



Legislation Text

File #: 22-0479, **Version:** 1

Recommendation to authorize City Manager, or designee, to execute a Third Amendment to Contract No. 32531 with MissionSquare Retirement, of Washington, D.C., formerly known as International City Management Association - Retirement Corporation (ICMA-RC) for recordkeeping services on behalf of the City's 457 Deferred Compensation Plan (DCP) Retirement Savings Program, to extend the contract term for an additional period ending on September 30, 2023; and

Adopt resolution authorizing an amendment to the 2019-2022 Memorandum of Understanding for Long Beach Lifeguard Associations and an amendment to the 2019-2023 Memorandum of Understanding (MOUs) for Long Beach Association of Confidential Employees, Long Beach City Attorneys Association, Long Beach City Prosecutors Association, and Long Beach Management Association, to allow the City of Long Beach (City) on behalf of employees in the impacted collective bargaining groups, to deposit any future employer contributions into a separate 401(a) plan account in lieu of the DCP 457 Plan account. (Citywide)

City Council action is requested to amend Contract No. 32531 with MissionSquare Retirement, to allow them to continue providing third-party administrative (TPA) services for the City's 457 Deferred Compensation Retirement Savings Program. The proposed amendment will extend the term of the contract to September 30, 2023.

City Council action is also requested to authorize MOU amendments to allow future employer contributions, made on behalf of eligible employees, to be directed to a separate 401(a) plan, in addition to the 457(b) plan. Currently, employer contributions offset the annual deferral limits that an employee is eligible for, thereby limiting the maximum amount that an employee can defer on a pre-tax basis.

The City's Deferred Compensation Retirement Saving Program (DCP) is a voluntary supplementary retirement savings plan created under Section 457(b) of the Internal Revenue Code. The DCP allows eligible employees to save and invest tax-advantaged dollars through salary deferral. The City utilizes Mission Square Retirement, as a Third-Party Administrator and custodian to post and credit employee salary deferrals to various investment options, and post-investment gains and losses to participating employee accounts.

As a result of this amendment, employees will be able to contribute pre-tax dollar amounts to the 457(b) plan up to the IRS annual limits, irrespective of the employer contribution amounts, which is currently not an allowable provision of the City's Deferred Compensation Plan (DCP).

Contract Extension

The City currently contracts with MissionSquare Retirement, who, in addition to recordkeeping services, also provides enrollment services, outreach, education, and communication services to plan participants. Under MissionSquare Retirement's custodianship, total plan assets have grown to over \$868 million, and more than 5,500 participants, which includes retired employees, have contributed to the Plan. Plan participants pay all costs of the TPA services. The City has contracted with ICMA-RC, now MissionSquare Retirement since 2007, and the current contract extension expired on September 30, 2021.

The Human Resources Department (Human Resources) recommends that the City defer the request for proposal (RFP) process until after the Financial Management and Human Resources systems have been fully implemented and validated through the LB COAST Project. The new human resources and payroll platforms will have a heavy impact on record-keeping and maintenance for salary deferrals and loans administered by MissionSquare Retirement. The implementation and system configuration, which includes human resources and payroll functionality, will require a one-year stabilization period to ensure operational accuracy and data reliability. At this time, the LB COAST team is reevaluating the previously announced "go-live" date.

Prior to the proposed extension date of September 30, 2023, the Human Resources Department will issue an RFP for TPA services and include an option for a five-year pricing plan, with additional one-year extensions after the five-year agreement has expired. The proposed amendment will provide adequate time for Human Resources to complete a formal procurement process in accordance with the Purchasing Division's guidelines for contract management. The RFP and long-term contract will provide the following benefits to the Plan and participants:

- Ability to obtain favorable pricing terms and a greater willingness from the TPA vendors to invest resources in the Plan
- Greater continuity of services for plan participants
- Reduce City personnel and consultant resources needed for frequent RFP activity, contract negotiation, and transition

To ensure continuity of the DCP recordkeeping services until the procurement process has been completed and a new contract is in place, it is requested that the current contract be extended through September 30, 2023.

Amended Provisions - 401(a) Provisions

As referenced in applicable collective bargaining Memorandum of Understanding (MOU) agreements, the City will continue to make contributions to the employee's deferred compensation account, but with City Council approval, employer contributions will be made to a 401(a) plan. Participating employees who choose to contribute to deferred compensation will continue to have pre-tax funds deposited into their personal 457(b) plan account.

However, these employees will now have the option of contributing up to the maximum IRS annual limits. This amended provision shall not be construed as a change in the members' current deferred compensation contributions, nor does this amendment allow employees to individually contribute to a 401(a) account through MissionSquare.

The City has met and conferred with the employee collective bargaining groups impacted by the amended provisions. In accordance with Government Code Section 3505, the impacted employee groups have provided their feedback and agreed to move forward with the proposed MissionSquare 401(a) amendment.

This matter was reviewed by Principal Deputy City Attorney Gary J. Anderson on April 15, 2022 and by Budget Management Officer Nader Kaamoush on April 8, 2022.

City Council action is requested on May 3, 2022, to facilitate the execution of updated contract terms and the 401(a) amendment in order for Human Resources staff to begin working with Central Payroll and Technology and Innovation Department to implement the necessary system and data file changes.

There is no direct fiscal impact on the City. The TPA service costs are paid solely from DCP participant fees. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

Approve recommendation.

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JOE AMBROSINI
HUMAN RESOURCES DIRECTOR

APPROVED:

THOMAS B. MODICA
CITY MANAGER