



STAFF REPORT

SAUSALITO CITY COUNCIL

AGENDA TITLE:

Adoption of California Public Employees' Deferred Compensation Plan (CalPERS 457 Plan)

RECOMMENDED MOTION:

- Adopt the Resolution Approving Adoption of California Public Employees' Deferred Compensation Plan for the Benefit of City Employees
- Authorize the City Manager to Sign the CalPERS Employer Adoption Agreement and Loan Program Employer Enrollment

SUMMARY

Adoption of CalPERS 457 Plan gives employees an extra option beyond ICMA, Nationwide, and Hartford 457 Plan Program. CalPERS Plan charges a low expense ratio and also assumes trustee responsibility. Staff is recommending that City Council of the City of Sausalito approve the adoption of CalPERS 457 Plan as a low-cost alternative. Like ICMA, CalPERS 457 Plan also offers loan program to allow employees to borrow against his/her own plan.

Finance Committee reviewed the CalPERS 457 Plan proposal on November 7, 2007, and is recommending that the City Council approve the adoption.

BACKGROUND

Currently, the City of Sausalito offers three 457 plan options to City employees through ICMA Retirement Corporation, Nationwide Retirement Solutions, and Hartford Life Insurance Company. Each calendar year, employees can choose to contribute up to an amount established by the Internal Revenue Code Section 457 (e) (15) plus Age 50 Catch-up and Special Section 457 Catch-up Limitation, if applicable. The City of Sausalito serves as plan sponsor and trustee for these three plans. Employees who enroll in ICMA, Nationwide, and Hartford program pay fees based on type of investment holdings. Because Hartford is a group annuity contract, there is a contingent deferred sales charge if employees surrender and transfer out the annuity contract before the eighth participant's contract year.

Due to the size of CalPERS and the investment expertise through the pension systems, CalPERS Plan expense ratio ranges from .35% to .94% as of period ending December

Item #: 4B3
Meeting Date: 3-25-08
Page #: 1

31, 2007. Low expense ratio which will enable employees to retain more values in their investment portfolio. By CalPERS assuming the role of trustee, it also reduces the City's fiduciary exposure.

FISCAL IMPACT

None. Contribution to the plan comes from employees' pre-tax earnings. All fees are borne by City employees.

STAFF RECOMMENDATIONS

- Adopt the Resolution Approving Adoption of CalPERS Deferred Compensation Plan for the benefit of City Employees
- Authorize the City Manager to Sign the Employer Adoption Agreement and Loan Program Employer Enrollment

ATTACHMENTS

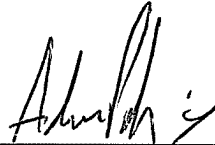
1. Resolution Approving Adoption of CalPERS 457 Deferred Compensation Plan
2. CalPERS Employer Adoption Agreement
3. CalPERS Loan Program Employer Enrollment

SUBMITTED BY:



Louise Ho
Finance Director/Treasurer

APPROVED BY:



Adam Politzer
City Manager

Item #: 4B3
Meeting Date: 3-25-08
Page #: 2

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAUSALITO
APPROVING ADOPTION OF THE CALIFORNIA
PUBLIC EMPLOYEES' DEFERRED COMPENSATION PLAN**

WHEREAS, the City of Sausalito desires to establish a deferred compensation plan for the benefit of its employees; and

WHEREAS, the Board of Administration (the "Board") of the California Public Employees' Retirement System ("CalPERS") has established the California Public Employees Deferred Compensation Plan (the "CalPERS Plan") which may be adopted by a governmental employer, the employees of which are public employees; and

WHEREAS, the City of Sausalito believes that the CalPERS Plan and the investment options available thereunder will provide valuable benefits to its employees; and

WHEREAS, the Board has appointed CitiStreet LLC, a joint venture between Citigroup and State Street Bank and Trust Company ("CitiStreet") to perform administrative services under the CalPERS Plan and to act as the Board's agent in all matters relating to the administration of the CalPERS Plan.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sausalito that the City of Sausalito adopts the CalPERS Plan for the benefit of its employees and authorizes and directs the City Council to execute the attached adoption agreement on behalf of the City of Sausalito and to provide CitiStreet with such information and cooperation as may needed on an ongoing basis in the administration of the CalPERS plan. A copy of this resolution, the agreement, and any attachments thereto shall be on file in the office of the City Clerk.

