



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

Item No. _____

FROM: City Administrator

SUBJECT: A Resolution of the City Council of the City of Commerce Approving an Agreement with ICMA Retirement Corporation Establishing a 401(A) Money Purchase Plan

MEETING DATE: December 6, 2016

RECOMMENDATION:

Approve a resolution adopting the City's agreement with ICMA Retirement Corporation, thereby establishing of a 401(a) Money-Purchase Retirement Plan.

BACKGROUND/ANALYSIS:

The City currently offers its employees the option of participating in a retirement savings plan by way of a 457 Deferred Compensation Plan ("457 plan") via two providers: ICMA Retirement Corporation ("ICMA") and Voya. The benefit to participating in a 457 plan is that employees are able to transfer money to a savings account pre-tax, thus providing a method of savings that will be taxes upon a withdrawal from the savings account.

Staff is proposing that the City establish a 401(a) Money-Purchase Retirement Plan ("401(a) plan") through ICMA as an additional means to supplement employee retirement savings. There are several benefits to creating a 401(a) plan, such as:

- 1) The 401(a) plan provides another pre-tax means of saving with a contribution limit separate from the 457 plan limits. The limit for 401(a) contributions for calendar year 2016 is \$53,000.
- 2) The 401(a) plan is another benefit the City can utilize in terms of recruitment and retention. 401 (a) plans are easy to customize and can be tailored to the needs of the organization. The City will determine the eligibility factors, vesting schedules, contribution methods and acceptable contributions for the plan.

Both plans are commonplace and authorized by federal and state law for the pre-tax deferred income savings accounts.

Staff plans for the City to offer the 401(a) plan to all employees on a voluntary basis. However, the plan will initially be offered only to the City Administrator, should the City

Council approve the underlying resolution and agreement with ICMA. Staff will meet with the bargaining group for the City's employees to gauge interest in the plan and discuss potential plan design and widespread implementation.

ALTERNATIVES:

1. Approve staff recommendation
2. Provide staff with further direction

FISCAL IMPACT:

There is no fiscal impact. The City would not be charged an administrative fee for this plan.

RELATIONSHIP TO STRATEGIC GOALS:

This report is related to the following guiding principal: Fiscal Sustainability Guiding Principle 3: Implement a compensation philosophy that allows the City to proactively compete for and retain top qualified personnel.

Recommended by: Vilko Domic, Director of Finance
Approved as to form: Eduardo Olivo, City Attorney
Respectfully submitted: Jorge Rifá, City Administrator

ATTACHMENTS:

1. Resolution
2. Agreement