



## STAFF REPORT

AGENDA ITEM #: 21-83  
COUNCIL MTG. OF: July 20, 2021  
FROM: Dave Caron, Town Administrator  
OFFERED BY: Administration  
PREPARED BY: Catherine St. Ledger, Human Resources Director  
SUBJECT: Establish Roth 457 Retirement Savings Plans with Loan Option

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### INTRODUCTION

To seek Council approval to establish a Roth 457 Retirement Savings Plan through Mission Square Retirement (formerly ICMA-RC) for participation by all full-time Town employees, as well as a Roth 457 Retirement Savings Plan through the Professional Firefighters, Police Officers & Public Employees (PFPOPE), which is specifically called for in the Collective Bargaining Agreements of the Firefighters and Fire Officers Unions within the Town of Derry. Additionally, we seek to offer a Loan Option with both.

### TOWN ADMINISTRATOR COMMENTS

Please see comments within this staff report.

### BACKGROUND

As part of the standard benefits package available to all full-time employees, the Town offers voluntary participation in 457 Deferred Compensation Plans. Through these plans, employees may contribute pre-tax dollars up to the IRS annual max (2021 - \$19500, with a \$6500 catch-up limit for 50+), and distributions are taxed as ordinary income in the year they are withdrawn. The Town also offers Roth IRAs, which allow after-tax contributions up to the IRS annual max (2021 - \$6000, with a \$1000 catch-up limit for 50+).

Currently, employees only have access to the funds in their 457 Deferred Compensation Plans through Emergency Withdrawals for qualifying circumstances. Emergency Withdrawals cannot be repaid and are subject to federal tax.

### DISCUSSION

By adding the Roth 457 Plans to our benefits package, employees will have the ability to diversify their investment portfolios with additional after-tax contributions, up to the same IRS annual max as the pre-tax 457 plan and will benefit from tax-free distributions from the accounts upon retirement.

The Loan Option for the 457 Plans will allow employees tax-free access to the contributions in their Retirement Savings Accounts, with the ability to pay themselves back over time.

FISCAL IMPACT

Plan documents have been thoroughly vetted by the Town's Labor Attorney. There is no fiscal impact or liability to the Town as all contributions and associated costs will be at the employees' expense.

RECOMMENDED ACTION BY COUNCIL

Support Resolution #2021-038 (Please see Resolution #2021-038).

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