Passed and adopted at a regular meeting of the City Council of the City of Sausalito on the _____ day of _____, 2008 by the following vote:

AYES: Councilmembers:
NOES: Councilmembers:
ABSTAIN: Councilmembers:
ABSENT: Councilmembers:

MAYOR OF THE CITY OF SAUSALITO

ATTEST:

DEPUTY CITY CLERK

483
4



SUPPLEMENTAL INCOME PLANS

EMPLOYER ADOPTION AGREEMENT

By executing this Agreement, the employer identified below (the "Employer") adopts the California Public Employees' Deferred Compensation Plan (the "Plan") for the benefit of its employees. The Employer further agrees and represents as follows:

1. The Employer is a political subdivision of the State of California eligible to adopt the Plan for the benefit of its employees.
2. The Employer has duly adopted a resolution (copy attached) or taken such other official action as required for its lawful adoption and implementation of this Plan and has authorized the undersigned to execute this agreement on behalf of the Employer.
3. The Employer has been furnished with and reviewed a copy of the Plan document which explains the rights and obligations of the Employer under the Plan, as well as the rights and options available to the Employer's employees under the Plan; the Employer agrees to follow the terms of the Plan document, which are incorporated herein by reference.
4. The Employer understands and agrees that all amounts deferred under the Plan are to be invested in the Public Employees' Deferred Compensation Fund (the "Fund"), an investment entity established to hold amounts deferred under the Plan, and that the Employer shall have no right to sell, redeem, or otherwise liquidate its investments in the Fund, except as provided under Article 9 of the Plan.
5. The Employer understands that, except for certain responsibilities delegated to the Employer under the Plan, the administration of the Plan and Fund is subject to the exclusive control of the Board of Administration of the Public Employees' Retirement System (the "Board"). The Employer further understands that the Board has appointed CitiStreet LLC, a joint venture between Citigroup and State Street Bank and Trust Company ("CitiStreet") to perform administrative services under the Plan and to act as the Board's agent in all matters relating to administration of the Plan; the Employer agrees to deal directly with CitiStreet (or any successor agent duly appointed by the Board) on all matters relating to its participation in the Plan and to cooperate with CitiStreet in the dissemination of Plan information to the Employer's employees. For purposes of this Agreement, the term "administrative services" shall include, but not be limited to, establishing and maintaining accounts for Plan participants, providing regular accounting reports, and other general record keeping and administrative functions necessary for proper maintenance of the Plan.
6. The information set forth on the attached specifications data page is complete and accurate and may be relied upon by the Board and CitiStreet in the administration of the Plan on behalf of the Employer and its employees, unless and until the Employer has provided CitiStreet with a written modification of such specifications.
7. The Employer has been furnished with a copy of a manual that describes the procedures to be followed by the Employer in the administration of the Plan for its employees, and the Employer agrees to adhere to the procedures set forth in that manual, and in any revisions thereof, or procedural notices that are hereafter furnished to the Employer.
8. The Employer agrees to make the Plan available to its employees and otherwise to abide by this Agreement commencing on the effective date shown on the attached specifications page; this Agreement shall remain in full force and effect unless terminated by the Employer or the Board upon sixty (60) days notice.

(Name of Employer) _____

By: _____

(Title) _____

Date: _____

Accepted by CitiStreet on behalf of the Board of Administration of the Public Employees' Retirement System

By: _____

Date: _____ Witness: _____

483
5



SUPPLEMENTAL INCOME PLANS

Loan Rules and Procedures

This document is hereby adopted by CalPERS pursuant to its authority under Article 8 of the Plan Document, and is intended to comply with the requirements of Section 457 and Section 72(p)(2) of the Internal Revenue Code, and the Federal Truth-in-Lending Act. CalPERS reserves the right to amend or revise this document at any time.

