



# STAFF REPORT

AGENDA NO: 8i

MEETING DATE: August 19, 2019

**To: Honorable Mayor and City Council**

**Date: August 19, 2019**

**From: Sonya M. Morrison, Human Resources Director – (650) 558-7209**

**Subject: Adoption of a Resolution Amending the City of Burlingame Deferred Compensation Plan**

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## **RECOMMENDATION**

Staff recommends that the City Council adopt the attached resolution amending the City of Burlingame Deferred Compensation Plan ("Plan") to automatically enroll new hires in the Plan at the City matching contribution rate and to require loan repayments be processed via ACH.

## **BACKGROUND**

On April 18, 2016, the City Council adopted a resolution authorizing the City Manager to execute an Administrative Services Agreement with MassMutual to provide deferred compensation 457(b) plan program administrative services. This agreement was amended at the June 20, 2016 City Council meeting to set August 1, 2016 as the effective date of the City of Burlingame Deferred Compensation Plan ("Plan"). The Plan was further amended on August 21, 2017 to expand the definition of "Employee" to include benefitted, part-time employees who are members of the AFSCME Local 829 bargaining units. The Plan was again amended on November 6, 2017 to allow employees to elect post-tax contributions to a Roth account, and upon employment separation, to allow separated employees to continue to make payments on outstanding loans via ACH.

## **DISCUSSION**

The Plan does not currently allow for automatic enrollment for new employees. The City would like to add this feature to increase enrollment in the Plan and to encourage employees to save for retirement. The automatic enrollment would be at the same level of the City matching contribution as negotiated by individual bargaining units. This is \$30 per pay period for benefitted part-time employees and Police Officers and \$45 per pay period for all other employees. New hires would be automatically enrolled in the Plan for the matching amount in the default age-based Target Date Fund investment option. Employees have the option to increase, decrease, or discontinue their contributions at any time. They also have the ability to move from the default investment into other investment products offered by the plan.

The Plan currently allows for loan repayments via payroll deduction only. This is an administrative burden on City payroll staff requiring the City to become unnecessarily involved in the loan procedure. The City does not review or authorize loans for an employee's account; this

administrative procedure is carried out by MassMutual. Currently, when an employee goes on leave, or his or her payroll check is insufficient to cover the loan repayment, or the employee wants to change the repayment amount, or he or she separates employment, the City has to become involved in processing the changes. Requiring repayment via ACH removes the City from these transactions and allows the employee the flexibility and privacy of working directly with MassMutual on the loan procedure.

The remaining terms and conditions of the Plan remain unchanged. However a new resolution is required to allow for automatic contributions for new hires and repayment solely via ACH for loans.

**FISCAL IMPACT**

There is no additional cost and no administrative burden on City staff resulting from these proposed amendments; there is relief from the administrative burden of processing loan repayments via payroll deduction.

**Exhibits:**

- Resolution
- City of Burlingame Deferred Compensation Plan Document
- City of Burlingame Loan Procedures