DECISION PAPER

TAHOE DONNER™

Date: November 15, 2019

Issue:
Our current 401k retirment plan with John Hancock continues go grow in numbers of participation. By splitting the plan into two groups, the plan not only becomes easier to manage, but also lowers our probability of an IRS mandated annual audit. Due to Federal regulations, if a company has 120 or more eligible participants, and the company only has one 401k retirement savings plan, the company and the retirement plan will be subject to an audit by the IRS. The IRS refers to this audit as a large plan audit.

Background:
On an annual basis, TDA works with John Hancock to verify several items regarding our retirement plan:

A. The first measure taken is to verify that all participants within the plan are actually active employees within Tahoe Donner. It is possible and happens quite often that former employees have not withdrawn or transferred their funds from the John Hancock retirement plan. For any employee who has been termed from Tahoe Donner, John Hancock will work directly with them to disperse or transfer any remaining funds.
B. The individual account balances are also reviewed on an annual basis with a threshold of $5,000.00. For any account holder who has a balance less than that, Polycomp and John Hancock will verify if the employee is active. If the employee is active, John Hancok will allow the continuation of contributions to the employees account. For any employee who has been termed from Tahoe Donner, John Hancock will work directly with them to disperse or transfer any remaining funds.

To improve administration of plan, both internally by trustees and 3rd party plan administrator, management is recommending to split our current enrollment into two separate groups of retirement plans. Both retirement plans would have the same rules, requirements, contributions, etc., but the plans would be separated based on an employees FLSA status, 'Exempt' or 'Non-Exempt'. This plan split avoids a mandatory audit (per IRS regulations) simply due to the # of participants in a plan, thereby, for the near-term years avoiding the thousands of dollars for an annual audit of the plan.

By creating the two plans and therefore lowering the number of participants within each plan, Tahoe Donner would not be subject to the mandatory annual audit This practice of "splitting' plans and/or creating additional plans is common practice according to plan administrators and our research on subject. Should we continue with only one retirement plan, the cost of the audit would be a minimum of $15,000, which does not include the cost of staffs' labor. Moving forward, if necessary, Tahoe Donner could create additional retirement plans to hold individual plans below the 120 participant number. For example, we would create a third and fourth plan with all of the same rule, requirements, contributions, etc.

The idea of Tahoe Donner splitting our current plan into two groups is actually a good thing for several reasons. First and foremost it shows that our employees appreciate our retirement offering and that they are being fiscally responsible with their income. Secondly, the higher number of participants is directly reflective of our seasonal staff returning season after season or year after year. Two requirements to participate in the retirement plan is that an employee must have worked for 12 months and must have worked at least 1,000 hours. Since we are not adding significant full time year round employees on a regular basis, this growing number of participants comes directly in the form of our seasonal employees.

This recommend plan split into two groups is generally transparent to the partipants. Their accounts do not change and there is no new paper work to complete. They will receive notices regarding the plan split.

There is some additiaonl cost to splitting the current retirmenet plan into two groups. There would be a one-time fee of $1,400 to set up the plan split into two and generate all the proper documentation. The annual fee to administer the plan is $1,650. This small additional cost is a much better option than paying annual $15,000+ cost to complete an audit.

Request:

1. Seeking approval from the Board to split our current retirment plan with John Hancock into 2 subgroups. The subgroups will be determined by Tahoe Donner employees FLSA status, 'Exempt' and 'Non-exmpt'.

Recommendation:
Management recommends the Board approve splitting the plan into two groups, Exempt and Nonexempt, which improves the management and administration of the plans, and near-term, avoids a regulatory cost of mandatory annual plan audit.

Prepared by: Tom Knill, Director of Human Resources
Reviewed by: Michael Salmon, Director of Finance & Accounting

General Manager Approval:
Date: