

CITY COUNCIL AGENDA MEMORANDUM

SUBJECT

Resolution No. 8671 authorizing the City of Bellevue Employees' Benefit Plan (Bellevue MEBT Plan) Committee Chair or its designee to: (1) execute the updated Restatement of the City of Bellevue Employees' Retirement Benefit Plan, consolidating prior Council-approved Amendments and other revisions to comply with federal law and other regulations ("Restatement"); (2) file an application, together with any supporting documents, with the United States Treasury Department, with a request for determination that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and to execute such Powers of Attorney, schedules and other documents as may be necessary and required in connection with such application; and (3) execute such further amendments to such Plan as may be required in order to obtain the approval of the United States Treasury Department, if, in the Plan Committee Chair's (or its designee's) judgment, such amendments are necessary to maintain qualification of the Plan and do not increase employer contributions.

FISCAL IMPACT

The proposed Restatement results in no new fiscal impacts to the City and only minor policy updates. The legal costs associated with developing and submitting the Bellevue MEBT Plan are borne by the Bellevue MEBT Plan participants.

STAFF CONTACT

Ron Kessack, MEBT Bellevue Plan Committee Chair 425-452-7821
Paula Dillon, Senior Retirement Analyst 425-452-7198

POLICY CONSIDERATION

City of Bellevue MEBT Plan:

The City of Bellevue is the MEBT Plan Sponsor. The Bellevue MEBT Plan requires City Council approval of any changes to the Bellevue MEBT Plan document.

Should the Council authorize the Plan Committee Chair or its designee to execute the Restatement?

BACKGROUND

The Bellevue City Council has authorized and implemented a federally-qualified IRS Section 401k retirement plan for Bellevue employees (MEBT). The Bellevue MEBT Plan Committee and the Bellevue City Council have adopted a plan document describing the benefits and rules for MEBT participants. The plan document must comply with federal laws and regulations to be eligible for tax deferral status. The proposed Resolution would continue the Council's policy of maintaining the Bellevue MEBT Plan as a "Qualified Pension Plan". The IRS requires all US government Plans to be restated by January 31, 2014 to assure compliance with current laws and regulations.

What is a Plan Restatement?

At specific deadlines, the Internal Revenue Service requires all US pension plans be "restated" involving consolidation of prior Council-approved amendments and compliance with current legislation and regulations. This action will retain MEBT's "qualified" status providing for ongoing tax-deferral of

MEBT accounts. The Bellevue MEBT Plan was last restated by Council as of January 1, 2008. The Restatement does not change any Plan policy adopted by the City Council.

What happens if a Plan is not timely restated?

The Bellevue MEBT Plan would lose its status as a qualified pension plan. Loss of this status means past and present employee and City contributions to Bellevue MEBT Plan and associated earnings would no longer be tax deferred. As of January 1, 2014 all past and present contributions and earnings would be treated as Ordinary Income by the IRS for all Bellevue MEBT Participants. If not complete by January 31, 2014 Bellevue MEBT may suffer IRS penalties and significant additional expense to the Bellevue MEBT Plan and/or the City.

A Plan restatement is a standard process done every 5 years as required by the IRS. The last restatement was done in December 2008.

Bellevue MEBT Plan Restatement

The Restatement incorporates the five Amendments *already approved* by the Bellevue MEBT Plan and Bellevue City Council.

Amendment	Approved	Action
First	2010	IRS requested sections of the 2008 restated plan be amended
Second	2010	Addition of 1) new provisions for a Roth 401K contribution, 2) in-service withdrawals at age 59 ½, 3) participant loans, and 4) make participation in PERS or MEBT mandatory for elected or appointed city officials to ensure compliance with retirement regulations.
Third	2010	Maintain 2010 MEBT contribution and deferral limits.
Fourth	2011	Good Faith Amendment for Pension Protection Act, HEART Act and Code 401(a)(9)(H).
Fifth	2011	Good Faith Amendment for Pension Protection Act, HEART Act and Code 401(a)(9)(H).

Additionally, the Restatement includes the following as now or previously approved by the City Council to align with federal and state laws and regulations:

1. Complies with federal legislation including Pension Protection Act of 2006 (PPA '06), the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act), the Worker, Retiree, and Employer Recovery Act of 2008 (WRERA), the Small Business Jobs Act of 2010 (SBJA), and the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (PRA 2010).
2. Complies with the Washington State Marriage Equality Act and the Federal Defense of Marriage Act, as modified.
3. Will maintain the status quo so no change is required if a temporary payroll tax cut is adopted unless the Employer specifically adopts the temporary cut.
4. Complies with new Medicare tax provisions to increase employee MEBT contributions by .9% on annual wages of \$200,000 or greater if hired before 4/1/1986.

