



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Brown, Mital, Helgeson, Manning and Simpson
FROM: Lena Kostopulos, Human Resources Manager and
Karen DeChellis, Benefits Consultant
DATE: July 11, 2014
SUBJECT: Deferred Compensation 401(a) Executive Plan
OBJECTIVE: Board Resolution & Plan Adoption

Issue

Following the General Manager's Annual Performance Evaluation in April 2014, the Board approved a base salary of \$247,000 with the understanding that a portion of compensation could be directed to an executive deferred compensation plan.

Background

EWEB offers a traditional 457 Plan through ICMA-RC which affords a tax savings at the time of contributions. However, the 457 Plan does not allow for additional contributions beyond the annual IRS maximum of \$23,000. EWEB did not have a plan available that would comply with the Board's desire. Therefore, Human Resources and Finance explored other options available.

Discussion

EWEB looked to our vendor ICMA-RC to determine what products are offered. ICMA-RC indicated that 401(a) Money Purchase and Profit Sharing Plans are being utilized by other public entities because they offer an alternative under IRS regulations. EWEB plan administrators worked with ICMA-RC, Moss Adams, and Attorney Wally Miller to evaluate the feasibility of 401(a) Profit Sharing Plan which would allow for Employer and Participant pre-tax contributions to a participant's retirement savings account.

Considerations for Profit Sharing 401(a) Plan:

1. Allows higher pre-tax contribution limits than the 457 Plan.
 - a. Annual maximum for 2014 is \$52,000.
 - i. Must include contributions to PERS IAP.
 - ii. Contributions from 457 Plan are not included in this maximum.
2. Allows Employer contributions and Participant contributions as defined by the Plan.

Specific rules that apply to the Profit Sharing 401(a) Plan:

1. The Plan must define a specific group of eligible participants. In this case, the Executive or General Manager.
2. The Plan must define a specific Mandatory Employer Contribution (% or flat \$).
3. The Plan must define a Mandatory Participant pre-tax contribution (% or flat \$).
4. The employee must elect/enroll in the Mandatory Participant contribution within 60 days of eligibility.
5. Once the Participant elects to make contributions, the election is irrevocable.

Recommendation

EWEB plan administrators recommend that the Plan be adopted in order to provide an acceptable avenue for deferring taxes on a retirement savings plan.

Requested Board Action

Approve Resolution #1408 to establish 401(a) Executive Plan.

EUGENE WATER & ELECTRIC BOARD

RESOLUTION NO. 1408

July 2014

RESOLUTION FOR THE ESTABLISHMENT OF A 401(A) EXECUTIVE PLAN

RESOLUTION OF EUGENE WATER & ELECTRIC BOARD

PLAN NUMBER: 107959

WHEREAS, the Employer has employees rendering valuable services; and

WHEREAS, the establishment of a profit-sharing retirement plan benefits employees by providing funds for retirement and funds for beneficiaries in the event of death; and

WHEREAS, the Employer desires that its profit-sharing retirement plan be administered by ICMA-RC and that the funds held in such plan be invested in the VantageTrust, a trust established by public employers for the collective investment of funds held under their retirement and deferred compensation plans:

NOW THEREFORE BE IT RESOLVED that the Employer hereby establishes or has established a profit-sharing retirement plan (the "Plan") in the form of:

 X The ICMA Retirement Corporation Governmental Profit-Sharing Plan & Trust, pursuant to the specific provisions of the Adoption Agreement (executed copy attached hereto).

 The Plan and Trust provided by the Employer (executed copy attached hereto).

The Plan shall be maintained for the exclusive benefit of eligible employees and their beneficiaries; and

BE IT FURTHER RESOLVED that the Employer hereby executes the Declaration of Trust of VantageTrust, intending this execution to be operative with respect to any retirement and deferred compensation plan subsequently established by the Employer, if the assets of the plan are to be invested in the VantageTrust.

BE IT FURTHER RESOLVED that the Employer hereby agrees to serve as trustee under the Plan and to invest funds held under the Plan in the VantageTrust; and

BE IT FURTHER RESOLVED that the Benefits Consultant shall be the coordinator for the Plan; shall receive reports, notices, etc., from the ICMA Retirement Corporation or the VantageTrust; shall cast, on behalf of the Employer, any required votes under the VantageTrust; may delegate any administrative duties relating to the Plan to appropriate departments; and

BE IT FURTHER RESOLVED that the Employer hereby authorizes the Board Treasurer to execute all necessary agreements with the ICMA Retirement Corporation incidental to the administration of the Plan.

Dated this July 22, 2014.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its July 22, 2014 Regular Board Meeting.

Assistant Secretary

FIRST ADDENDUM TO AMENDED EMPLOYMENT AGREEMENT

BETWEEN: Eugene Water & Electric Board,
a municipal utility ("EWEB")

AND: Roger J. Gray ("General Manager")

EFFECTIVE DATE: July 23, 2014

RECITALS

A. EWEB and General Manager entered into an Amended Employment Agreement effective February 5, 2014 ("**Amended Agreement**") setting forth the terms of continuing employment of General Manager by EWEB through December 31, 2017.

B. The Amended Agreement provided for a compensation adjustment for General Manager based upon a custom survey of salary and compensation information of comparative northwest power utilities, with the adjustment to be effective on the first full pay period following April 30, 2014. Pursuant to Section B2, General Manager's base salary became \$247,000 as of that pay period, with the understanding that a portion of compensation could be directed to an executive deferred compensation plan ("**Plan**") to be designed and adopted by EWEB.

C. In conjunction with EWEB's plan administrators and with the approval of General Manager, EWEB has prepared a Plan expected to be adopted by EWEB's Board of Commissioners in July 2014, to become effective in the first pay period in August 2014. Assuming adoption of the Plan, the parties desire to modify Section B1 of the Amended Agreement as set forth below.

AGREEMENT

Effective as of the date set forth above, Section B1 shall read as follows:

"1. General Manager's annual base salary beginning with the first full pay period in August 2014 shall be \$244,530. In addition, EWEB shall fund a mandatory annual employer contribution to the Plan for the benefit of General Manager in the amount of One Percent (1%) of General Manager's annual base salary. General Manager shall be entitled to make contributions to the Plan up to the Plan's maximum allowable employee contribution limit."

[continued on following page]

Except as set forth herein, the Amended Agreement shall remain in full force and effect, provided that in the event of any inadvertent conflict between the Amended Agreement and this First Addendum, the conflict shall be resolved to give effect to this First Addendum.

EWEB

GENERAL MANAGER

John Brown, President

Roger J. Gray