

1.0 Purpose

- 1.1 The procedures outlined herein are designed to define and implement the District plans relating to deferred compensation.
- 1.2 The premise of the plan is to permit tax sheltering of funds for retirement purposes with tax deferment until receipt of funds.

2.0 Deferred Compensation Defined

- 2.1 Deferred compensation plan for the Los Rios District is defined as a plan which meets the criteria under the guidelines of Revenue Ruling 69-650 and which provides for an employee to defer receipt of compensation. (County Counsel Opinion 10/18/74)

3.0 Legal Authorization

- 3.1 A "local agency" is a county, city, public district, or any public or municipal corporation. (Gov. Code 53212)
- 3.2 Each local agency may establish for its officers and employees a deferred compensation plan. Participation in such plan is by written agreement between such officers and employees and the Governing Board of the local agency which shall provide for deferral of a portion of such officers' of employees' wages. (Gov. Code 53213)
- 3.3 Officers and employees of any local agency having a deferred compensation plan may authorize deductions to be made from their wages for the purpose of participating in such deferred compensation plan. (Educ. Code 22114)
- 3.4 The Governing Board of the District, when drawing an order for the salary payment due to employees of the District shall, without charge, reduce the order by the amount which it has been requested in a revocable written authorization by the employee to deduct for the following purpose:

"Participation in a deferred compensation program offered by the college district which provides for investments in corporate stocks, bonds, securities, mutual funds, or annuities, except as prohibited by the Constitution."- 3.5 Internal Revenue Ruling 69-650 of 1970 provides that a plan must qualify under IRS regulations to defer the amount of taxes.

4.0 Plan Approval/Los Rios

- 4.1 An agency submits a deferred compensation plan to the Business Office of the District for consideration. Such plan shall have been previously submitted to the IRS and shall include a certificate of compliance with IRS Ruling 69-650. The plan conforms with provisions of these procedures.

- 4.2 Upon receipt of the deferred compensation plan submitted pursuant to 4.1, the Chancellor or designee shall make provision for implementing such plan.

5.0 Implementation

- 5.1 Any election by the employee to defer compensation is made prior to the period in which the compensation is earned.
- 5.2 Retirement credit is given for the total compensation to the employee including the deferred compensation.
- 5.3 The deferred compensation is held in title by the Los Rios District. The District agrees to pay the proceeds to the employee at retirement or termination of employment. In the case of death, payment is made to the designated beneficiary.
- 5.4 The payment of Federal and State income taxes is deferred until constructive receipt of the compensation by the employee.

6.0 Accounting and Reporting Procedures

- 6.1 Not less than annually, an entry of the amount of deferred compensation for employees of the District shall be recorded in the general ledger of the District.
- 6.2 Not less than annually, the records provided for in 6.1 will be adjusted to reflect the current value of deferments.
- 6.3 Not less than annually, the investing company shall furnish the District with information by employee of the yield or loss of the total value of the account during the accounting period.
- 6.4 Records for employee compensation deductions will be kept separate from other deductions.
- 6.5 Provisions for individual record information shall be arranged between the District and the investing agency.

7.0 Letter of Understanding

- 7.1 In addition to any agreement form implementing a deferred compensation plan that may be approved by the IRS and/or the County Counsel, the District will transmit to the employee a letter of understanding.
- 7.2 Any letter of understanding transmitted pursuant to 7.1 shall include the following minimum information:
- 7.2.1 Authority for offering and approval of deferred compensation plan;
- 7.2.2 a statement that the District does not recommend any investment but will execute the necessary agreements;

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- 7.2.3 a statement that the District is liable to the employee for the value of the investment;
- 7.2.4 a statement that the investment can be equal to, less than, or more than the amount invested.

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