



MOTION SHEET

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Ben Luedtke
Budget & Policy Analyst

DATE: October 20, 2020

RE: City Pick Up of Tier 2 Public Safety and Firefighter Employee Retirement Contributions

MOTION 1 – ADOPT

I move that the Council approve a resolution authorizing the City to pick up contributions for employees who are qualifying members of the Public Safety and Firefighter Tier 2 retirement system.

Staff Note: funding to implement this change is a Council-added item in Budget Amendment #3 of FY2021.

MOTION 2 – NOT ADOPT

I move that the Council close the public hearing and proceed to the next agenda item.





COUNCIL STAFF NOTE

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Ben Luedtke
Budget and Policy Analyst

DATE: October 6, 2020

RE: Contributions for Tier 2 Retirement System Covering Police Officers and Firefighters

ISSUE AT-A-GLANCE

The Administration transmitted a resolution for Council consideration that would authorize the City to cover employee-paid contributions for police officers and firefighters participating in the Utah Retirement System's (URS) Tier 2 hybrid retirement plan and defined contribution plan. The hybrid plan combines a pension benefit, of a set percentage of annual pay, with a 401(k) available per URS and IRS milestones. The defined contribution plan is a 401(k) only that accumulates annually and is available for employees per IRS rules and milestones. The City is responsible to contribute 38.28% of each employees' eligible salary for both of the plans. This amount is based on the URS' actuarial annual review. The additional annual cost to the City is estimated at \$55,000 (\$9,200 for Fire Department employees and \$45,800 for Police Department employees). The Administration also recommends reimbursing employees for payments made in FY21 which the City would now pay under the proposal. If the Council approves the resolution, then the additional costs will be added to an upcoming budget amendment.

Senate Bill 129 of 2019 increased the public safety retirement multiplier from 1.5% to 2% starting July 1, 2020. The calculation is 2% of the retiree's highest five-year average salary (converted to a monthly basis) multiplied by their total years of service after July 1, 2020 (prior years calculated at the former 1.5%). This resulted in an overall increase of 4.27% for Tier 2 Public Safety and Fire Hybrid plans (2% for the employer and 2.27% for the employee) and 2% for Tier 2 Public Safety and Fire Defined Contribution plans (2% for the employer). Additional legislation passed in 2020, allows two options for employers to either fully cover the 4.27% cost increase or split where 2% is paid by the City and 2.27% is paid by employees. It's unclear whether the law requires a city to provide the same percentage split to fire and police employees (treat the groups separately for this benefit). The percentage split also can be adjusted, for example, 3% city and 1.27% employees is an option. Ultimately, the City decided to pay only its share of the total cost with employees paying the members' share because of the tight FY21 budget. This same legislation also mandated that if an employer pays any portion of Tier 2 Hybrid contributions, the same must also be provided to Tier 2 Defined Contribution participants.

POLICY QUESTIONS



1. **Timing of Contribution Pickup** – The Council may wish to discuss whether members support the proposed pickup of contributions and whether there's a preference to consider the proposal when the City's revenue picture is clearer.
2. **Retirement Multiplier Increase** – The Council may wish to ask the Administration to what degree the retirement multiplier increase from 1.5 to 2 addresses concerns with public safety retirement systems.
3. **City's Pension Liabilities** – The Council may wish to discuss with the Administration the City's pension liabilities across the multiple retirement systems managed by URS.
4. **Retirement System Study** – The Council may wish to ask the Administration if any findings applicable to the City are available from the Tier 2 retirement system study by the Retirement and Independent Entities Interim Committee as required by Senate Bill 129 of 2019.



CITY COUNCIL TRANSMITTAL


Sep 1, 2020 13:44 MDT

Lisa Shaffer, Chief Administrative Officer

Date Received: September 1, 2020
Date sent to Council: September 1, 2020

TO: Salt Lake City Council
Christopher Wharton, Chair

DATE: September 1, 2020

FROM: David Salazar, Acting Chief Human Resources Officer
Human Resources Department



Mary Beth Thompson, Chief Financial Officer 
Finance Department

SUBJECT: Election to Pick-Up URS Member Contributions for Tier II Public Safety & Firefighters

STAFF CONTACTS: David Salazar, Acting CHRO/Compensation Program Manager
(801) 535-7906

