

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: December 20, 2010
	Agenda Item No. 43 Roll Call No. <u>10-2103</u> Communication No. <u>10-760</u> Submitted by: Tom Turner, Human Resources Director

AGENDA HEADING:

Approve amendment to the Des Moines Municipal Code Section 2-453 Eligibility to participate in 401a Money Purchase Pension Plan.

SYNOPSIS:

Recommend approval of the amendment to the Des Moines Municipal Code Section 2-453 Eligibility to effectuate the compensation decision impacting supervisory, professional and management (SPM) employees’ continued eligibility to participate in the 401a Money Purchase Pension Plan authorized by Roll Call 01-1147, passed on June 4, 2001.

FISCAL IMPACT: NONE

Amount: Change in eligibility alone has no fiscal impact.

Funding Source: N/A

ADDITIONAL INFORMATION:

SPM employees have two deferred compensation plans – a 457 plan and a 401a plan. The 401a plan was adopted to cover gaps that existed in the 457 plan regarding loan availability and payment options. Subsequent to the adoption of the 401a, the federal government adopted changes that now provide wider flexibility in the 457 plan, which was the primary reason to institute the 401a plan. Accordingly, the City Manager recommends closing the 401a plan to new entrants after December 31, 2010, except for those persons that are within the six month election window post hire or those persons who are offered and accept SPM employment before December 31, 2010. Current SPM employees will be able to continue in the 401a plan or the 457 plan and receive the 4.5% contribution, according to the plan requirements. New SPM employees entering an SPM job after December 31, 2010 will be eligible for the 457 plan only.

The 401a plans adopted by the City Council for the City Manager and City Attorney are not impacted by this change. The change is as follows:

“Sec. 2-453. Eligibility.

(a) *Deferred Compensation plan:* All permanent full-time and permanent part-time employees, permanent full-time and permanent part-time probationary employees and any other employees made eligible pursuant to collective bargaining agreements shall be eligible for participation provided that they enter into an agreement to defer compensation not yet earned pursuant to these code sections and

consistent with section 457 of the Internal Revenue Code and applicable amendments including the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA).

(b) *Money purchase plan:* All supervisory, management and professional permanent full-time employees and city officers occupying a supervisory, management or professional permanent full-time position on January 1, 2011 or having accepted an offer of employment for a supervisory, management or professional full-time position shall be eligible for participation provided that they enter into an agreement to defer compensation not yet earned pursuant to these code sections and consistent with section 401(a) of the Internal Revenue Code as it may be amended from time to time.”

PREVIOUS COUNCIL ACTION(S):

Date: June 4, 2001

Roll Call Number: 01-1147

Action: An IRC Section 401(a) Money Purchase Plan Trust Agreement with ICMA-RC, for SPM employees. **Moved by Hensley to adopt. Motion Carried 7-0.**

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

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