



FINANCE AND BUDGET COMMITTEE  
MARCH 16, 2004

SUBJECT: NON-CONTRACT EMPLOYEES' RETIREMENT INCOME PLAN

ACTION: APPROVE AMENDMENTS TO THE NON-CONTRACT PLAN (NC PLAN)

RECOMMENDATION

Amend the Non-Contract Employees' Retirement Income Plan for non-contract employees only to:

- A. Implement a Deferred Retirement Option Program (DROP).
- B. Eliminate the \$133.33 offset for those employees who retire and elect an annuity option.
- C. Allow eligible employees to purchase up to 5 years additional service credit ("Air Time") at no cost to the MTA/PTSC.
- D. Approve Employer Pickup Resolution, Attachment A, to allow pre-tax payroll deductions for Air Time purchases under Internal Revenue Code Section 414(h)(2).

POLICY IMPLICATIONS

Approval of a DROP provision is consistent with the amendments approved by the MTA Board for the UTU and ATU Retirement Income Plans. Under a DROP program, an employee may "retire" for pension purposes and continue active employment.

The elimination of the \$133.33 offset provision was approved for ATU. This amount was a deduction in the computation of "final compensation" as defined in the ATU Plan. Final compensation is the base for calculating retirement annuity payments.

The Air Time provision allows eligible employees to purchase additional service credit on a basis consistent with the CalPERS Air Time program. To be eligible to exercise the Air Time option, an employee must be vested in the NC Plan at the time that this option is exercised. Adoption of the attached Employer Pickup Resolution will allow eligible employees to purchase Air Time through pre-tax payroll deductions. PTSC employees who are accruing PERS service credit and are vested in the NC Plan will be eligible to purchase up to five years additional service credit under both retirement systems.

These amendments are for non-contract employees only. Changes to the NC Plan for Teamsters and AFSCME represented employees who are covered by the Plan can only be made through the collective bargaining process.

### BACKGROUND

The MTA administers four Retirement Income Plans established by its predecessor, the Southern California Rapid Transit District (SCRTD). Benefits under the union plans are negotiated by each union through the collective bargaining process. Changes in retirement benefits for non-contract employees must be approved by the MTA and PTSC Boards. The proposed amendments bring the NC Plan benefits up to the level enjoyed by the MTA's unions and make Air Time available to all MTA/PTSC non-contract employees.

### FINANCIAL IMPACT

The DROP provisions are intended to be actuarially cost neutral to the NC Plan. Since employees will purchase "Air Time" at their own expense, the program is considered cost neutral for the MTA/PTSC. The Plan's actuary estimates that the cost of eliminating the \$133.33 offset would be 0.2% of covered payroll, approximately \$50,000 of additional expense on an annual basis.

### Next Steps

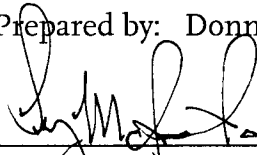
A corresponding item will be presented to the PTSC Board for approval since PTSC is a co-sponsor of the NC Plan.

The NC Plan Administrative Committee will make the necessary changes to the NC Plan document to implement the amendments.

### ATTACHMENT

A. Employer Pickup Resolution

Prepared by: Donna Mills, Assistant Treasurer



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Terry Matsumoto  
Executive Officer, Finance and Treasurer



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Roger Snoble  
Chief Executive Officer

Attachment A

EMPLOYER PICKUP RESOLUTION  
PRE-TAX PAYROLL DEDUCTION PLAN  
FOR SERVICE CREDIT PURCHASES

WHEREAS, the Los Angeles County Metropolitan Transportation Authority ("MTA") has the authority to implement the provisions of Internal Revenue Code ("IRC") section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those MTA employees who are members of the Non-Contract Employees' Retirement Income Plan ("NC Plan"); and

WHEREAS, the MTA elects to participate in the pre-tax payroll deduction plan for all non-contract employees.

NOW, THEREFORE, BE IT RESOLVED:

- I. That the MTA will implement the provisions of IRC section 414(h)(2) by making employee contributions for service credit purchases pursuant to MTA Board authorization on behalf of its employees who are members of the NC Plan and who have made a binding irrevocable election to participate in the pre-tax payroll deduction plan. "Employee contributions" shall mean those contributions reported to the NC Plan which are deducted from the salary of employees and are credited to individual employee accounts for service credit purchases, thereby resulting in tax deferral of employee contributions.
- II. That the contributions made by the MTA to the NC Plan, although designated as employee contributions, are being paid by the MTA in lieu of contributions by the employees who are members of the NC Plan.
- III. That the employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the MTA to the NC Plan.
- IV. That MTA shall pay to the NC Plan the contributions designated as employee contributions from the same source of funds as used in paying salary, thereby resulting in tax deferral of employee contributions.
- V. That the effective date for commencement of the pre-tax payroll deduction plan cannot be any earlier than the date this resolution is approved by the MTA Board.

VI. That the MTA Board shall participate in and adhere to requirements and restrictions of the pre-tax payroll deduction plan by reporting pre-tax payroll deductions when authorized by the NC Plan for those non-contract employees who have elected to participate in this plan.

PASSED AND ADOPTED by the governing body of the MTA this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

BY:

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Michele Jackson  
Board Secretary

