

ITEM 10.I.

MOORPARK CITY COUNCIL AGENDA REPORT

TO: Honorable City Council

FROM: Ron Ahlers, Finance Director

DATE: May 10, 2010 (CC Meeting of May 19, 2010)

SUBJECT: Consider Resolution Authorizing the Amendment and Restatement of Its Existing Deferred Compensation Plan for Part-Time, Seasonal, and Temporary Employees (457 PST Plan): Terminating the City's Relationship with Nationwide Retirement Solutions, Inc. for Administrative and Investment Services; Appointing Public Agency Retirement Services (PARS) as Trust Administration and Union Bank as Trustee of the Plan; and Rescinding Resolution No. 91-821

BACKGROUND

The Omnibus Budget Reconciliation Act of 1990 expanded the definition of employment for local government workers to include part-time, seasonal and temporary workers by which the City would be required to pay FICA taxes. The Act also allowed local government to establish a retirement plan for those workers not covered by a retirement plan {i.e. CalPERS}. The City decided to not pay FICA taxes and establish a new retirement plan. Therefore, on December 18, 1991, the City Council passed resolution 91-821 which established a retirement plan for part-time city employees.

The City of Moorpark offers its part-time employees a deferred compensation 457 plan for retirement in the place of Social Security (i.e. FICA taxes). The City currently makes the entire contribution to the plan on behalf of the part-time employees. This contribution is 7.5% of wages. The City contracts with one plan provider: Nationwide Retirement Solutions {NRS}. NRS invests the contributions, communicates with the employees and sends out annual statements of the employees account. The plan assets are currently valued above \$100,000; the assets are segregated within the trust for the exclusive benefit of the individual employee. We are requesting the Council to terminate the contract with NRS and to appoint PARS as the Trust Administrator and Union Bank as the Trustee of this plan.

DISCUSSION

The City has experienced certain difficulties with NRS in the recent past and desires to contract with another vendor to perform these services. NRS has been unresponsive to the needs of the City. At times, it requires numerous attempts at communicating to

NRS to elicit a response from them. The time delay can be days to even weeks before we receive a response from them that addresses our need.

Public Agency Retirement Services (PARS) offers a full spectrum of retirement programs tailored to public agencies. PARS was founded in 1983. They currently administer hundreds of retirement programs that cover hundreds of thousands of plan participants in cities, counties, school districts, community college districts, county offices of education, and special districts. PARS-ARS {Alternative Retirement System} is an alternative to Social Security for part-time, seasonal and temporary employees (PST). PARS-ARS has a total contribution of 7.5% of covered payroll (compared to 12.4% under Social Security). There are over 250,000 PST employees covered by PARS ARS plans and ARS is offered by approximately 250 public agencies.

PARS is headquartered in Newport Beach, California and has a good reputation among cities in California.

With this change, the staff is recommending that the City and the employee equally share in the cost of this retirement program. The total contribution for the PST plan is 7.5% of the employee's wages; currently being paid entirely by the City. The proposed change is that the City would contribute 3.75% and the employee would contribute 3.75% of the employee's wages toward this retirement program. This is the most common practice among cities; to evenly split the cost of the retirement program with the employee. For current part-time employees, those hired prior to May 22, 2010, it is staff's recommendation that these employees be granted a salary increase of 2.5% to partially offset the employee contribution of 3.75%.

A member of the City Council may participate in the City's 457 PST plan when not eligible to receive a CalPERS retirement contribution from the City. Per Government Code Section 36516.5, a change in compensation does not apply to a Councilmember during his/her term of office. The PARS 457 PST plan will be revised to permit the one Councilmember currently participating in the PST plan to retain the employer paid 7.5% contribution through the November 2010 monthly payment. Staff will schedule a separate agenda item to consider changing the alternative retirement plan for a member of the City Council not eligible for CalPERS retirement. If an ordinance change is appropriate, the second reading of the ordinance should occur no later than the second regular meeting in October, to have the change in retirement compensation to be effective for the new City Council beginning in December 2010.

