Background: The Staunton City School Board provides employees the option of participating in a supplemental retirement plan [403(b)] administered by VALIC. The plan currently only offers pre-tax contribution options and we would like to extend the option for employees to make Roth contributions to the 403(b) plan, if they choose. Currently, The City of Staunton has the option for employees to make Roth contributions to the 457(b) plan.

Discussion: By adding a Roth feature to our existing plan, employees would have the option to invest their contribution as either a pre-tax or after-tax contribution. The total allowable contribution amount incorporates both and does not increase/decrease when the Roth feature is added. Employees may want to invest some or all of their contributions on an after-tax basis to take advantage of the following benefits:

- Paying taxes now will be better than paying ordinary income tax when they withdraw their money. Tax rates may increase in the future and employee’s own tax rate now may be lower than in the future.
- If their contribution remains in the Roth feature for more than five years, the contribution and the earnings are tax-free when withdrawn. Pre-tax contributions and earnings are taxed at ordinary income rates when withdrawn.
- Roth feature in a 403(b) plan allows for higher amount of contribution than utilizing a Roth IRA (available outside the 403(b) plan).

The Staunton City School Board does not currently match contributions to the supplemental retirement plan, but School Board authorization is required to add this option.

A resolution is attached to add the option for Roth contributions to the 403(b) Supplemental Retirement Plan.

Suggested Motion: I move that the School Board approve the Resolution as presented, adding a Roth option to Staunton City Schools’ 403(b) voluntary retirement plan.
ADOPTING RESOLUTION FOR ROTH CONTRIBUTIONS

The undersigned authorized representative of the Staunton City School Board (hereinafter, the “Employer”) hereby certifies that the following resolutions were duly adopted by the Employer’s governing body, and that such resolutions have not been modified or rescinded as of the date hereof:

WHEREAS, the Employer maintains a §403(b) deferred compensation plan known as the Staunton City Schools Supplemental Retirement Plan (name of plan, hereinafter, the “Plan”) for the exclusive benefit of its employees and their beneficiaries;

WHEREAS the Employer retained the right at any time to amend the Plan, subject to certain terms and conditions therein set forth;

WHEREAS, the Employer desires to add a designated Roth contribution feature to the Plan;

NOW, THEREFORE, BE IT RESOLVED that the Plan is hereby modified, effective May 1, 2016 to add a Roth contribution provision subject to the requirements set forth in the Act;

RESOLVED FURTHER, that the distribution requirements set forth in the Plan shall remain in effect;

RESOLVED FURTHER, that a duly authorized officer of the Employer shall execute the appropriate amendment or restatement of the Plan, as applicable, within the time period prescribed by the Internal Revenue Service, to properly reflect the Employer’s adoption of these new plan provisions; and

RESOLVED FURTHER, that the appropriate representatives of the Employer be, and the same hereby are, authorized and directed to take any and all further action necessary, including the execution and delivery of documents and instruments, as such representatives deem necessary or desirable in their sole discretion to carry out the above resolutions.

I, Ronald W. Ramsey, School Board Chair, do hereby certify that the above and foregoing was adopted by the Employer’s governing body on the 11th day of April, 2016.

Authorized Representative:

_________________________________
Ronald W. Ramsey, School Board Chair