



Date: Tuesday, December 9, 2025

Honorable Mayor and Council Members:

Author and title: Nicole Casey, Administrative Services Director

Title: **Addition of a 401(a) Plan for TMMA and Department Heads**

Jen Callaway, Town Manager

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**Recommended Action:** That the Council:

1. Authorize the Town Manager to sign an agreement with MissionSquare to add a 401(a) deferred compensation plan option for Town employees;
2. Authorize the Town Manager to sign a side letter with the Truckee Mid-management Association (TMMA); and
3. Authorize the Town Manager to approve minor, non-substantive changes to the side-letter, as needed.

**Discussion:**

The Town currently provides employees with deferred compensation access through individual 457(b) accounts provided through Nationwide or CalPERS. The Internal Revenue Code imposes an annual limit on the amount that can be contributed to an employees' 457(b) account by either the employee or the employer.

The Town supports employees in planning for their future and retirement by providing access to tools and resources that help them plan for these future needs. As employees are increasingly utilizing available deferred compensation opportunities, several have reached or approached the federal 457(b) annual contribution limit. In addition, some of the Town's year-end benefit payouts are dependent on circumstances such as an employee's unused sick leave, making it difficult for employees to accurately anticipate their final annual contribution totals. When the limit is exceeded, it is difficult to unwind and may result in the employee incurring penalties for over-contributing.

As a solution to better support employees and provide additional flexibility for long-term financial planning, the Town will establish a 401(a) deferred compensation plan for employees in TMMA and at the department head level. A 401(a) plan offers a significantly higher annual contribution limit—\$72,000 for calendar year 2026—creating more room for employees to effectively manage their planning goals while preserving the full 457(b) contribution limit for their own voluntary contributions.

All costs associated with the maintenance of the plans and the investment fees, are borne by the employee and are paid via the proceeds of their individual account. The Town has a fiduciary duty to ensure that the options are economic.

The Town did not want to increase the number of providers with whom employees had retirement accounts, therefore the Town only obtained quotes from existing providers. The Town explored 401(a) plan options through Voya (the company that administers the CalPERS 457(b)), Nationwide, and MissionSquare, the Town's provider for retiree health savings (RHS). The option from CalPERS was cost prohibitive. The Nationwide and MissionSquare options were comparable around 5 basis points for initial

balances. Ultimately, staff recommend moving forward with MissionSquare as all TMMA employees already have a MissionSquare account for their RHS benefit. Moving to Nationwide would require that about half of the Town's TMMA establish a new account since their 457(b) is with CalPERS.

As such, staff request that Council authorize the Town Manager to sign an agreement with MissionSquare to add a 401(a) deferred compensation plan option for Town employees and authorize the Town Manager to sign a side letter with the TMMA to begin contributing non-optional employer contributions to an employee's 401(a) account. Staff would like to start this plan on January 1, 2026 to coincide with the start of a new calendar year.

Staff are also requesting that Council authorize the Town Manager to approve minor, non-substantive changes to the side letter as needed. Although staff have discussed this change with the TMMA in depth, the TMMA group has not had the opportunity to review the side letter as of the publishing of this staff report and may request minor language changes before signing. Communications with TMMA are detailed below in the Public Communications section.

**Priority:**

<input type="checkbox"/> Enhanced Communication	<input type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/> Core Service

**Fiscal Impact:** All costs associated with investing and administering the plan are borne by the employee and deducted from the balance of their individual deferred compensation account, therefore there is no additional cost to the Town to add this benefit option to employees.

There is no Medicare tax (1.45%) on 401(a) contributions, as are required on 457(b) contributions, therefore the Town will save on average \$65 per employee annually contributing to the 401(a) verse 457(b) a total savings of approximately \$3,200. The 1.45% Medicare is paid by both the employee and the employer, therefore employees will save \$65 per year, on average, as well.

The Town will utilize the same provider as the Town's retiree health savings account, MissionSquare, therefore this should not increase the Town's processing workload.

Staff believe that this will ultimately reduce the Town's administrative burden as it will be easier for employees to track their contributions in relation to the 457(b) annual contribution limit and fewer employees will exceed limit, creating less administrative work in unwinding an overage.

**Public Communication:**

Staff met with the TMMA group representatives on Tuesday, December 7, 2025 to discuss the initial idea of switching to a 401(a). Based on the complexity of the issue, the group requested that the Town host an information session for employees to pose their questions.

On Wednesday, November 12, 2025, staff hosted a lunch and learn for TMMA members and interested department head members to explain what a 401(a) is and to help employees better understand their overall retirement benefits. There were more than 10 employees in attendance. The PowerPoint from that meeting was shared with all group members.

The TMMA group representatives sent out a survey to determine their group's interest. Based on that survey they agreed to move forward with this change.

**Attachments:**

Attachment A – Side Letter with TMMA for the Provision of a 401(a) deferred compensation account