FISCAL IMPACT

The current cost to the City of Moorpark is approximately \$16,000 annually. We are proposing to split this cost evenly with the part-time employees, effective the pay period beginning May 22, 2010. This will save the City \$8,000 annually.

STAFF RECOMMENDATION **(Roll Call Vote)**

1. Direct the City Manager to approve a 2.5% pay increase for current part-time employees effective May 22, 2010 to offset the employee contribution of 3.75% to the retirement plan.
2. Adopt Resolution No. 2010 - _____ , subject to final language approval of the City Manager.
3. Direct staff to schedule an agenda item to consider amending Section 2.04.055 of the Municipal Code pertaining to councilmember retirement benefit.

Attachments:

1. City of Moorpark: Alternate Retirement System Plan Information Sheet
2. Resolution No. 2010 - _____

City of Moorpark

Alternate Retirement System Plan

Plan Information Sheet

for Part-Time, Seasonal, and Temporary Employees



Introduction

A federal law, the Omnibus Budget Reconciliation Act of 1990 (OBRA 90), requires that governmental employees who are not members of their employer's existing retirement system be covered by Social Security or an alternate plan.

You are enrolled in an alternate plan called the Public Agency Retirement Services Alternate Retirement System Plan (PARS ARS). PARS ARS satisfies federal requirements and provides cost savings to you and your employer when compared to Social Security. The PARS ARS plan only requires a minimum contribution of 7.5% to your retirement account.

This information is a general description of what you can expect as a participant in PARS ARS. The Plan Document provides a detailed description and contains all of the specific legal requirements of the plan. A copy of the plan document is available for review with your employer.

Enrollment in the PARS ARS Plan is automatic for eligible employees.

Effective June 1, 2010 and thereafter:

1. Each pay period, **3.75%** of your wages will be deducted from your pay and deposited into your PARS ARS account. Your contributions are made on a pre-tax basis.
2. Each pay period, your employer will also contribute the equivalent of **3.75%** of your wages to your PARS ARS account. Employer contributions are also made on a pre-tax basis.
3. Investment activity will be credited to your PARS ARS account based on your monthly account activity and will accumulate **tax-free** until your termination from the plan and the distribution of your account balance.

Designating a Beneficiary

- 1) In the event that you pass away while contributing to the PARS ARS Plan, your account balance will be distributed to your beneficiary.
- 2) If you are married at the time of your death, your spouse/registered domestic partner is automatically your beneficiary. If you wish to designate someone other than your spouse/registered domestic partner, you may do so by submitting a Designation of Beneficiary Form.

- 3) If you are unmarried at the time of your death, your account balance will be paid to your estate unless you have designated another beneficiary.
- 4) You may obtain a Designation of Beneficiary Form from your employer or from PARS.

Becoming Eligible for a Benefit

You (or your beneficiary in the event of your death) will be eligible to receive your PARS ARS account balance when one of the following events occurs:

- a. Termination of Employment
- b. Retirement
- c. Permanent and Total Disability
- d. Death
- e. Changed employment status to a position covered by another retirement system*

*If there have been no contributions into your PARS ARS account for two (2) years, you may be eligible for a distribution of your account.

Receiving Your Account Balance

- 1) When your employer notifies PARS that you are eligible for a distribution of your account, appropriate forms will be sent to you by mail. Within 90 days of PARS' receipt of all correctly completed forms, the account will be distributed.
- 2) Your distribution options are:
 - a. You may elect to receive a **one-time lump-sum cash payment**. If your account balance is greater than \$200, your distribution may be subject to federal and/or state income tax withholding. If you are under age 59½, your distribution may also be subject to an excise tax withholding.
 - b. If your account balance is greater than \$200, you can defer tax withholding from your distribution by electing a **direct rollover** to a traditional IRA or to an eligible employer plan that accepts rollovers (e.g. 403(b), 457(b), 401(k), etc.).

For further information or for questions about your account, please contact PARS.

