



# Council Communication

Office of the City Manager

<b>Date:</b>	December 20, 2010
<b>Agenda Item No.</b>	<b>43B</b>
<b>Roll Call No.</b>	<b><u>10-2105</u></b>
<b>Communication No.</b>	<b><u>10-761</u></b>
<b>Submitted by:</b>	<b>Tom Turner, Human Resources Director</b>

## AGENDA HEADING:

Approve reduction in matching contributions to the supervisory, professional and management (SPM) employees' 457 plan and grandfathering of current SPM Employees.

## SYNOPSIS:

Recommend approval to a reduction in the matching contribution of the 457 deferred compensation plan for SPM employees generally hired after December 31, 2010, except those who have accepted an offer of employment prior to December 31, 2010 and commence work after January 1, 2011.

## FISCAL IMPACT:

Amount: A 2% reduction in matching contributions when fully matured may have an impact of up to \$300,000 in the general fund and \$100,000 in other city funds in 2010 dollars.

Funding Source: Various city-wide funds.

## 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. Over the years, the contributions to these plans have grown and it now is at the 4.5% level of salary. As mandated by State law, City employees are required to participate in the Iowa Public Employees' Retirement System (IPERS), or as applicable, the Municipal Fire and Police Retirement System of Iowa (411 System) defined benefit pension plans. The City's contributions to these plans is growing, particularly the 411 system contributions. The benefits provided by these defined benefit pension plans and their attendant cost make it financially imprudent to continue the current deferred compensation match for new SPM employees. Accordingly, by previous action on this Council agenda, the 401a plan is closed 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 a match up to 2.5% in the 457 plan only. The City Manager and City Attorney deferred compensation match will also continue as authorized by Council action. The budget relief from this action will begin to accrue as new SPM employees are hired and current employees leave the City.

**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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