

FINANCE MEMORANDUM

#07-07

October 31, 2007

TO: Honorable Mayor Kathleen M. Novak and City Council Members

FROM: A.J. Krieger, City Manager
Brent Worthington, Finance Director

SUBJECT: Update City of Northglenn Police Money Purchase Plan and Trust

RECOMMENDATION:

Approve CB-1640, an Ordinance amending the amended and restated City of Northglenn Police Money Purchase Plan and Trust Agreement, effective January 1, 2008.

BACKGROUND:

On October 9, the Plan Attorney met with the Board to discuss some changes that need to be included in the Plan based on the Pension Protection Act of 2006.

The following amendments are mandated by the Act:

- Modify distribution rules to reflect a non-spouse beneficiary's ability to roll over an interest in a deceased participant's account to an IRA. Formerly, only the spouse could roll over into an IRA.
- Add to the Plan Roth IRAs as eligible rollover plans. Participants would be able to roll over all or part of their benefits to Roth IRAs, subject to special tax rules in the PPA.

The following amendments are allowed by the Act, and were approved by a vote of the Plan participants:

- Add to the Plan the optional feature to allow a lump sum in-service distribution of rollover accounts from prior employers which may be subject to special tax rules in the PPA. This option was presented to the participants for a vote which was approved by 65% of total votes cast. Currently participants must leave employment with the City to access those funds.
- Add to the Plan the optional feature to allow disabled or of normal retirement age public safety officers to elect \$3,000 tax-free from their account to pay for qualified health insurance or long-term care. This option was presented to the participants for a vote which was approved by 65% of total votes cast.

POTENTIAL OBJECTION:

City Staff is not aware of any specific opposition to the proposed changes.

BUDGET/TIME IMPLICATIONS:

It is estimated the fees will be approximately \$500 for each amendment (\$2,000 total). These fees will be paid from the Forfeiture account of the Plan; there will be no impact on the City's budget.

STAFF REFERENCE:

If Councilmembers have any comments or questions, they may contact Brent Worthington, bworthington@northglenn.org

SPONSORED BY: MAYOR NOVAK

COUNCILMAN'S BILL

ORDINANCE NO.

No. CB-1640
Series of 2007

Series of 2007

A BILL FOR AN ORDINANCE AMENDING THE AMENDED AND RESTATED CITY OF NORTHGLENN POLICE MONEY PURCHASE PENSION PLAN, EFFECTIVE JANUARY 1, 2008

WHEREAS, the City Council of the City of Northglenn adopted the Amended and Restated City of Northglenn Police Money Purchase Pension Plan (the "Police Plan") by adoption of Ordinance No. 1378, Series of 2004; and

WHEREAS, changes in federal laws and regulations and other minor changes necessitate the changes set forth herein.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF NORTHGLENN, COLORADO, THAT:

Section 1. The Police Plan is hereby amended, effective January 1, 2008, as more particularly set forth in the Second Amendment, attached hereto as **Exhibit A**, and incorporated herein by this reference.

INTRODUCED, READ AND ORDERED POSTED this ____ day of _____, 2007.

KATHLEEN M. NOVAK
Mayor

ATTEST:

DIANA L. LENTZ, CMC
City Clerk

PASSED ON SECOND AND FINAL READING this ____ day of _____,
2007.

KATHLEEN M. NOVAK
Mayor

ATTEST:

DIANA L. LENTZ, CMC
City Clerk

APPROVED AS TO FORM:

COREY Y. HOFFMANN
City Attorney

EXHIBIT A

**SECOND AMENDMENT
TO THE CITY OF NORTHGLENN POLICE
MONEY PURCHASE PENSION PLAN**

WHEREAS, the City Council of the City of Northglenn by Ordinance No. 1378, Series of 2004, adopted the amended and restated City of Northglenn Police Money Purchase Pension Plan (the "Plan"), effective January 1, 2004; and

WHEREAS, the City of Northglenn by action of the Retirement Board of the Plan ("Board") deems it desirable to amend the Plan to comply with the Pension Protection Act of 2006; and

WHEREAS, pursuant to § 11.1 of the Plan, the City of Northglenn has the authority to amend the Plan with the consent of at least sixty-five percent (65%) of the total votes cast by actively-employed eligible Employees and all former Employees who are entitled to a benefit from the Plan; and

