

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

☒ Action ☐ Information

MEAD Number:  
203393

Resolution:  
☒ Yes ☐ No

**TITLE:**

SECURE Act Retirement Plan Amendments (Non-Rep)

**PRESENTATION SUMMARY:**

Staff will review and seek approval of recommended changes to WMATA's NRP retirement plans to comply with the Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019.

**PURPOSE:**

WMATA is required to amend the retirement and deferred compensation plans to comply with the SECURE Act legislation rules for long-term retirement savings. As such, staff is seeking approval to amend the related plans, and also make administrative changes required by the Internal Revenue Service (IRS) Code and Regulations.

**DESCRIPTION:**

Approval is requested to amend three WMATA NRP plans (i.e. Retirement Plan, the Defined Contribution Plan, and Deferred Compensation Plan). Amendments will be presented separately for ease of ensuring compliance and the day-to-day plan administration.

**Key Highlights:**

Key plan provision changes to comply with the SECURE Act include:

- The age for required minimum distribution was raised from 70½ to 72. The plan distribution may begin earlier however no later than April 1<sup>st</sup> the year after the participant turns 72.
- New time limits require that certain beneficiaries exhaust the deceased plan participant's account balance. This change applies to the Defined Contribution and Deferred Compensation Plans.
- New provisions were added related to the waiver of 2020 required minimum distributions under the Coronavirus Aid, Relief, and Economic

Security (CARES) Act.

### **Background and History:**

WMATA is required to amend the retirement and deferred compensation plans to comply with the SECURE Act legislation rules for long-term retirement savings. As such, staff is seeking approval to amend the related plans, and also make administrative changes required by the Internal Revenue Service (IRS) Code and Regulations.

### **Discussion:**

To comply with Congress' new law WMATA is required to update NRP retirement plans based on the following changes in the SECURE Act.

- The age for required minimum distribution was raised from 70½ to 72. The plan distribution may begin earlier however no later than April 1<sup>st</sup> the year after the participant turns 72.
- New time limits require that certain beneficiaries exhaust the deceased plan participant's account balance. The change applies to the Defined Contribution and Deferred Compensation Plans.
- New provisions were added related to the waiver of 2020 required minimum distributions under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Staff and Plan Trustees also seek approval to make the following administrative changes required by the Internal Revenue Service (IRS) Code and Regulations: 1) clarify language that qualified military service deemed severance distributions are permitted under the WMATA Deferred Compensation Plan, and 2) eliminate the 90-day period following separation of employment to allow the employee to take a full distribution from the WMATA Defined Contribution Plan preventing it from becoming non-distributable until age 65.

### **FUNDING IMPACT:**

|   |  |
|---|--|
| Define current or potential funding impact, including source of reimbursable funds. |  |
| Project Manager:  |  |
| Project Department/Office:  |  |

Changes to the plans are administrative and will not impact funding.

### **TIMELINE:**

|                         |   |
|-------------------------|---|
| <b>Previous Actions</b> | Month/year – 1-2 line summary of what was shared or what has been done to get to this point |
|-------------------------|---|

|   |   |
|---|---|
|   | Month/year – 1-2 line summary of what was shared or what has been done to get to this point   |
| <b>Anticipated actions after presentation</b> | Month/year – 1-2 line summary of what else might be needed to be done following the presentation or what needs to be presented next |

**RECOMMENDATION:**

Board approval of the requested amendments to WMATA's NRP retirement plans.

**PRESENTED AND ADOPTED: October 27, 2022**

SUBJECT: AMENDMENT OF WMATA DEFERRED COMPENSATION PLAN AND TRUST

**2022-31**

RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, Compact Section 66(d) requires that the Board of Directors approve any amendments to pension and retirement plans for WMATA employees; and

WHEREAS, The Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act") requires changes to all retirement and deferred compensation plans to remain IRS qualified, primarily to increase the age from 70½ to 72 for mandatory minimum distributions; and

WHEREAS, Staff recommends amendments to the WMATA Deferred Compensation Plan and Trust in accordance with the SECURE Act;

NOW, THEREFORE, be it

*RESOLVED*, That Article II of the WMATA Deferred Compensation Plan and Trust is amended to add a new Section 2.23 as follows:

