



CITY of CALABASAS
CITY COUNCIL AGENDA REPORT

DATE: JUNE 16, 2020

TO: HONORABLE MAYOR AND COUNCILMEMBERS

FROM: RON AHLERS, CHIEF FINANCIAL OFFICER



SUBJECT: ADOPT RESOLUTION NO. 2020-1691 IMPLEMENTING PUBLIC AGENCY RETIREMENT SYSTEMS (PARS) AS THE QUALIFYING RETIREMENT SYSTEM FOR PART-TIME HOURLY EMPLOYEES

MEETING DATE: JUNE 24, 2020

SUMMARY RECOMMENDATION:

Adopt Resolution No. 2020-16xx implementing the Public Agency Retirement Systems (PARS) to replace Social Security as the qualifying retirement system for temporary, part time, hourly employees effective July 1, 2020.

BACKGROUND:

The City of Calabasas (City) is required, on behalf of temporary part time hourly employees, to contribute to Social Security an amount equal to 6.2 percent of salary. The employee also normally contributes 6.2 percent to Social Security for a total contribution of 12.4 percent. The United States Congress adopted the Omnibus Budget Reconciliation Act (OBRA) in 1990. OBRA mandates that employees not covered at the time by a retirement program be enrolled in Social Security or an alternate retirement system. OBRA requires a total minimum pre-tax retirement contribution of 7.5 percent.

Over 250 public agencies have switched from Social Security to the alternate retirement system offered by PARS. It is the third largest multiple employer public retirement system in California, with over 250,000 public employees.

The City of Calabasas employs approximately 120 hourly part time employees to cover seasonal or peak workload situations, intermittent assignments, emergencies or to cover employee absences. These employees are not covered under any collective bargaining unit agreement. As the plan administrator, PARS will ensure enrollment of eligible employees and hold periodic orientation meetings. PARS will provide training for payroll staff to ensure that the program is properly implemented, monitor the program and generate all required reports. US Bank serves as the trustee for PARS and is the 5th largest bank in the United States. The assets are held separately from the assets of US Bank and cannot be accessed by creditors of either the Trustee or the City. Employees should feel very secure that their funds will be available when required.

DISCUSSION/ANALYSIS:

The PARS Alternate Retirement System would only apply to hourly part time employees who do not qualify for membership in the California Public Employees' Retirement System (CalPERS). This action would not affect any employees currently enrolled in CalPERS.

The benefits to employees of an alternate retirement system over Social Security are:

- Alternate retirement system plan participants are immediately fully vested in their individual accounts (Social Security vests after 40 quarters and CalPERS vests after five years).
- In the event of the participant's termination of employment, assets in the employee's account may be (1) distributed as a lump-sum to the employee, (2) rolled over to an IRA or other qualified retirement plan that accepts rollovers or (3) used to purchase CalPERS service credits (if eligible).
- Alternate retirement system contributions are pre-taxed. Social Security is post-taxed which requires the employee to make contributions after taxes are paid. The result is additional take-home pay to the employee.

Under this proposal, the employee contribution will be 7.50% of salary. The City will not contribute.

The reduced rate for the City (previously the City contributed 6.2% to Social Security) results in a savings of approximately \$77,000 in the first year. The costs depend on the number of part-time, hourly employees and the hours worked will vary; however, there is no question that the implementation of an alternate retirement system will consistently provide savings to the City.

The fees for this program can be paid by the City or from plan assets (usually after four years). The monthly Trust Administrator Fee to PARS varies with a sliding scale by total assets but has a monthly minimum of \$300 per month. There is also a 0.12 % of contributions fee payable to the Trustee, US Bank.

Mandatory Enrollment / Opt-Out Available

The City will automatically enroll all part time hourly employees into the PARS program. If an employee wants to opt-out and remain in Social Security the employee can contact the Finance Department to do so.

FISCAL IMPACT/SOURCE OF FUNDING:

The total projected savings to the City implementing Public Agency Retirement Systems (PARS) as the qualifying retirement system will be approximately \$73,000 during the first year.

REQUESTED ACTION:

Adopt the attached resolution implementing the Public Agency Retirement Systems (PARS) to replace Social Security as the qualifying retirement system for temporary, part time, hourly employees effective July 1, 2020 or shortly thereafter.

ATTACHMENTS:

Resolution No. 2020-1691
PARS Proposal to City of Calabasas