Mary Beth Thompson, Chief Financial Officer
(801) 535-6403

Carolyn Campbell, Benefits Program Manager
(801) 535-6663

John Vuyk, City Budget Director
(801) 535-6663

DOCUMENT TYPE: Resolution

RECOMMENDATION: It is recommended the City Council:

1. Adopt a resolution electing to pick-up member contributions for the City's qualifying Tier II public safety employees and firefighters on employees' behalf totaling 2.27% per member.
2. Authorize a reimbursement to qualifying Tier II employees who have had the required 2.27% member contributions deducted from their paychecks since July 1, 2020. This reimbursement will have the effect of making such employees financially whole; and, finally,
3. Consider a budget amendment at a later date to cover additional member contributions

required for qualifying Tier II public safety employees and firefighters in the Police and Fire Departments participating in the defined contribution plan (totaling \$55,000).

CITY COORDINATION: The Human Resources Department and the Finance Department will jointly coordinate implementation of the proposed resolution, including submission of a completed “Employer Election To Pick-Up Member Contributions” form to URS with a future date the City will begin to pick-up member contributions required for all qualifying Tier II Police Officers and Firefighters.

BUDGET IMPACT: \$55,000

BACKGROUND/DISCUSSION: During the 2019 state legislative general session, S.B. 129 was passed. This legislation increased the retirement multiplier for qualifying Tier II public safety employees & firefighters from 1.5% to 2%. This legislation had an effective date of July 1, 2020. This delayed implementation provided URS time to determine how this increased cost would be covered.

1. The Utah Retirement System released preliminary costs to employers and employees in January/February 2020 as a result of S.B. 129. The total cost was 4.27% for employees covered under the Public Safety and Fire Tier II – Hybrid plan and included a mandate for the City to pay 2% with the remaining 2.27% to be paid by the employees covered under these plans.
2. For those employees covered under the Public Safety and Fire Tier II – Defined Contribution plan, the legislation required the City to pay 2% with no additional cost to employees covered under this plan.

In 2020, S.B. 56 was passed during the state’s general legislative session. This legislation gave employers the option to cover the 2.27% cost to employees covered under the Public Safety and Fire Tier II – Hybrid plan. This legislation also mandated that if employers opted to cover the 2.27% employee contribution for those covered under the Hybrid plan they must also provide a 2.27% contribution to those employees covered under the Defined Contribution plan.

Ultimately, the City Council adopted budget for FY20-21 included an appropriation totaling \$544,981, which is enough to cover the state legislative mandates included under S.B. 129 and the Hybrid portion of S.B. 56; not covered are the additional costs necessary to cover contributions required for sworn Tier II Defined Contribution public safety and fire employees, which is \$55,000 (\$9,200 for Fire and \$45,800 for Police).

It is, therefore, recommended the City Council:

1. Adopt a resolution electing to pick-up member contributions for the City’s qualifying Tier II public safety employees and firefighters on employees’ behalf totaling 2.27% per member.
2. Authorize a reimbursement to qualifying Tier II employees who have had the required 2.27% member contributions deducted from their paychecks since July 1, 2020. This reimbursement will have the effect of making such employees financially whole; and, finally,
3. Consider a budget amendment at a later date to cover additional member contributions required for qualifying Tier II public safety employees and firefighters in the Police and Fire Departments participating in the defined contribution plan (totaling \$55,000).

PUBLIC PROCESS: n/a

EXHIBITS: Resolution “Authorizing Pick Up of Public Safety and Firefighter Employee Retirement Contributions”

RESOLUTION NO. ____ OF 2020

Authorizing Pick Up of Public Safety and Firefighter Employee Retirement Contributions

WHEREAS, Salt Lake City Corporation (the “City”) employs employees who are eligible for and participate as members in the Public Safety and Firefighter Tier II Contributory Retirement System administered by the Utah Retirement Systems;

WHEREAS, in accordance with federal and state law, including Section 414(h)(2) of 28 the Internal Revenue Code, employers may take formal action to pick up required employee contributions, which will be paid by the employer in lieu of employee contributions;

WHEREAS, Utah Code subsection 49-23-401(1)(b) requires a participating employer that picks up the required member contribution described in Utah Code subsection 49-23-301(2)(c) to also make an equivalent additional nonelective contribution to qualifying employees who are covered under the defined benefit contribution plan;

