796-1526

MEMORANDUM

TO: Mark D. Boughton and Members of the Common Council

FROM: Dena R. Diorio, Director of Finance & Personnel *deu*

DATE: August 23, 2005

SUBJECT: Deferred Compensation Plan Document

In 2002, new treasury regulations were passed that changed the way deferred compensation plans are administered. Under the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), by December 31, 2005, governmental 457(b) plans must adopt model amendments that include the new provisions. If adopted word for word, the IRS will treat the plan as meeting the requirements of 457(b). If not, the plan document must be submitted to the IRS for a private letter ruling.

Attached for your consideration, is a resolution and the amended and restated plan document that includes all of the model amendments required by EGTRRA. The amendments to the plan document address the following issues:

Participation and Contributions – Eligibility, deferral elections, deferral commencement timing, plan deposit timing, changes to deferral elections, leaves of absence and disability.

Limitations – Limits on deferrals including the age 50+ catch-up and pre-retirement catch-up provisions, correction of excess deferrals, as well as those who return to employment following military service.

Distributions – addresses distribution commencement, forms of payment, death benefit and minimum required distribution rules, unforeseeable emergency withdrawals, small inactive accounts, involuntary cash-outs, rollover contribution withdrawals, and rollover distributions.

Rollover and Permitted Transfers – addresses rollover contributions, and plan to plan transfers.

Trust Fund – describes how amounts are held in trust for the exclusive benefit of plan participants and beneficiaries.

Miscellaneous – addresses non-assignability, qualified domestic relations orders, IRS levies, mistaken contributions, payments to minors and incompetents and missing participants.

Sick, vacation and back pay – the special deferral timing rule allows deferral elections to be made for sick, vacation or back pay in the same month as the amounts are to be paid, as long as it is done before the employee severs from employment and before the amounts are payable.

I am requesting that the Common Council consider the attached resolution and plan document at its September meeting. Please feel free to contact me should you require any additional information. Thank you.



RESOLUTION

CITY OF DANBURY, STATE OF CONNECTICUT

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RESOLVED by the Common Council of the City of Danbury:

WHEREAS, the City of Danbury offers Deferred Compensation Plans to its employees; and,

WHEREAS, the Federal Internal Revenue Service has adopted regulations containing guidelines, which when followed, allow such plans to be deemed eligible Deferred Compensation Plans and that allow participants in such plans to be eligible for favorable tax treatment; and,

WHEREAS, the City of Danbury wishes to conform its plans to the requirements contained in the aforementioned IRS regulations.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF DANBURY THAT, the attached plan document is hereby approved for use by the City of Danbury in connection with Deferred Compensation Plans that it now offers or may in the future offer to its employees and that the Mayor is hereby authorized to execute any and all plan documents required in order to effectuate the purposes hereof.