NOW THEREFORE, the Plan is hereby amended, effective January 1, 2008, except as specifically provided otherwise, as follows:

1. ARTICLE II. DEFINITIONS AND CONSTRUCTION, § 2.1(j) Eligible Retirement Plan, shall be revised as follows:

(j) Eligible Retirement Plan: ~~Any~~ AN ELIGIBLE RETIREMENT PLAN IS AN INDIVIDUAL RETIREMENT ACCOUNT AS DEFINED IN CODE SECTION 408(A), AN INDIVIDUAL RETIREMENT ANNUITY DESCRIBED IN CODE SECTION 408(B), A ROTH IRA DESCRIBED IN CODE SECTION 408A (ON OR AFTER JANUARY 1, 2008), A QUALIFIED defined contribution plan; OR QUALIFIED defined benefit plan, AN ANNUITY PLAN DESCRIBED IN CODE SECTION 403(A), AN annuity contract described in Code §SECTION 403(b), ~~and~~OR an eligible plan under Code §SECTION 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state, or political subdivision of a state, and which agrees to separately account for amounts transferred into such plan from this plan. ~~The definition of Eligible Retirement Plan shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a domestic relations order, as defined in C.R.S. § 14-10-113(6).~~PLAN.

2. ARTICLE VI. BENEFITS, § 6.5 Payment of Benefits, shall be revised TO READ as follows:

6.5 Payment of Benefits.

(A) TIMING OF PAYMENT OF BENEFITS. Upon termination of employment, the Employer shall notify the Retirement Board in writing of the name and address of the Participant who has terminated employment. The Retirement Board shall determine the amount of the Participant's Aggregate Accounts as calculated in section 6.4 and shall distribute the Aggregate Account to the Participant in the optional form of benefit selected by the Participant in accordance with this section 6.5, as soon as administratively practicable after the Participant's termination of employment. Participants with less than ten (10) years of vesting service must commence distribution of benefits as soon as administratively practicable after termination of employment.

Within a reasonable time prior to or following termination of a Participant's employment for any reason, the Retirement Board shall provide to the Participant a retirement application form, which shall describe in plain language the terms and conditions of the optional forms of benefits described below and which shall be provided for the Participant to indicate his benefit commencement date, his election of an optional form of benefit, and his Beneficiary or contingent annuitant. The completed retirement application form should be returned to the Retirement Board prior to the Participant's benefit commencement date. If the Participant files another retirement application form after the first form and prior to his benefit commencement date, the earlier form shall be deemed annulled.

The Retirement Board shall follow a Participant's Beneficiary designation and may follow the method of payment, if any, selected by the Participant in the case of a distribution on account of the Participant's death.

Payment of a Participant's benefits must commence within a reasonable time after the later of a Participant's termination of employment, his election to retire after attainment of Early Retirement Age, his election to retire after attainment of Normal Retirement Age, or after his death, if earlier. In any event, payment of a terminated Participant's benefits shall, unless the Participant otherwise elects a later date in writing, begin not later than the 60th day after the latest of the close of the Year in which (1) the Participant attains Normal Retirement Age, (2) the occurrence of the 10th anniversary of the year in which the Participant commenced participation in the Plan, or (3) the Participant terminates employment with the Employer.

Notwithstanding any provision above to the contrary, distribution of a Participant's benefits shall commence not later than the taxable year in which he attains age 70-1/2, or the year in which he actually retires. Alternatively, distributions to a Participant must begin no later than such taxable year and must be made over the life of the Participant (or lives of the Participant and the Participant's spouse) or over a period not exceeding the life expectancy of the Participant (or the life expectancies of the Participant and the Participant's spouse). All distributions shall be made in accordance with Section 6.6.

(B) MANNER OF PAYMENT. The methods of payment available to a Participant are as follows:

1. ~~(a)~~In a lump sum;
2. ~~(b)~~By the purchase of a single-premium nontransferable annuity contract from a legal reserve life insurance company, with a term and in the form as the Participant, with the approval of the Retirement Board, shall determine;
3. ~~(c)~~A Joint and 50% survivor annuity; or
4. ~~(d)~~Periodic payments over a period not exceeding the life expectancy of the Participant (or the joint life expectancies of the Participant and the Participant's designated beneficiary), with any amounts remaining in the Plan to receive income and expense allocations pursuant to Section 5.2 (a) and (c).

