CITY OF CLEARLAKE

City Council

<table>
<tr><th colspan="2">STAFF REPORT</th></tr>
<tr><td>SUBJECT: Adoption of a Resolution to Enroll in the California Public Employees’ Retirement System (CalPERS) 457 Deferred Compensation Plan; Resolution No. 2026-34</td><td>MEETING DATE:
September 3, 2026</td></tr>
<tr><td colspan="2">SUBMITTED BY: Melissa Swanson, Administrative Services Director/City Clerk</td></tr>
<tr><td colspan="2">PURPOSE OF REPORT: ☐ Information only ☐ Discussion ☒ Action Item</td></tr>
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WHAT IS BEING ASKED OF THE CITY COUNCIL/BOARD:

The City Council is being asked to adopt Resolution No. 2026-34, approving the adoption of the CalPERS 457 Deferred Compensation Plan, authorizing the City Manager to execute the Employer Adoption Agreement and related enrollment documents, and authorizing the optional Participant Loan Provision.

BACKGROUND/DISCUSSION:

A Section 457(b) Deferred Compensation Plan allows public agency employees to save and invest additional funds for retirement on a tax-deferred basis through voluntary payroll deductions.

The California Public Employees’ Retirement System (CalPERS) Board of Administration has established the CalPERS 457 Plan for local public agencies. CalPERS oversees the plan structure and investment options, with Voya Financial serving as the appointed third-party administrator and recordkeeper. To participate, the governing body must adopt a formal resolution and execute an Employer Adoption Agreement.

Enrolling in the CalPERS 457 Plan provides City employees with an additional, institutional-grade retirement savings vehicle. Key features and terms of the plan include:

- **Plan Availability & Contributions:** The plan must be made available to all common-law employees. Participation is entirely voluntary, and contributions are deducted directly from participating employees' paychecks up to annual IRS limits.
- **Vesting and Fund Security:** Employee deferrals are 100% immediately vested and held in trust in the Public Employees' Deferred Compensation Fund for the exclusive benefit of participants and their beneficiaries.
- **Investment Management:** Participants have the discretion to select from investment options managed and monitored by the CalPERS Board of Administration. The default investment option for employees who do not make an active election is the CalPERS Target Retirement Fund corresponding to their expected retirement age.

- **Optional Loan Provision:** The City may elect whether to offer the CalPERS 457 Loan Program. If approved, participants may borrow against their vested account balance (minimum $1,000; maximum up to the lesser of 50% of the account balance or $50,000) repaid via after-tax payroll deductions over a term of up to five years at prime plus 1%.
- **Administrative Onboarding:** Once the City submits the executed resolution, Adoption Agreement, and New Employer Information Sheet, CalPERS will assign an Employer Plan ID, conduct orientation sessions, and coordinate payroll contribution file uploads via *myCalPERS*.

OPTIONS:

1. Move to adopt Resolution No. 2026-34, approving the adoption of the CalPERS 457 Deferred Compensation Plan, authorizing the City Manager to execute the Employer Adoption Agreement and related enrollment documents, and authorizing the optional Participant Loan Provision.
2. Other direction

FISCAL IMPACT:

☒ None ☐ $ Budgeted Item? ☐ Yes ☐ No

Budget Adjustment Needed? ☐ Yes ☐ No If yes, amount of appropriation increase: $

Affected fund(s): ☐ General Fund ☐ Measure P Fund ☐ Measure V Fund ☐ Other:

Comments**:** Adopting the CalPERS 457 Plan carries no direct fiscal impact on the City's General Fund. The plan is funded entirely through voluntary employee salary deferrals. All administrative and investment management fees are offset against investment returns or deducted directly from individual participant account balances. Routine payroll reporting and remittances will be absorbed within existing administrative operations.

STRATEGIC PLAN IMPACT:

☐ Goal #1: Economic Development

☐ Goal #2: Public Facilities and Infrastructure

☐ Goal #3: Celebrate Clearlake

☐ Goal #4: Clean

☒ Goal #5: Fiscal Sustainability

☐ Goal #6: Safe

SUGGESTED MOTIONS:

Move to adopt Resolution No. 2026-34, approving the adoption of the CalPERS 457 Deferred Compensation Plan, authorizing the City Manager to execute the Employer Adoption Agreement and related enrollment documents, and authorizing the optional Participant Loan Provision.

☒ **Attachments:**
1) Proposed Resolution Approving Adoption of the CalPERS 457 Plan
2) CalPERS 457 Employer Adoption Agreement
3) CalPERS 457 Employer Loan Provision Form
4) CalPERS New Employer Information Sheet