Effective for all loans granted pursuant to the Plan Document, the following rules and procedures shall apply:

1. Any Participant, as that term is defined in Article 1 of the Plan Document, may apply for a loan from the Plan. The charge to the Participant will be \$50 per loan application. There are no annual maintenance fees or asset-based fees.
2. A Participant may apply for a loan over the Customer Service Line or Internet site maintained for the Plan.
3. If the loan application is approved, the Participant will receive the loan check along with a *Truth-in-Lending Disclosure Statement*. The promissory note and security agreement will be printed on the back of the loan check. The notice will contain the amount financed, the finance charge, the loan's annual percentage rate, the repayment procedure, the security interest and a copy for the participant.
4. The minimum loan amount is \$1,000. The maximum loan amount is the lesser of: (1) 50 percent of the Participant's vested account balance as of the Valuation Date immediately preceding the date on which the loan is approved, or (2) \$50,000, less the highest outstanding loan balance over the last 12 months. For the purpose of determining the maximum loan amount available to a Participant, any loan from any other plan maintained by a participating employer will be treated as if it were a loan made from this Plan, and the Participant's vested interest under the other plan will be considered a vested interest under this Plan; provided, however, that the provisions of this paragraph will not be applied so as to allow the amount of a loan from this Plan to exceed the amount that would otherwise be permitted under federal law.
5. If a Participant has an outstanding loan from any other plan maintained by a participating employer, CalPERS will accept a transfer of the Participant's unencumbered account balance from the other plan, less the amount of the outstanding loan balance payable to the other plan,
6. If a Participant has an outstanding loan with the CalPERS 457 Plan and requests a transfer of his or her account to another plan maintained by a participating employer, CalPERS will process the transfer of the Participant's unencumbered account balance less the outstanding loan balance payable to the CalPERS 457 Plan. Further transfer requests will not be processed until the Participant's loan with the CalPERS 457 Plan has been repaid in full.
7. The minimum time period for borrowing is one year. The maximum time period for borrowing is 5 years.
8. The maximum number of loans permitted at one time is one. No new loan may be taken until the outstanding loan is paid off. Loan refinancing is not allowed.
9. A loan to a Participant may only be secured by an interest in the Participant's vested account balance.

10. Loan disbursements will be taken pro rata across all money sources and investment funds in the Participant's account.
11. A loan will bear an interest rate of the Prime Rate plus one percent. All repayments plus interest will inure to the Participant's account.
12. Loan repayments will be automatically deducted from the Employer's payroll system, and remitted with the regular payroll beginning the second month, or as soon thereafter as is administratively practicable. Payroll transmission including loan repayments will be via an automated process.
13. Loan repayments by the Participant will be reinvested according to the Participant's current investment elections.
14. A Participant may prepay his/her loan in full at any time by paying the outstanding loan balance by cashier's check or certified check. Partial payments are not allowed.
15. CalPERS will treat a loan in default if any scheduled repayment remains unpaid after the expiration of the maximum grace period – the last day of the calendar quarter following the calendar quarter in which the required repayment was due, or if there is outstanding principal existing on the loan after the last scheduled repayment date. If a loan is defaulted, the Participant's vested account balance will be offset by the outstanding loan balance to the extent that a distribution from such account is permissible under the Plan. This will be reported as earned income and a 1099R will be issued. The Participant will be permanently ineligible for any future loans from the Plan and will be prohibited from making contributions to the Plan until 12 calendar months has elapsed from the date the defaulted loan has been repaid in full.
16. Upon death, disability, retirement or termination of employment, the Participant's outstanding loan balance will be immediately due and payable. Failure to repay upon death, disability, retirement or termination will be deemed a distribution and will be reported as earned income and a 1099R will be issued.



SUPPLEMENTAL INCOME PLANS

LOAN PROGRAM EMPLOYER ENROLLMENT

Please note: you must have an automated payroll process in order to participate in the loan program.

I. GENERAL INFORMATION

Employer Name: _____ Employer Plan Number (if applicable): _____

II. ADOPTION OF CALPERS 457 LOAN PROGRAM

By signing this form, the Employer, the sponsor of the Plan referenced above, which began participating in the CalPERS 457 Program pursuant to an Adoption Agreement dated _____, _____, hereby adopts the CalPERS 457 Loan Program.

The Employer will deduct loan repayments directly from employee salary and remit payments along with deferrals. The repayment method for contributions and loan repayments must be made by an acceptable automated method.

III. SIGNATURES

Employer's Signature _____ Date ____ / ____ / ____

Please return form to:

Standard Delivery: CalPERS 457 Plan
Attn: Administration
P.O. Box 2647
Lewiston, ME 04241

Overnight Delivery: CitStreet
CalPERS 457 Plan Administration
1775 Lisbon Road
Lewiston, ME 04240

Fax Delivery: (888) 228-6185

483
9