



CITY OF SALINAS COUNCIL STAFF REPORT

DATE: December 19, 2017

DEPARTMENT: ADMINISTRATION/HUMAN RESOURCES DIVISION

FROM: Marina Horta-Gallegos, Human Resources Officer

SUBJECT: ALTERNATIVE RETIREMENT SYSTEM (ARS) for TEMPORARY EMPLOYEES

RECOMMENDED MOTION:

A motion to adopt a Resolution authorizing an Alternative Retirement System provided by Public Agency Retirement Services (PARS) in lieu of Social Security for employees not eligible for enrollment in the California Public Employees Retirement System (CalPERS) and authorize the City Manager to execute the trust agreement and all related documents.

RECOMMENDATION:

Staff recommends that the City Council approve the attached Resolution authorizing PARS ARS for temporary employees in lieu of Social Security.

BACKGROUND:

The United States Congress adopted the Omnibus Budget Reconciliation Act (OBRA) in 1990. OBRA mandates that employees not covered by their employer's retirement program be enrolled in Social Security or an alternate retirement system effective January 1, 1992. Currently, in compliance with the OBRA requirement, the City of Salinas and eligible employees, each contribute an amount equal to 6.2% of salary to Social Security (12.4% in total). Contributing to Social Security is an option that complies with OBRA, however, other alternative systems that meet OBRA minimum requirements, such as PARS satisfy OBRA mandates and provide for cost savings to the City.

PARS specializes exclusively in retirement plan consulting and administration for public agencies since 1984, assists in plan design and implementation, and performs ongoing "turn-key" plan administration. PARS currently serves over 250 public agencies in this alternative to Social Security for part time, seasonal and temporary employees including cities, counties, school districts, community college districts, county offices of education, and special districts.

PARS ARS reduces payroll costs by replacing the Social Security mandatory contribution of 12.4% (6.2% split by the employee and the City) for temporary employees with an approved alternative retirement system that provides a total contribution rate of only 7.5% to a fully vested retirement account, with the contribution split determined by the City. The staff recommendation is for the employee contribution to be set at 7.5% and 0% contribution by the City. Contributions at this level provide for savings equal to \$95,000 annually based on an assumption of approximately 180 part-time temporary employees.

PARS ARS retirement programs currently cover over 375,000 participants. Benefits to the plan participants include pre-tax dollar contributions, thereby having the potential to increase employee take-home pay, immediate vesting from the first day of ARS participation, portability by means of cash payout or rollover upon separation of employment, expedient monthly distributions, toll-free customer services line, among other benefits.

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (SEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

The proposed action meets the Effective Sustainable Government Council goal.

FISCAL AND SUSTAINABILITY IMPACT:

Staff anticipates annual cost savings of approximately \$95,000. This cost savings will be achieved due to the reduced contribution rate of the City under the PARS ARS program from 6.2% to 0% of payroll for eligible employees. Cumulative savings to the City would be \$491,000 at five years and \$1,000,000 at ten years.

ATTACHMENTS:

Resolution

RESOLUTION NO. _____ (N.C.S.)

RESOLUTION AUTHORIZING THE EXECUTION OF AN AGREEMENT WITH THE PUBLIC AGENCY RETERMENT SERVICES (PARS) TO PROVIDE AN ALTERNATE RETIREMENT SYSTEM (ARS) FOR ELIGIBLE TEMPORARY EMPLOYEES AND DESIGNATION OF THE CITY MANAGER AS THE PLAN ADMINISTRATOR.

WHEREAS, it is determined to be in the best interest of the City of Salinas ("City") and its employees to provide a qualifying retirement system for its employees not currently eligible for such a qualifying retirement system, thereby meeting the requirements of Section 11332 of the Omnibus Budget Reconciliation Act (OBRA '90) and Section 3121(b)(7)(F) of the Internal Revenue Code;

WHEREAS, PARS has made such a system available to the City and its eligible employees and qualifies under OBRA 90 Section 11332, Internal Revenue Code Sections 3121(b)(7)(F) and 457(b), and meets the meaning of the term "retirement system" as given by Section 218(b)(4) of the Federal Social Security Act.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF SALINAS THAT:

1. The City Council hereby adopts the PARS Trust, including the PARS Section 457(b) Alternative Retirement Plan, effective first full pay period in February, 2018; and
2. The City Council hereby appoints the City Manager, or his/her successor or his/her designee as the City's Plan Administrator for the PARS Section 457(b) Alternative Retirement Plan/Trust; and
3. The City's Plan Administrator is hereby authorized to implement the plan(s), execute the PARS legal and administrative 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 PARS 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(s).

PASSED AND APPROVED this 19th day of December 2017, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

Joe Gunter, Mayor

ATTEST:

Patricia M. Barajas, City Clerk