WHEREAS, the City desires to formally pick up a portion of the employee contributions required to be paid under Utah Code subsection 49-23-301(2)(c), for all qualifying City employees participating in the Public Safety and Firefighter Tier II Contributory 34 Retirement System; and

WHEREAS, the Mayor and City Council are duly authorized to take such action on behalf of the City as a participating employer with the Utah Retirement Systems:

NOW THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah, as follows:

1. Beginning September ____, 2020, the City shall prospectively pick up and pay required employee contributions for all City employees who are qualifying members of the Public Safety and Firefighter Tier II Contributory Retirement System, subject to a maximum of 2.27% of compensation for each employee;
2. The picked up contributions paid by the employer, even though designated as employee contributions for state law purposes, are being paid by the City in lieu of the required employee contributions;
3. The picked up contributions will not be included in the gross income of the employees for tax reporting purposes, that is, for federal or state income tax withholding taxes, until distributed from the Utah Retirements Systems, so that the contributions are treated as employer contributions pursuant to Section 414(h)(2) of the Internal 49 Revenue Code.
4. The picked up contributions are a supplement and not a salary reduction to the City employees who are eligible for and participating members in the Public Safety and Firefighter Tier II Contributory Retirement System.

5. From and after the date of this pick up, a City employee may not have a cash or deferred election right with respect to the designated employee contributions, including that the employees may not be permitted to opt out of the pick up and may not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the City on behalf of its employees to the Utah Retirement Systems.

6. Beginning September ____, 2020, the City shall also make an additional nonelective contribution equivalent to the picked up employee contribution described in paragraph 1, likewise subject to same maximum of 2.27% of an employee's compensation, for each qualifying employee who participates in the City's defined contribution plan. This additional nonelective contribution shall be subject to all laws and rules governing nonelective contributions to the City's defined contribution plan.

7. This Resolution shall be effective immediately upon passage.

Passed by the City Council of Salt Lake City, Utah this ____ day of September, 2020.

SALT LAKE CITY COUNCIL

Chris Wharton, Chair

ATTEST AND COUNTERSIGN:

Approved as to form:
Salt Lake City Attorney's Office

Cindy Lou Trishman, City Recorder

Jaysen Oldroyd
Jaysen Oldroyd, Senior City Attorney









CITY COUNCIL TRANSMITTAL - Election to Pick-Up URS Member Contributions for Tier II Public Safety Firefighters

Final Audit Report

2020-09-01

Created:	2020-09-01
By:	Garrett A. Danielson (Garrett.Danielson@slcgov.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAWbh7xgkVwSa7p21M6ZbtC0Vqfnq3F4dh

"CITY COUNCIL TRANSMITTAL - Election to Pick-Up URS Member Contributions for Tier II Public Safety Firefighters" History

-  Document created by Garrett A. Danielson (Garrett.Danielson@slcgov.com)
2020-09-01 - 9:04:01 PM GMT- IP address: 204.124.13.222
-  Document emailed to Lisa Shaffer (lisa.shaffer@slcgov.com) for signature
2020-09-01 - 9:04:35 PM GMT
-  Email viewed by Lisa Shaffer (lisa.shaffer@slcgov.com)
2020-09-01 - 9:06:07 PM GMT- IP address: 166.137.163.64
-  Document e-signed by Lisa Shaffer (lisa.shaffer@slcgov.com)
Signature Date: 2020-09-01 - 9:44:03 PM GMT - Time Source: server- IP address: 166.137.163.64
-  Document emailed to Mary Beth Thompson (marybeth.thompson@slcgov.com) for signature
2020-09-01 - 9:44:06 PM GMT
-  Email viewed by Mary Beth Thompson (marybeth.thompson@slcgov.com)
2020-09-01 - 9:45:24 PM GMT- IP address: 204.124.13.222
-  Document e-signed by Mary Beth Thompson (marybeth.thompson@slcgov.com)
Signature Date: 2020-09-01 - 9:45:50 PM GMT - Time Source: server- IP address: 204.124.13.222
-  Signed document emailed to Mary Beth Thompson (marybeth.thompson@slcgov.com), Garrett A. Danielson (Garrett.Danielson@slcgov.com) and Lisa Shaffer (lisa.shaffer@slcgov.com)
2020-09-01 - 9:45:50 PM GMT