Eligible Designated Beneficiary is a Participant's beneficiary who is (1) the surviving spouse of the Participant, (2) a minor child of the Participant (but only until the child reaches his majority), (3) disabled as defined in Internal Revenue Code section 72(m)(7), (4) a chronically ill individual as defined in Internal Revenue Code section 7702B(c)(2), or (5) any other individual who is less than 10 years younger than the Participant; and be it further

*RESOLVED*, That Article II of the WMATA Deferred Compensation Plan and Trust is amended to add a new Section 2.24 as follows:

Qualified Military Service Deemed Severance Distribution shall mean a distribution to a Participant who has a deemed but not actual Severance Event because of service with the uniformed services (as described in 38 U.S.C. Chapter 43) for more than 30 days; and be it further

**Motioned by Mr. Smedberg, seconded by Ms. Babers**

**Ayes: 7- Mr. Smedberg, Ms. Babers, Mr. Ports, Ms. Kline, Mr. Letourneau, Dr. Hadden Loh and Ms. Martin-Proctor**

*RESOLVED*, That Section 7.01 of the WMATA Deferred Compensation Plan and Trust is amended and restated as follows:

- (a) General Rule: Except as otherwise provided in this Article VII, the distribution of a Participant's Account shall commence as of a Participant's Automatic Distribution Date and the distribution of such benefits shall be made in accordance with one of the payment options described in Section 7.02. Notwithstanding the foregoing, but subject to the following paragraph of this Section 7.01, the Participant may elect following a Severance Event to have the distribution of benefits commence on a fixed determinable date other than that described in the preceding sentence but not later than the Participant's Required Beginning Date, which, after December 31, 2019, is April 1<sup>st</sup> of the calendar year following the later of (1) the calendar year in which the Participant attains age 72, (2) the calendar year in which the Participant terminates employment, or (3) such later date as may be provided for in Section 401(a)(9)(C)(i)(I) of the Internal Revenue Code of 1986, as amended.
- (b) Additional Delay in Distribution: After December 31, 2019, the Participant may delay the effective date of the distribution of benefits to a time no later than April 1<sup>st</sup> of the calendar year following the later of (1) the calendar year in which the Participant attains age 72, (2) the calendar year in which the Participant terminates employment, or (3) such later date as may be provided for in Section 401(a)(9)(C)(i)(I) of the Internal Revenue Code of 1986, as amended. Notwithstanding the foregoing, to ensure the orderly administration of this provision, the Administrator may establish a deadline after which such election to defer the commencement of distribution of benefits shall not be allowed; and be it further

*RESOLVED*, That Section 7.03 of the WMATA Deferred Compensation Plan and Trust is amended to add the following language:

Effective January 1, 2020, the requirements of this section 7.02 are inapplicable for calendar year 2020; provided however, that the inapplicability of this section 7.02 for calendar year 2020 shall not make any distribution made during calendar year 2020 an eligible rollover distribution if such distribution after the application of section 7.02 would have rendered that distribution ineligible for treatment as an eligible rollover distribution under section 401(a)(31) of the Internal Revenue Code; and be it further

*RESOLVED*, That Section 7.05(b) of the WMATA Deferred Compensation Plan and Trust is amended and restated as follows:

If the Beneficiary or Eligible Designated Beneficiary has not attained age 80 at the time payments commence, he or she may elect to receive payments in a single lump-sum payment or in equal or approximately equal monthly, quarterly, semi-annual or annual payments continuing over a period not to exceed ten years from the first payment. The Beneficiary or Eligible Designated Beneficiary may also elect to receive a partial lump-sum payment followed by equal or approximately equal monthly, quarterly, semi-annual or annual payments, provided that all payments including the partial lump-sum payment, are made within a period of ten years from the initial payment. In the event that the Beneficiary or Eligible Designated Beneficiary is age 80 or over, the remaining balance in the Participant's account will be paid to the Beneficiary or Eligible Designated Beneficiary in a single lump sum; and be it further

*RESOLVED*, That Section 7.05(c) of the WMATA Deferred Compensation Plan and Trust is amended and restated as follows:

In the event that the Beneficiary or Eligible Designated Beneficiary dies before the payment of death benefits has commenced or been completed, the remaining value of the Participant's Account shall be paid to the estate of the Beneficiary or Eligible Designated Beneficiary in a lump sum. In the event that the Participant's estate is the Beneficiary, payment shall be made to the estate in a lump sum; and be it further

