

DIABLO WATER DISTRICT

REGULATION NO. 105

RETIREMENT BENEFITS AND DEFERRED COMPENSATION

Section I. Social Security and Medicare

- A. Social Security and Medicare are programs set up by the U.S. federal government that provides retirement income, disability income, other financial benefits and health insurance to those who qualify. District employees pay the employee portion of Social Security and Medicare taxes. Please refer to the *District's Payroll Policy* for current tax withholdings.

Section II. CalPERS

- A. The District has a contract with the Public Employees Retirement System of the State of California (CalPERS). Employees are entitled to the benefits the District participates in and are subject to the requirements for participation in one of two plans. Enrollment in CalPERS is automatic, required for all full-time employees, and effective immediately upon hire. Part-time employees must be enrolled after working 1,000 hours in a fiscal year. Once an employee is enrolled in CalPERS, they will remain a member even if their status changes from full-time to part-time, or if their total hours fall below 1,000 in a fiscal year. Membership status upon separation of employment will be governed by CalPERS regulations.
1. Individuals defined as "New Members (PEPRA)" by California law

(see below) will be enrolled in the 2% at age 62 plan and are by statute obligated to pay the full 100% of the Employee contribution (please refer to the *District's Payroll SOP Policy* for current contribution rates):

- (a) A member who joined CalPERS prior to January 1, 2013, who, on or after January 1, 2013, is hired by a different CalPERS employer following a break in service of more than six months.
- (b) A new hire who joined CalPERS for the first time on or after January 1, 2013, and who has no prior membership in another California public retirement system.
- (c) A new hire who joins CalPERS for the first time on or after January 1, 2013, and who was a member of another California public retirement system prior to that date, but who is not subject to reciprocity upon joining CalPERS.

- 2. Individuals defined as “Classic Members” by California law will be enrolled in the 2.7% at age 55 plan and are obligated to pay the full 100% of the Employee contribution (please refer to the *District's Payroll Policy* for current contribution rates).

Section III. Health Benefits in Retirement

- A. See Regulation 114 for applicability and eligibility.

Section IV. Deferred Compensation Plan

- A. Authority: The Deferred Compensation Plan of Diablo Water District, herein

referred to as "the Plan", is established pursuant to and in accordance with sections 53213 of the Government Code of the State of California and is an eligible deferred compensation plan as defined by section 457 of the Internal Revenue Code. Plan options include a traditional 457 (pre-tax contributions) or Roth 457 (post-tax contributions). Please refer to the *District's Payroll Policy* for further information on current plan options.

- B. Administration: The Plan will be administered by the General Manager in accordance with policies and directions of the Board of Directors. The Board of Directors may from time-to-time interpret the provisions of the Plan and may adopt, amend, or rescind rules for the administration of the Plan. The District may employ a bank, qualified insurance company, or qualified affiliate of an insurance company, herein referred to as "the Contract Administrator", to perform services in connection with the administration of the Plan.
- C. Participation Agreements: Any employee of the District may participate in the Plan by entering into a participation agreement with the District which must provide for the deferral of a portion of the Participant's compensation earned after the agreement is executed. The amount of compensation deferred will be determined by the Participant. The agreement may be amended from time to time to increase, decrease or discontinue the deferral of compensation not yet earned. Deferral of compensation must not begin before the first day of the calendar month following execution of the agreement or an amendment of the

agreement.

- D. Amount of Compensation Deferred: The amount of compensation deferred must be determined by the participant but must not be less than the minimum nor more than the maximum herein provided.
1. The minimum amount of compensation that may be deferred is \$25.00 per pay period.
 2. The maximum amount of compensation that may be deferred in any year will be based upon the contribution limits set forth by the Internal Revenue Code or 100% of the participant's pay, whichever is less, for services performed for the District during said year.
 3. Individuals aged 50 and over can make additional contributions to their plans, starting in the year they turn 50. The maximum annual catch-up contribution will be based upon the contribution limits set forth by the Internal Revenue Code for said year.
- E. Ownership of Compensation Deferred: All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights will, until distributed to the Participant or the Participant's beneficiary, remain solely the property and rights of the District and will be held by the District in trust for the exclusive benefit of the Participant or the Participant's beneficiary.
- F. Deferred Compensation Funds: The District will transfer deferred compensation of a Deferred Compensation Fund ("the Fund") to the Contract

Administrator for investment. A book account will be maintained for each Participant that reflects all amounts of the Participant's compensation deferred under the plan and credited or debited all income or losses of the Fund attributable to such amounts.