5. Section 4.5 has been updated to provide more detailed language to deal with USERRA as modified by HEART and PPA.
6. Multiple sections updated for IRS regulations related to Code Section 415 (mainly 2.6, 4.6 to 4.10). These are to comply with recently finalized regulations dealing with annual additions (maximum contributions that may be made to retirement plans, nondiscrimination testing and allocations).
7. The Plan now includes provisions that distributions to a designated non-spouse beneficiary are eligible for direct rollover into an IRA; eligible rollover distributions may be rolled over into a Roth IRA, and Qualified Domestic Relations Orders (QDROs) may be issued after a participant's death.
8. Unclaimed account provisions have been updated to incorporate additional methods to locate participants and to reflect that the IRS letter forwarding service has been discontinued.

EFFECTIVE DATE

If approved, this Resolution becomes effective immediately upon Council adoption. The Restatement shall be effective January 1, 2014.

OPTIONS

1. Adopt Resolution No. 8671 authorizing the Bellevue MEBT Plan Committee Chair or its designee to: (1) execute the updated Restatement of the City of Bellevue Employees' Retirement Benefit Plan, consolidating prior Council-approved Amendments and other revisions to comply with federal law and other regulations ("Restatement"); (2) file an application, together with any supporting documents, with the United States Treasury Department, with a request for determination that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and to execute such Powers of Attorney, schedules and other documents as may be necessary and required in connection with such application; and (3) execute such further amendments to such Plan as may be required in order to obtain the approval of the United States Treasury Department, if, in the Plan Committee Chair's (or its designee's) judgment, such amendments are necessary to maintain qualification of the Plan and do not increase employer contributions.
2. Do not adopt Resolution No. 8671 and provide alternative direction to the Plan Committee Chair.

RECOMMENDATION

Adopt Resolution No. 8671 authorizing the Bellevue MEBT Plan Committee Chair or its designee to: (1) execute the Restatement; (2) file an application, together with any supporting documents, with the United States Treasury Department, with a request for determination that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and to execute such Powers of Attorney, schedules and other documents as may be necessary and required in connection with such application; and (3) execute such further amendments to such Plan as may be required in order to obtain the approval of the United States Treasury Department, if, in the Plan Committee Chair's (or its designee's) judgment, such amendments are necessary to maintain qualification of the Plan and do not increase employer contributions.

MOTION

Move to adopt Resolution No. 8671 authorizing the Bellevue MEBT Plan Committee Chair or its designee to: (1) execute the Restatement; (2) file an application, together with any supporting documents, with the United States Treasury Department, with a request for determination that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and to execute such Powers of Attorney, schedules and other documents as may be necessary and required in connection with such application; and (3) execute such further amendments to such Plan as may be required in order to obtain the approval of the United States Treasury Department, if, in the Plan Committee Chair's (or its designee's) judgment, such amendments are necessary to maintain qualification of the Plan and do not increase employer contributions.

ATTACHMENTS

Proposed Resolution No. 8671

AVAILABLE IN COUNCIL OFFICE

- A. Bellevue MEBT Plan Restatement
- B. History and background of MEBT and the Bellevue Plan
- C. List of MEBT Bellevue Plan Members

CITY OF BELLEVUE, WASHINGTON

RESOLUTION NO. 8671

A RESOLUTION authorizing the City of Bellevue Employees' Benefits Plan Committee Chair or its designee to: 1) execute the updated Restatement of the City of Bellevue Employees' Retirement Benefit Plan ("Bellevue MEBT Plan") consolidating prior Council-approved Amendments and other revisions to comply with federal law and other regulations ("Restatement"); 2) file an application, together with any supporting documents, with the United States Treasury Department, with a request for determination that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and to execute such Powers of Attorney, schedules and other documents necessary and required in connection with such application; and 3) execute such further amendments to such Plans as may be required in order to obtain the approval of the United States Treasury Department, if, in the Plan Committee Chair's (or its designee's) judgment, such amendments are necessary to maintain qualification of the Plan and do not increase employer contributions.

THE CITY COUNCIL OF THE CITY OF BELLEVUE, WASHINGTON, DOES RESOLVE AS FOLLOWS:

Section 1. The City of Bellevue Employees' Benefits Plan Committee Chair or its designee is authorized to: 1) execute the Restatement, 2) file an application, together with any supporting documents, with the United States Treasury Department, with a request for determination that the Plan meets the requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and to execute such Powers of Attorney, schedules and other documents necessary and required in connection with such application, and 3) execute such further amendments to such Plan as may be required in order to obtain the approval of the United States Treasury Department, if, in the Plan Committee Chair's (or its designee's) judgment, such amendments are necessary to maintain qualification of the Plan and do not increase employer contributions, a copy of which Restatement has been given Clerk's Receiving No. _____.

2944-RES
12/5/2013

Passed by the City Council this _____ day of _____, 2013,
and signed in authentication of its passage this _____ day of _____,
2013.

(SEAL)

Conrad Lee, Mayor

Attest:

Myrna L. Basich, City Clerk