A Participant may elect, at the time and in the manner prescribed by the Retirement Board, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Participant in a direct rollover, pursuant to Section 6.9.

Notwithstanding the foregoing, a Participant may elect to defer receipt of the balance in his Mandatory and Voluntary Participant Contribution Accounts and Employee Rollover Account and the vested percentage of his Employer Contribution Account balance (a Participant's "Accrued Benefit"). Such Former Participant shall receive Income allocations pursuant to Section 5.2(a) and shall have trust expenses deducted pursuant to Section 5.2(c) until the balance of the Former Participant's Accrued Benefit has been distributed. A Former Participant may make application for distribution of his Accrued Benefit in accordance with the procedures contained in this section.

(C) CASH OUT OF SMALL ACCOUNTS. Notwithstanding any provision herein to the contrary, if the value of a Former Participant's Aggregate Account, excluding the value of the Former Participant's Employee Rollover Account, is less than \$1,000, the Plan may distribute the Former Participant's Aggregate Account without the Former Participant's consent. Such \$1,000 amount shall be adjusted as provided in Code Section 411(a)(11)(A).

(D) DISTRIBUTION OF EMPLOYEE ROLLOVER ACCOUNT. NOTWITHSTANDING ANY OTHER LIMITATIONS ON THE TIME AND FORM OF PAYMENT IN THIS SECTION 6.5, A PARTICIPANT MAY, AT ANY TIME, ELECT TO RECEIVE A LUMP SUM DISTRIBUTION OF ALL OF HIS OR HER EMPLOYEE ROLLOVER ACCOUNT.

(E) DISTRIBUTIONS FOR HEALTH AND LONG-TERM CARE INSURANCE. RETIRED PARTICIPANTS MAY DIRECT THE RETIREMENT BOARD TO REMIT UP TO \$3,000 EACH YEAR FROM THEIR ACCOUNT TO PAY THE COST OF QUALIFIED HEALTH INSURANCE AND/OR LONG-TERM CARE INSURANCE, SUBJECT TO APPLICABLE

LIMITATIONS IMPOSED UNDER CODE SECTION 402 AND THE TREASURY REGULATIONS THEREUNDER. IN ORDER TO BE ELIGIBLE FOR HEALTH AND LONG-TERM CARE INSURANCE DISTRIBUTIONS, A PARTICIPANT MUST BE SEPARATED FROM SERVICE WITH THE EMPLOYER BY REASON OF DISABILITY OR ATTAINMENT OF NORMAL RETIREMENT AGE UNDER THE PLAN. THE RETIREMENT BOARD MUST REMIT SUCH INSURANCE PAYMENTS DIRECTLY TO THE INSURANCE PROVIDER. THE \$3,000 ANNUAL LIMITATION LIMITS THE TOTAL DISTRIBUTIONS FROM ALL RETIREMENT PLANS IN WHICH A PARTICIPANT HAS AN ACCOUNT.

3. ARTICLE VI. BENEFITS, § 6.9 Direct Rollover Distributions, shall be revised to read as follows:

Direct Rollover Distributions. Notwithstanding any provision of the Plan to the contrary that would otherwise limit a distributee's election under this Section, a distributee may elect, at the time and in the manner prescribed by the Board, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the distributee in a direct rollover. For the purposes of this Section, a "distributee" includes an Employee or former Employee. ~~In addition, the~~ AN Employee's or former Employee's surviving spouse ~~or nonspouse beneficiary,~~ and ~~the~~ AN Employee's or former Employee's spouse or former spouse who is the alternate payee under a domestic relations order under C.R.S. Section 14-10-113(6), ~~are distributees with regard to the interest of the spouse or former spouse.~~ IN ADDITION A NON-SPOUSE BENEFICIARY IS A DISTRIBUTE, BUT MAY ONLY ELECT A DIRECT ROLLOVER OF HIS OR HER INTEREST TO AN INHERITED INDIVIDUAL RETIREMENT ACCOUNT DESCRIBED IN CODE SECTION 408(A), SUBJECT TO APPLICABLE TAX RESTRICTIONS.

IN WITNESS WHEREOF, we have hereunto set our hands and seals this _____ day of _____, 2007.

THE CITY OF NORTHGLENN

By: _____
Its: _____