

MEMORANDUM

To: Mayor and City Council

From: Chris Pike, Finance Director

Date: July 11, 2016

Subject: **Amendment to Retirement Plan Definition of Compensation**

ITEM DESCRIPTION

To amend the 401(a) retirement plan (Plan) of the City to change the definition of compensation.

BACKGROUND

The City recently performed an evaluation to review the retirement plan calculations in order to ensure the proper amount of retirement was being paid into the City's Plan. This process included matching the various compensation codes in our payroll software to the Plan's definition of which compensation codes should be calculating retirement. At the conclusion of that review, HR and Finance staff met with the City manager to go over the review and to seek clarification on which compensation codes should be included and excluded from retirement calculations. First, the Plan already excludes "fringe benefits". However, the City offers employees with outside health insurance a cash payment in lieu of health insurance. One could interpret this payment in lieu of a fringe benefit to be a fringe benefit, but staff felt it would be beneficial to specifically address the exclusion in the Plan's definition of compensation. Second, certain DPD staff are paid to be "on-call". The payment isn't for time actually worked. This amendment would exclude such payments from the definition of compensation. And lastly, a third amendment to the definition of compensation would be to include overtime at the request of HR and the City Manager.

RECOMMENDATION

It is respectfully requested Council approve an amendment to our Plan's definition of compensation as outlined above and in the amendment documents following.

**AMENDMENT NUMBER FIVE
TO THE
CITY OF DUNWOODY
401(a) PLAN**

EFFECTIVE DATE: May 19, 2016

The CITY OF DUNWOODY 401(a) PLAN, originally effective March 1, 2009, and restated in its entirety effective August 1, 2012, is hereby amended as follows:

By deleting Plan Section 2.05 of Article II in its entirety and by substituting in lieu thereof the following:

2.05 **Compensation** means, for any Plan Year, Compensation as defined in Plan Section 10.01(B), and shall also include contributions made pursuant to a salary reduction agreement which are not includible in the gross income of the Employee under Code Sections 125, 132(f)(4), 402(e)(3), 402(h)(1)(B), 414(h)(2), 403(b), or 457. Except as provided elsewhere in this Plan, Compensation shall include only that compensation which is actually paid to the Participant during the Plan Year.

Compensation shall exclude reimbursements or other expense allowances (other than car allowance), fringe benefits (cash and noncash), moving expenses, deferred compensation (other than elective deferrals), and welfare benefits.

Compensation shall exclude payments taken in lieu of health insurance, and on-call compensation.

For an Employee's first year of participation, Compensation shall be recognized as of the first day of the Plan Year.

For Plan Years beginning on or after January 1, 2002, the annual Compensation of each Participant taken into account in determining all benefits provided under the Plan for any Plan Year shall not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Code Section 401(a)(17)(B). Annual Compensation means Compensation during the Plan Year or such other consecutive 12-month period over which Compensation is otherwise determined under the Plan (the determination period).

The cost-of-living adjustment in effect for a calendar year applies to annual Compensation for the determination period that begins with or within such calendar year. If a determination period consists of fewer than 12 months, the annual Compensation limit is an amount equal to the otherwise applicable annual Compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12.

CITY OF DUNWOODY has caused its name to be signed by its duly authorized officer to evidence adoption of this Plan amendment as of the date designated below.

CITY OF DUNWOODY

By _____

Title _____

Date _____

ABOUT YOUR PLAN AMENDMENT

CITY OF DUNWOODY
401(a) PLAN
G36659
May 17, 2016

Amendment Number Five to the City of Dunwoody 401(a) Plan has an effective date of **May 19, 2016**. The terms contained in the amendment will become effective on the later of (i) the stated effective date of the amendment or (ii) the signature date of the amendment.

The amendment includes the following change:

- Payments taken in lieu of health insurance and on-call compensation will be excluded from the definition of compensation. Overtime will no longer be excluded from the definition of compensation.



American United Life does not render legal advice; therefore, it is very important that you review this amendment carefully with your legal counsel before signing.

**SUMMARY OF MATERIAL MODIFICATIONS
FOR THE
CITY OF DUNWOODY
401(a) PLAN**

MAY 2016

This Summary of Material Modifications (“SMM”) to your Summary Plan Description (“SPD”) describes certain changes that have been made to the Plan. You should keep this SMM with the Plan’s SPD for future reference. Please read this SMM carefully and contact the Plan Administrator with any questions. If there is any discrepancy between the terms of the Plan, as modified, and this SMM, the provisions of the Plan will control.

Employer, Plan Sponsor and Plan Administrator

City of Dunwoody
41 Perimeter Center East, Suite 250
Dunwoody, GA 30346

Phone: (678) 382-6700

Employer Identification Number

26-3687535

Effective May 19, 2016:

Compensation

For the purpose of determining contributions under the Plan, Compensation will exclude payments made to you in lieu of health insurance, on-call compensation, and reimbursements or other expense allowances (other than car allowance), fringe benefits (cash and noncash), moving expenses, deferred compensation (other than elective deferrals), and welfare benefits. Overtime will no longer be excluded from Compensation.