



**City of Rochester Hills  
AGENDA SUMMARY  
NON-FINANCIAL ITEMS**

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**Legislative File No: 2010-0254**

**TO: Mayor and City Council Members**

**FROM: Keith Sawdon, Finance Director, 2535**

**DATE: May 28, 2010**

**SUBJECT: Amendment to Pension Plan Document to Allow Direct Rollover of 457 Monies**

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**REQUEST:**

We are requesting that City Council approve an amendment to the City Pension Plan Document that will allow separated employees to direct rollover all or part of their City sponsored 457 plan (deferred compensation) funds into the City's pension plan.

**BACKGROUND:**

For a number of years the City has sponsored a 457 plan (deferred compensation) where an employee, subject to certain limits, could set aside part of their income on a tax deferred basis and would be taxed on the funds once they are withdrawn, generally in retirement.

Changes in IRS code now allow employees, upon separation, to be able to direct rollover all or part of their funds in a 457 plan to a qualified retirement plan and defer taxes on the direct rollover until funds are withdrawn from the retirement plan.

Our current Plan Document does not address the direct rollover of 457 monies into the City's retirement plan. By allowing the separated employee this option he/she can accumulate all their retirement assets in one spot making it easier for them to manage their assets and it allows the retiree the opportunity to avoid Michigan income taxes (on the previous 457 money because they would now be considered retirement distributions), on distributions made from an qualified retirement plan (Michigan allows a subtraction on the Michigan income tax return for qualifying distributions from retirement plans made as a normal distribution) provided those distributions qualify for the income subtraction.

**RECOMMENDATION:**

We are recommending that City Council allow the addition of this option to the City's Pension Plan Document.

<b>APPROVALS:</b>	<b>SIGNATURE</b>	<b>DATE</b>
<b>Department Review</b>		
<b>Department Director</b>		
<b>Mayor</b>		
<b>City Council Liaison</b>		