

STAFF REPORT REGULAR MEETING

AGENDA DATE: June 4, 2024

DEPARTMENT: Human Resources

TITLE:

Resolution No. 16-2024 – authorizing an amendment to the City's (FPDP) 401(a) Plan concerning eligibility criteria

SUMMARY:

Resolution No. 16-2024 documents (i) all criteria for an employee to be eligible to participate in the Plan and (ii) the administrative interpretation and application of the Plan's definition of Earnings.

BACKGROUND AND JUSTIFICATION:

The City, as the sponsoring employer, established a tax-qualified, defined contribution retirement plan in 2010 for the benefit of eligible employees, which plan has been amended from time to time and is currently referred to as the City of Lake Worth Beach (FPDP) 401(a) Plan ("Plan").

The City is also the sponsoring employer of the City of Lake Worth Beach Employees' Retirement System ("Pension Plan").

In 2017, the City significantly restructured its retirement benefit offerings, including by creating a one-plan-or-the-other structure under which certain employees may actively accrue benefits either in the Plan or in the Pension Plan but not both simultaneously.

To maintain the tax-qualified status of the Plan under the Internal Revenue Code, the Plan must be operated in accordance with its written governing document.

During an internal review of the Plan by the City's Human Resources and Finance personnel, it was recently discovered that all criteria for eligibility to participate in the Plan is not specified in the Plan's governing document.

Additionally, during the internal review of the Plan, it was determined that the administrative interpretation and application of the Plan's definition of Earnings, as it relates to types of pay that may constitute overtime within the context of this Plan or cash-out of unused accrued leave, is correct but it would be advisable to include the administrative interpretation and application in the Plan's governing document.

Accordingly, to align the current terms of the Plan's governing document with the current structure of the City's retirement benefit offerings, it is recommended that the City adopt an amendment to the Plan's governing document, effective June 9, 2024, to clarify that:

- (i) interim/acting Directors are not eligible for the Plan,
- (ii) interim/acting Assistant Directors are not eligible for the Plan, and
- (iii) an employee who is actively accruing benefits in the Pension Plan is not eligible for the Plan;

and to describe the administrative interpretation and application of the Plan's definition of Earnings, as it relates to types of pay that may constitute overtime within the context of the Plan or cash-out of unused accrued leave.

MOTION:

Move to approve/disapprove Resolution No. 16-2024, authorizing amendments to the City's (FPDP) 401(a) Plan concerning eligibility criteria and the administrative interpretation and application of the Plan's definition of Earnings.

ATTACHMENT(S):

Resolution 16-2024
Exhibit "A"