



CITY OF CARSON

Legislation Text

File #: 2021-804, Version: 1

Report to Mayor and City Council

Tuesday, October 19, 2021

Consent

SUBJECT:

CONSIDER APPROVAL OF: (1) AMENDED AND RESTATED CITY OF CARSON PUBLIC AGENCY RETIREMENT SYSTEM ALTERNATE RETIREMENT SYSTEM (PARS-ARS) AMENDED AND RESTATED PLAN DOCUMENT EFFECTIVE JANUARY 1, 2021; AND (2) AMENDMENT TO THE PARS ALTERNATE RETIREMENT SYSTEM PLAN, IN RESPONSE TO THE REQUIREMENTS OF THE CARES ACT AND SECURE ACT (CITY COUNCIL)

I. SUMMARY

The City of Carson adopted its PARS Alternate Retirement System retirement plan (the "Plan") effective January 1, 1992, in conjunction with a PARS Trust Agreement. Phase II Systems dba Public Agency Retirement Services ("PARS") agreed to act as Trust Administrator to provide certain administrative services for the Plan.

PARS has prepared, for City adoption: (i) an amended and restated Plan document, effective January 1, 2021; and (ii) a Plan amendment making changes to the Plan as required pursuant to the CARES Act and the SECURE Act, effective January 1, 2020. Staff recommends Council approval of the proposed documents.

II. RECOMMENDATION

TAKE all of the following actions:

1. APPROVE the "CITY OF CARSON PUBLIC AGENCY RETIREMENT SYSTEM ALTERNATE RETIREMENT SYSTEM AMENDED AND RESTATED PLAN DOCUMENT EFFECTIVE JANUARY 1, 2021" (Exhibit No. 1; the "Plan Document"). Upon approval, the Director of Human Resources & Risk Management, as Plan Administrator, would execute the Plan Document pursuant to the Plan Administrator's authority set forth in Resolution No. 00-058.
2. APPROVE the "AMENDMENT TO THE CITY OF CARSON PARS ALTERNATE RETIREMENT SYSTEM" (Exhibit No. 3; the "Plan Amendment"). Upon approval, the Director of Human Resources & Risk Management, as Plan Administrator, would execute

the Plan Amendment pursuant to the Plan Administrator's authority set forth in Resolution No. 00-058.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate, subject to the requirements of applicable law.

IV. BACKGROUND

The City originally adopted the City of Carson Public Agency Retirement System Alternate Retirement System (PARS-ARS) Plan effective January 1, 1992. The Plan was adopted in conjunction with the PARS Trust Agreement ("Trust"), with PARS as Trust Administrator to the Trust to provide administrative services related to the Plan.

Effective January 1, 2007, the City (as Employer) adopted an Amended and Restated PARS-ARS Plan document superseding the original Plan document (the "2007 Plan Document"). Without limitation, the 2007 Plan Document made certain clarifications to the original Plan document related to distributions and annual addition limits.

On September 15, 2020, the City Council approved Amendment No. 1 to the 2007 Plan Document to include provisions that waived 2020 required minimum distributions and permitted limited early withdrawals from qualified retirement accounts (Exhibit No. 4). The changes were required pursuant to enactment of the CARES Act in response to the Coronavirus pandemic in 2020.

A new Amended and Restated PARS-ARS Plan Document, effective January 1, 2021, has now been prepared and presented to staff by PARS for the City's adoption (Exhibit No. 1). The proposed Plan Document expressly provides that it constitutes a full and complete amendment and restatement of the Plan. Thus, it would supersede the 2007 Plan Document and amendment(s) thereto, effective January 1, 2021.

The proposed Plan Document is an update to the 2007 Plan Document, and the changes from the 2007 version to the proposed version are shown in redline in Exhibit No. 2. The changes were made by PARS as part of the IRS Pre-approved Plan Program. Use of the pre-approved plan document form serves the purpose of ensuring the City's ability to rely on IRS opinion letters as evidence that the Plan is qualified under Section 401 of the Internal Revenue Code ("Qualified pension, profit-sharing, and stock bonus plans") except to the extent provided in Rev. Proc. 2017-41. Aside from certain provisions that have been designated as variable, if the City were to make changes to the pre-approved plan document, the City could lose its ability to rely on the IRS opinion letters for such tax purposes.

The changes embodied in the proposed Plan Document are therefore formulaic and uniform across PARS' program. The proposed changes do not affect the benefits provided to the Plan participants, and do not require meet and confer.

Although it states that it constitutes a full and complete amendment and restatement of the Plan, the proposed Plan Document does not reflect the changes that were required to be made to the Plan pursuant to the CARES Act, as described above, nor those required by the Setting Every Community up for Retirement Act ("SECURE Act").

The SECURE Act, which became law in December 2019, requires the Plan to be amended to increase the required beginning date for participants' benefit distributions from 70½ to 72 for participants who turn 70½ in the calendar year 2020 and after. PARS has informed staff that such changes must be made separately rather than combined into the proposed Plan Document, which is the reason for the proposed approval of the Plan Amendment (Exhibit No. 3).

The SECURE Act changes, unlike the substance of the CARES Act changes, were not included in the plan amendment that Council approved on September 15, 2020 (Exhibit No. 4). The proposed Plan Amendment includes the changes required by both Acts (with more uniform and streamlined language for the CARES Act changes, which would supersede the language of the Plan amendment that Council approved on September 15, 2020 to the extent of a conflict) and has the necessary retroactive effective date of January 1, 2020 based on the CARES Act and SECURE Act requirements.

Because the operative base Plan document for 2020 was the 2007 Plan Document, the proposed Plan Amendment would constitute an amendment to the 2007 Plan Document for 2020 and would then constitute an amendment to the proposed Plan Document for the period of January 1, 2021 forward.

Section 8.1 of the Plan Document provides "the Employer is the Plan Administrator under this Plan unless an individual employed by, or a position within the Employer, has been appointed by the Employer as Plan Administrator." Section 8.3 provides that the Plan Document may be modified by the Employer (the Plan Administrator). On April 18, 2000, the City Council adopted Resolution No. 00-058 appointing the Director of Human Resources & Risk Management, or his/her designee, as the City's Plan Administrator, and authorized him or her to "execute the PARS legal documents on behalf of the City." Accordingly, Director of Human Resources & Risk Management Faye Moseley may execute the proposed Plan Document and Plan Amendment, upon City Council approval.

V. FISCAL IMPACT

There is no impact to the General Fund.

VI. EXHIBITS

1. PARS ARS Amended and Restated Plan Document (pgs. 5-27).
2. Proposed Plan Document vs. 2007 Plan Document red-line comparison (pgs. 28-53).

3. PARS ARS SECURE Act Plan Amendment (pgs. 54-55).
4. Amendment No. 1 to 2007 Plan Document (adopted September 15, 2020) (pgs. 56-59).

Prepared by: Faye Moseley, Director of Human Resources & Risk Management