

STAFF REPORT REGULAR MEETING

AGENDA DATE: August 6, 2024

DEPARTMENT: Human Resources

TITLE:

Resolution No. 27-2024 – authorizing an amendment to the City of Lake Worth Beach (FPDP) 401(a) Plan concerning employee contributions

SUMMARY:

The resolution documents the type of contributions that eligible employees may choose to contribute to the Plan.

BACKGROUND AND JUSTIFICATION:

The City, as the sponsoring employer, established a tax-qualified 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").

Currently, employees who are eligible to participate in the Plan have the opportunity to make one-time elections to make *pre-tax* contributions from their earnings ("pick-up contributions"). The administration of pick-up contribution elections is no longer operationally feasible due to current IRS application of tax-qualification law that may result in disparate treatment. Additionally, because a pick-up contribution can only be made one time and is irrevocable, there is low utilization of it by the eligible employees. Therefore, the City's Human Resources department has determined it is desirable to enhance the Plan design and administration by discontinuing pick-up contributions for all eligible employees and instead allowing all current and future eligible employees a new, ongoing opportunity to affirmatively make or change *after-tax* employee contribution elections.

Accordingly, it is proposed that the City adopt an amendment to the Plan's governing document, effective August 18, 2024, to provide that:

- (i) no additional pick-up contributions will be made to the Plan by any eligible employee with respect to compensation earned on or after August 18, 2024; and
- (ii) all current eligible employees and future eligible employees will have the opportunity to make revocable, *after-tax* employee contribution elections.

MOTION:

Move to approve/disapprove Resolution 27-2024 authorizing an amendment to the City of Lake Worth Beach (FPDP) 401(a) Plan concerning employee contributions.

ATTACHMENT(S):

Fiscal Impact Analysis – N/A
Resolution 27-2024