

EXPLANATION OF 2024 AMENDMENTS TO THE CITY OF LONGMONT RETIREMENT PLANS

The City of Longmont maintains six retirement plans as follows:

- General Employees Retirement Plan – a defined benefit plan for all civilian employees (the "GERP").
- Old Hire Police Pension Plan – a defined benefit plan for sworn police employees hired prior to April 1978 (the "Old Hire Police Plan").
- Old Hire Firefighters Pension Plan – a defined benefit plan for sworn fire employees hired prior to April 1978 (the "Old Hire Fire Plan").
- Money Accumulation Pension Plan – a defined contribution plan for all civilian employees (the "MOPC").
- New Hire Police Pension Plan – a defined contribution plan for sworn police employees hired before November 2021 (the "New Hire Police Plan").
- New Hire Firefighters Pension Plan – a defined contribution plan for sworn fire employees hired before October 2021 (the "New Hire Fire Plan").

Recent Law Changes Affecting Retirement Plans

- *Secure Act*. On December 20, 2019, the Setting Every Community Up For Retirement Enhancement Act (the "Secure Act") was signed into law. The Secure Act contains several changes that impact both defined benefit and defined contribution plans.
- *Cares Act*. In response to COVID-19, on March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "Cares Act") was signed into law. The Cares Act included provisions for members in defined contribution plans.
- *Secure Act 2.0*. On December 29, 2022, the Consolidated Appropriations Act, 2023, which includes the SECURE 2.0 Act of 2022 ("Secure Act 2.0") was signed into law. Secure Act 2.0 builds upon the Secure Act by working to modernize and update qualified retirement plan operation and administration. These changes impact both defined benefit and defined contribution plans.

GERP and Old Hire Plan Amendments

- *Increased Age for Required Beginning Date*.
 - Under pre-Secure Act law, members were generally required to commence benefits under a qualified retirement plan by the April 1 after they attained age 70½ (or terminated employment, if later). The Secure Act increased this age to 72.

- Secure Act 2.0 subsequently increased the required beginning date age to 73 for all individuals who did not attain age 72 prior to January 1, 2023. This age is further increased to age 75 for all individuals who do not attain age 74 prior to January 1, 2034.
- The draft amendments amend GERP and the Old Hire Plans to reflect that a member's required beginning date will be the April 1 after the member attains the age as required by the Internal Revenue Code ("Code") (or terminates employment, if later).
 - To avoid additional amendments to GERP and the Old Hire Plans, the amendments reference the Code section itself. This will allow GERP and the Old Hire Plans to automatically increase the required beginning date age to the latest age allowed by the Code.
- Secure Act and Secure Act 2.0 both provide for delayed amendment deadlines. Accordingly, the amendments to GERP and the Old Hire Plans are effective retroactive to January 1, 2020, which is the effective date of the Secure Act change from age 70½ to age 72.

MOPC and New Hire Plans

- *Section I(A) - 2020 Required Minimum Distribution Waivers.*
 - The Cares Act allowed members to waive required minimum distribution payments due during calendar year 2020.
 - The draft amendments in Section I(A) for the MOPC and New Hire Plans clarify that a member may have elected to waive their 2020 required payments. Because this was only for 2020, the effective date is retroactive to January 1, 2020.
- *Sections I(B) & (C) (and (D) for New Hire Plans) - Increased Age for Required Beginning Date.*
 - As explained above for GERP and the Old Hire Plans, the Secure Act increased the required beginning date age to 72 and Secure Act 2.0 subsequently increased the required beginning date age to 73 for all individuals who did not attain age 72 prior to January 1, 2023. This age is further increased to age 75 for all individuals who do not attain age 74 prior to January 1, 2034.
 - The next set of draft amendments in Section I for the MOPC and New Hire Plans reflect that a member's required beginning date will be the April 1 after the member attains the age as required by the Code (or terminates employment, if later).

- To avoid additional amendments, the amendments reference the Code section itself. This will allow the MOPC and the New Hire Plans to automatically increase the required beginning date age to the latest age allowed by the Code.
- Secure Act and Secure Act 2.0 both provide for delayed amendment deadlines. Accordingly, the amendments to the MOPC and New Hire Plans are effective retroactive to January 1, 2020, which is the effective date of the Secure Act change from age 70½ to age 72.
- *Section II(A) - Required Minimum Distribution Changes for Beneficiaries.*
 - Defined contribution plans are required make minimum distributions to beneficiaries after the member's death. Under pre-Secure Act law, the timing of the required minimum distributions varied based on whether the member had commenced their benefits, whether the member designated a beneficiary, and whether the designated beneficiary was a surviving spouse. The Secure Act changed certain post-death minimum distribution rules for designated beneficiaries.
 - The draft amendments reflect the Secure Act changes for required minimum distributions for beneficiaries.
 - Under the amendments, non-spouse designated beneficiaries must receive distributions no later than the December 31 of the year following the year the member died, and distributions must be completed by the December 31 of the year that includes the 10th anniversary of the member's death.
 - If there is no designated beneficiary, the member's entire interest must be distributed by the December 31 of the calendar year that includes the 5th anniversary of the member's death.
 - If the sole designated beneficiary is the member's surviving spouse, distributions must commence by the December 31 of the year following the year the member died or the year in which the member would have attained their required minimum distribution age and distributions may be based on the remaining life expectancy.
 - The Secure Act made these changes effective for deaths occurring after January 1, 2022 and allowed for a retroactive amendment to reflect these changes. Accordingly, the draft amendments provide that the changes are effective January 1, 2022.
- *Section III(A) – Deadline for Use of Plan Forfeitures*

- When members are not fully vested upon termination of employment, the nonvested benefits are “forfeited” and remain in the plan. As a result of the Code’s prohibition on reversion of plan assets to the employer, the IRS has issued guidance describing what plans may do with these forfeited amounts. Pursuant to the guidance, a plan may provide that forfeitures may be used to pay plan expenses and reduce employer contributions.
- The IRS recently issued guidance providing that plans must use forfeitures no later than 12 months following the close of the plan year in which the forfeitures were incurred.
- Currently, the MOPC and the New Hire Plans provide how forfeitures may be used but do not include a deadline by which forfeitures must be used. The draft amendments add this deadline.
- The IRS guidance is effective January 1, 2024. Accordingly, the amendments include the same deadline.
- *Section III(C)(and III(D) for New Hire Plans) – Clarification of Automatic Cashouts*
 - The draft amendments in Sections III(C) and (D) clarify that, absent certain exceptions, members must generally consent to any distribution that exceeds \$1,000. For amounts under \$1,000, those amounts may be automatically distributed to the member after termination of employment.
 - This is administratively already in place, so these amendments are simply clarifying the plans to match the administration.