(800) 540-6369
Monday – Friday
9:00AM – 5:00PM Pacific Time

RESOLUTION NO. 2010-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, AUTHORIZING THE AMENDMENT AND RESTATEMENT OF ITS EXISTING DEFERRED COMPENSATION PLAN FOR PART-TIME, SEASONAL, AND TEMPORARY EMPLOYEES (457 PST PLAN); TERMINATING THE CITY'S RELATIONSHIP WITH NATIONWIDE RETIREMENT SOLUTIONS, INC. FOR ADMINISTRATIVE AND INVESTMENT SERVICES; APPOINTING PUBLIC AGENCY RETIREMENT SERVICES (PARS) AS TRUST ADMINISTRATOR OF THE PLAN AND UNION BANK AS TRUSTEE OF THE PLAN AND; RESCINDING RESOLUTION NO. 91-821

WHEREAS, the City Council of the City of Moorpark, established a Retirement Plan for certain employees not covered by Public Employees Retirement System on December 18, 1991 by Resolution No. 91-821; and

WHEREAS, the City Council has determined that Resolution No. 91-821 should be rescinded; and

WHEREAS, it was determined to be in the City's best interest and its employees to adopt the Nationwide Retirement Solutions, Inc. Deferred Compensation Plan for Part-time, Seasonal and Temporary Employees ("457 PST Plan"), an Alternative to Social Security Plan, for its employees not eligible for membership in the California Public Employees' Retirement System ("CalPERS"); and

WHEREAS, the City desires to terminate its relationship with Nationwide Retirement Solutions, Inc. for administrative and investment services related to the 457 PST Plan and Trust effective June 1, 2010, or as soon as administratively feasible; and

WHEREAS, Public Agency Retirement Services ("PARS") has made a 457 FICA Alternative Retirement Plan available to the City and its employees and qualifies under California Government Code Sections 53215-53224 and 20000, OBRA 90 Section 11332, IRC Sections 3121(b)(7)(F) and 457 and meets the meaning of the term "retirement system" as given by Section 218(b)(4) of the Federal Social Security Act; and

WHEREAS, the City desires to amend and restated its current 457 PST Plan and desires to appoint PARS as Trust Administrator and Recordkeeper and Union Bank as Trustee for the amended and restated City of Moorpark PARS 457 FICA Alternative Retirement Plan effective May 22, 2010; and

WHEREAS, the City, in conjunction with amending and restating the 457 PST Plan, desires to amend the current employer contribution to the Plan from 7.5% of compensation to an equal employer/employee contribution split of 3.75% of compensation effective May 22, 2010.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOORPARK DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council of the City of Moorpark, pursuant to the City's authority to amend the existing plan, does hereby adopt the City of Moorpark PARS 457 FICA Alternative Retirement Plan (the "Plan") and Trust as the City's alternate to Social Security plan, replacing the existing 457 PST Plan in full, effective May 22, 2010.

SECTION 2. Effective June 1, 2010, the City Council hereby amends the current City's contribution to the Plan of 7.5% of each eligible employee's compensation to an equal split of 3.75% of compensation contributed by the City and 3.75% of compensation contributed by the employee. The employee contributions required under the Plan shall be made by the City in accordance with Section 414(h) of the Internal Revenue Code of 1986, as amended.

SECTION 3. Resolution No. 91-821 is rescinded upon enactment of the new resolution.

SECTION 4. The City Council hereby appoints PARS as Trust Administrator and Recordkeeper and Union Bank as Trustee for the Plan effective May 22, 2010.

SECTION 5. The City Council hereby terminates Nationwide Retirement Solutions as Trust Administrator and Recordkeeper effective May 22, 2010

SECTION 6. The City Council hereby authorizes the transfer of plan assets to Union Bank as soon as administratively feasible

SECTION 7. The City Council hereby appoints the City Manager, or his/her successor or his/her designee as the City's Plan Administrator for the Plan.

SECTION 8. The City's Plan Administrator is hereby authorized to implement the Plan, execute the PARS legal documents on behalf of the City and to take whatever additional actions are necessary to maintain the City's participation in PARS and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS Plan.

SECTION 9. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original Resolutions.

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PASSED AND ADOPTED this 19th day of May 2010.

Janice S. Parvin, Mayor

ATTEST:

Deborah S. Traffenstedt, City Clerk