

**SIDE LETTER AGREEMENT**  
**Between the City of Cathedral City and**  
**Cathedral City Police Management Association (CCPMA)**

**Deferred Compensation and 401(a) Plan**

This Side Letter Agreement is entered into by and between the City of Cathedral City (City) and the Cathedral City Police Management Association (CCPMA) to modify the provisions related to Deferred Compensation and 401(a) Plan as outlined in Section 16.4 of the current Memorandum of Understanding (MOU).

The parties hereby agree to the following modifications:

**A. 457(b) Plan:**

The City sponsors a 457(b) eligible deferred compensation plan (457 (b) Plan). All bargaining unit employees are eligible to elect to contribute their City pay to the 457 (b) Plan in accordance with its terms. For each pay period, the City will provide a matching contribution to each employee's 457(b) account equal to 100% of the employee's elective 457(b) contribution, up to a maximum of \$46.16 per pay period.

**B. 401(a) Plan:**

The City sponsors a 401(a) defined contribution plan (401(a) Plan). Notwithstanding any MOU provisions to the contrary, contributions will be made to the 401(a) Plan for bargaining unit employees as follows:

- Mandatory employee contributions – Effective the pay period starting August 04, 2024, change from \$150 to \$200 per pay period:
  - Base salary— Every pay period, a mandatory contribution of \$200.00 will be deducted from each employee's base salary and contributed to the employee's 401(a) account.
  - Final leave balances

Upon termination of City employment, an employee's eligible final leave balances, as defined by this MOU, will be contributed to the employee's 401(a) account.

Contributions to the 401(a) Plan are subject to annual limits under the tax laws. If any leave amounts described above cannot be contributed to the employee's 401(a) Plan account due to these tax limits the employee may elect to receive the uncontributed amounts in the form of cash, 457(b) contributions (subject to tax limits), or a combination of both.

- Under no circumstance will any employee be permitted to elect to receive cash (or other benefit) in lieu of 401(a) contributions made under the above
- For avoidance of doubt, the final leave balance available for 401(a) contribution under this MOU provision will be determined after (i) any employee election to convert sick time to CalPERS service credit, (ii) application of any MOU provision reducing the leave balance available at termination, including Section 12.14 (providing for payment of 25%/50% of

unused sick leave upon termination), and (iii) any other MOU provision affecting the calculation of leave balances upon termination.

The following highlights the tax laws relevant to the above MOU provisions mandating mandatory contributions of unused leave balances to employees' 401(a) accounts:

- Contributions deposited into employees' 401(a) accounts are nontaxable and exempt from Medicare taxes.
- Participants may transfer these funds—including any allocable investment earnings—from their 401(a) accounts to Individual Retirement Accounts (IRAs) or other eligible employer retirement plans without incurring taxes.
- While contributions to the 401(a) plan are nontaxable at deposit, withdrawals—including any allocable investment earnings—are taxable as income. If a participant is under age 59½ when the withdrawal occurs, the amount withdrawn is subject to a federal 10% early withdrawal penalty and possible state early withdrawal penalties unless the participant was age 50 or older for safety employees, 55 or older for non-safety when their City employment ended, is disabled, or qualifies for other specific exceptions.
- Tax laws generally prohibit voluntary contributions to 401(a) plans. To comply with these laws while allowing employees to benefit from significant tax advantages, the MOU mandates these contributions.
- Please note that these descriptions are based on current tax laws, which are subject to potential changes.

All other terms and conditions of the current MOU remain in full force and effect.

This Side Letter Agreement shall be effective upon ratification by CCPMA membership and approval by the City Council.

Agreed to this 16<sup>th</sup> day of July 2024

For the City of Cathedral City:

For CCPMA:

  
Charles McClendon (Jul 16, 2024 13:54 PDT)

Charles P. McClendon, City Manager



Jon Enos, CCPMA President

# CCPMA 401a and 457 Side Letter 07.2024\_Increase

Final Audit Report

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