*RESOLVED*, That Section 7.06(b) of the WMATA Deferred Compensation Plan and Trust is amended and restated as follows:

If the Beneficiary or Eligible Designated Beneficiary has not attained age 80 at the time payments commence, he or she may elect to receive payments in a single lump-sum payment or in equal or approximately equal monthly, quarterly, semi-annual or annual payments continuing over a period not to exceed ten years from the first payment. The Beneficiary or Eligible Designated Beneficiary may also elect to receive a partial lump-sum payment followed by equal or approximately equal monthly, quarterly, semi-annual or annual payments, provided that all payments including the partial lump-sum payment, are made within a period of ten years from the initial payment. In the event that the Beneficiary or Eligible Designated Beneficiary is age 80 or over, the remaining balance in the Participant's account will be paid to the Beneficiary or Eligible Designated Beneficiary in a single lump sum; and be it further

*RESOLVED*, That Section 7.06(c) of the WMATA Deferred Compensation Plan and Trust is amended and restated as follows:

In the event that the Beneficiary or Eligible Designated Beneficiary dies before the payment of death benefits has commenced or been completed, the remaining value of the Participant's Account shall be paid to the estate of the Beneficiary or Eligible Designated Beneficiary in a lump sum. In the event that the Participant's estate is the Beneficiary, payment shall be made to the estate in a lump sum; and be it further

*RESOLVED*, That Article VII of the WMATA Deferred Compensation Plan and Trust is amended to add a new Section 7.09 as follows:

Notwithstanding any other provision of the Plan to the contrary, Participant may, before actually having a Severance Event, receive a Qualified Military Service Deemed Severance Distribution; provided, however, that upon the Participant's actual return to employment with the Washington Metropolitan Area Transit Authority, the Participant shall not be eligible to defer compensation under this Plan for 6 months; and be it finally

*RESOLVED*, That this Resolution shall be effective 30 days after adoption in accordance with Compact Section 8(b).

Reviewed as to form and legal sufficiency,



Patricia Y. Lee

Executive Vice President and General Counsel

WMATA File Structure No.:  
7.6.1 Deferred Compensation (457)

**SUBJECT: AMENDMENT OF WMATA DEFINED CONTRIBUTION PLAN AND TRUST**

**2022-32**

**RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, Compact Section 66(d) requires that the Board of Directors approve any amendments to pension and retirement plans for WMATA employees; and

WHEREAS, The Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act") requires changes to all retirement and deferred compensation plans to remain IRS qualified, primarily to increase the age from 70½ to 72 for mandatory minimum distributions; and

WHEREAS, Staff recommends amendments to the WMATA Defined Contribution Plan and Trust in accordance with the SECURE Act; and

WHEREAS, Staff also recommends a change to the distribution rules for the WMATA Defined Contribution Plan and Trust;

NOW, THEREFORE, be it

*RESOLVED*, That Article II of the WMATA Defined Contribution Plan and Trust is amended to add a new Section 2.31 as follows:

Eligible Designated Beneficiary is a Participant's beneficiary who is (1) the surviving spouse of the Participant, (2) a minor child of the Participant (but only until the child reaches his majority), (3) disabled as defined in Internal Revenue Code section 72(m)(7), (4) a chronically ill individual as defined in Internal Revenue Code section 7702B(c)(2), or (5) any other individual who is less than 10 years younger than the Participant; and be it further

**Motioned by Mr. Smedberg, seconded by Ms. Babers**

**Ayes: 7- Mr. Smedberg, Ms. Babers, Mr. Ports, Ms. Kline, Mr. Letourneau, Dr. Hadden Loh and Ms. Martin-Proctor**



*RESOLVED*, That the first paragraph of Section 7.1(c) of the WMATA Defined Contribution Plan and Trust is amended and restated as follows:

The Participant must consent to any distribution of his vested Accrued Benefit. The consent of the Participant shall be obtained in writing after notification from the Plan as required under Internal Revenue Code section 402(f) within the 90-day period ending on the payment date. The payment date is the first day of the first period for which an amount is paid in any form. Such notification shall include a general description of the material features and an explanation of the relative values of, the optional forms of benefit available under the Plan in a manner that would satisfy the notice requirements of IRC section 417(a)(3), and shall be provided no less than 30 days and no more than 90 days prior to the payment date; and be it further

*RESOLVED*, That Section 7.2(a)(i) of the WMATA Defined Contribution Plan and Trust is amended and restated as follows:

Required Beginning Date. The Participant's entire benefit will be distributed, or begin to be distributed to the Participant no later than the Participant's Required Beginning Date, which, after December 31, 2019, is April 1<sup>st</sup> of the calendar year following the later of (1) the calendar year in which the Participant attains age 72, (2) the calendar year in which the Participant terminates employment, or (3) such later date as may be provided for in Section 401(a)(9)(C)(i)(I) of the Internal Revenue Code of 1986, as amended; and be it further

*RESOLVED*, That Section 7.2(a)(ii) of the WMATA Defined Contribution Plan and Trust is amended to add a new subsection (6) as follows:

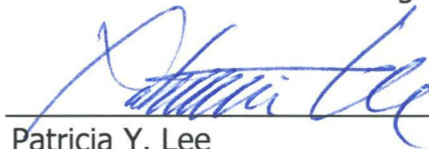
If the Participant's beneficiary is an Eligible Designated Beneficiary then a total distribution of the Participant's account shall be made no later than December 31 of the year following the year of the Participant's death; and be it further

*RESOLVED*, That Section 7.2 of the WMATA Defined Contribution Plan and Trust is amended to add a new subsection (h) as follows:

(h) Effective January 1, 2020, the requirements of this section 7.2 are inapplicable for calendar year 2020; provided however, that the inapplicability of this section 7.2 for calendar year 2020 shall not make any distribution made during calendar year 2020 an eligible rollover distribution if such distribution after the application of section 7.2 would have rendered that distribution ineligible for treatment as an eligible rollover distribution under section 401(a)(31) of the Internal Revenue Code; and be it finally

*RESOLVED*, That this Resolution shall be effective 30 days after adoption in accordance with Compact Section 8(b).

Reviewed as to form and legal sufficiency,



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Patricia Y. Lee  
Executive Vice President and General Counsel

WMATA File Structure No.:  
7.6.2 Defined Contribution

**PRESENTED AND ADOPTED: October 27, 2022**

SUBJECT: AMENDMENT OF WMATA RETIREMENT PLAN

**2022-33**

RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, Compact Section 66(d) requires that the Board of Directors approve any amendments to pension and retirement plans for WMATA employees; and

WHEREAS, The Setting Every Community Up for Retirement Enhancement Act of 2019 (the "SECURE Act") requires changes to all retirement and deferred compensation plans to remain IRS qualified, primarily to increase the age from 70½ to 72 for mandatory minimum distributions; and

WHEREAS, Staff recommends amendments to the WMATA Retirement Plan in accordance with the SECURE Act;

NOW, THEREFORE, be it

*RESOLVED*, That Section 12.13(a)(i) of the WMATA Retirement Plan is amended and restated as follows:

Required Beginning Date. The Participant's entire benefit will be distributed, or begin to be distributed to the Participant no later than the Participant's Required Beginning Date, which, after December 31, 2019, is April 1<sup>st</sup> of the calendar year following the later of (1) the calendar year in which the Participant attains age 72, (2) the calendar year in which the Participant terminates employment, or (3) such later date as may be provided for in Section 401(a)(9)(C)(i)(I) of the Internal Revenue Code of 1986, as amended; and be it further

**Motioned by Mr. Smedberg, seconded by Ms. Babers**

**Ayes: 7- Mr. Smedberg, Ms. Babers, Mr. Ports, Ms. Kline, Mr. Letourneau, Dr. Hadden Loh and Ms. Martin-Proctor**

*RESOLVED*, That Section 12.13(a)(ii)(1) of the WMATA Retirement Plan is amended and restated as follows:

- (1) If the Participant's surviving spouse is the sole designated Beneficiary, then subject to Section 12.13(a)(ii)(5) below, distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died, or by December 31 of the calendar year in which the Participant would have attained age 72, if later; and be it finally

*RESOLVED*, That this Resolution shall be effective 30 days after adoption in accordance with Compact Section 8(b).

Reviewed as to form and legal sufficiency,



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Patricia Y. Lee

Executive Vice President and General Counsel

WMATA File Structure No.:  
7.6.3 Defined Benefit (Pension)