



## AGENDA REPORT SUMMARY

**Meeting Date:** December 13, 2022

**Subject** Establishment of a 401(a) Money Purchase Plan for Unrepresented Employees

**Prepared by:** Irene Silipin, Human Resources Director

**Reviewed by:** Gabriel Engeland, City Manager

**Approved by:** Gabriel Engeland, City Manager

**Attachment(s):**

1. Resolution 2022-XX

**Initiated by:**

Staff

**Previous Council Consideration:**

Special Council Meeting on January 18, 2022 (Employee Recruitment and Retention)

City Council Meeting on March 22, 2022 (Total Compensation Philosophy)

Closed Session on May 10, 2022 (Conference with Labor Negotiators)

City Council Meeting on June 28, 2022 (FY 21/22 Final Budget and FY 22/23 Mid Term Budget)

**Fiscal Impact:**

There is no impact to the budget associated with the adoption of this resolution.

**Environmental Review:**

Not applicable

**Policy Question(s) for Council Consideration:**

- Does the Council wish to adopt Resolution 2022-XX?

**Summary:**

- On January 18, 2022, staff presented to City Council the need to discuss employee attraction, recruitment and retention issues.
- As a tool for attracting and retaining highly competent employees by offering competitive employee compensation and benefits, council approved an employer match of employee contributions toward deferred compensation at the FY 22/23 Mid Term Budget on June 28, 2022.

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City Manager

GE

**Reviewed By:**

City Attorney

JH

Finance Director

JD

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- As a means of facilitating these employer matching contributions, staff recommend adopting a 401(a) deferred compensation plan. This allows employees to have a separate deferred compensation account with a higher IRS maximum contribution and does not limit an individual employee's ability to set aside money into their 457 deferred compensation account.

**Staff Recommendation:**

Adopt resolution 2022-XX to establish a 401(a) Money Purchase Plan for unrepresented employees and authorize the City Manger to execute the required adoption documents.



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### **Purpose**

The purpose of the establishment of the City of Los Altos 401(a) Money Purchase Plan is to offer unrepresented employees an alternative tax savings vehicle to set-aside employer matching contributions aside from their 457 deferred compensation accounts.

### **Background**

On January 18, 2022, staff presented at the City Council Retreat the topic of Employee Attraction, Recruitment and Retention. Discussion of current state of the City's compensation philosophy, classification system, turnover and separation rates, organizational continuity, and comparison of Los Altos to the marketplace.

Los Altos has been unable to retain employees, experienced a high degree of turnover among its unrepresented employees and has also faced difficulty in receiving applicants from qualified individuals for these positions.

On March 22, 2022, staff brought forward to Council, a Total Compensation Philosophy as a framework that enables the City Council to make systematic decisions around employee total compensation.

On May 10, 2022 staff presented proposed unrepresented total compensation changes to bring Los Altos up to our market peers including; increasing the number of observed holidays, allowing employees to cash out unused management leave, implementing a wellness benefit, and having the city match a percentage of employee's contributions into deferred compensation.

On June 28, 2022, Council adopted the implementation and costs of these new benefits into the FY 22/23 Mid Term Budget.

### **Discussion/Analysis**

Several unrepresented employees contribute the standard IRS maximum of \$20,500 for calendar year 2022 toward their 457 deferred compensation plan. As a result, employer matches in a 457 deferred compensation account limit what an employee can voluntarily set aside for retirement. As an alternative, a 401(a) money purchase plan has an IRS maximum of \$61,000 for calendar year 2022. A 401(a) money purchase plan allows employees to set aside additional money for retirement and employer matching without limiting an individual employee's ability to set aside money for retirement.



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**Recommendation**

Staff recommends City Council adopt the resolution establishing a 401(a) Money Purchase Plan for Unrepresented Employees.