G. Investment of the Fund: The Contract Administrator will make available a number of alternative vehicles for investment in the Fund each of which will be permissible investments under the provisions of section 53609 of the Government Code.

1. Each Participant may, in accordance with the rules and procedures established by the Contract Administrator from time to time, designate the vehicle or vehicles in which amounts in the Participant's book account will be invested and may designate transfers of amounts from one vehicle to another.

2. Each Participant will receive not less frequently than quarterly, a statement from the Contract Administrator showing interest or other earnings credited to, and the total value of, the Participant's book account.

H. Distribution: The benefit to be paid to each participant or beneficiary of a Participant must be the balance of the Participant's book account.

1. Participants are entitled to receive benefits under the Plan when the Participant's service with the District is terminated or upon reaching age 73. Prior thereto, a Participant may, with the approval of the Board

of Directors, withdraw part or all of their benefit under the Plan only to the extent required by an unforeseeable emergency (determined in the manner prescribed by regulations issued by the Secretary of the Treasury). Examples of unforeseeable emergencies include illness or disability of the Participant or a person dependent on the Participant or other unexpected and unreimbursed expense not normally budgetable. Additionally, distributions will be allowed for transfers or rollovers to another eligible retirement plan(s), such as the California Public Employees' Retirement System (CalPERS), notwithstanding any limitations set forth above. Said transfers or rollovers do not require the prior approval of the Board of Directors.

2. A participant may designate, and from time to time may change the designation of, one or more beneficiaries and contingent beneficiaries to whom the unpaid balance of the Participant's benefits will be payable after the death of the Participant. If all the Participant's designated beneficiaries who survive the Participant die before the Participant's benefit has been fully paid, the unpaid balance thereof will be paid in a lump sum to the estate, or to the person or persons entitled to the estate, of the Participant.
3. When a Participant, or their designated beneficiary, becomes entitled to receive benefits under the Plan, they may elect to receive them as a lump sum or in monthly, quarterly, semiannual or annual installments

starting at a time and fixed amount requested in writing, subject to the following limitations:

- (a) Payment to a Participant or to a surviving spouse of a Participant must be made, or installments must start, by April 1st of the year following the year in which the Participant turns, or would have turned, 73.
- (b) Payment to a beneficiary other than a surviving spouse must be made, or if in installments must start, by January 1st of the year following the Participant's death.
- (c) Each monthly installment requested by a Participant, or the designated beneficiary of a Participant, must be at least \$50.00, or an equivalent amount when paid quarterly, semiannually, or annually, and sufficient to ensure that at least two-thirds of the total amount is paid within the Participant's life expectancy, as determined at the start of the distribution.
- (d) The amount of each monthly installment payable to the surviving spouse of a Participant must be at least \$50.00, or an equivalent amount when paid quarterly, semiannually, or annually, and sufficient to ensure that more than half of the total amount payable to the surviving spouse is paid within the life expectancy of the surviving spouse, as determined at the start of the distribution.
- (e) The amount of each monthly installment payable to a

beneficiary, other than the surviving spouse of the Participant, must be at least \$50.00 (or an equivalent amount when paid quarterly, semiannually, or annually) or the amount of the minimum installment which would have been payable to the Participant.

(f) A participant's beneficiary receiving a benefit in installments may, on request, be paid the remaining balance of such person's benefit in one lump sum.

4. Income taxes will be withheld from each benefit payment as required by the Internal Revenue Code and regulations issued by the Secretary of the Treasury.

I. Amendment of Plan: The Board of Directors may from time to time amend the Plan, provided; however, no amendment may affect the right of any Participant or designated beneficiary to receive the benefit set forth in section H resulting from compensation deferred prior to the amendment.

J. Benefits Not Assignable: No participant or designated beneficiary has any right to sell, assign, transfer or encumber any benefit or right to receive payment under the Plan, nor should any such benefit or payment be subject to attachment, garnishment or execution or be transferable by operation of law in the event of bankruptcy or insolvency, except to the extent otherwise provided by law notwithstanding this section.