



Legislation Text

File #: 22-0281, **Version:** 1

An Ordinance to Amend Chapter 18 (Employees Retirement System), Section 1:605, Title I of the Code of the City of Ann Arbor To Allow Forfeitures to Cover Reasonable Administrative Expenses (ORD-22-02)

The Board of Trustees for the City's Retirement System (System) and Retiree Health Care Trust (VEBA) is responsible for the general administration, management and proper operation of the Retirement System and VEBA. Effective January 1, 2017, the Retirement System was amended and restated to add a defined contribution money purchase pension plan (the "Dual Retirement Plan). The City makes contributions to the Dual Retirement Plan equal to a percentage of each Dual Retirement Plan Member's Compensation. For these City contributions to become fully "vested", members must participate in the Dual Retirement Plan for five years. When a participant in the Dual Retirement Plan separates from service prior to being vested, any City contributions are forfeited by the participant and transferred to the plan-level forfeiture account. Currently, the Ordinance language restricts usage of these amounts to only offset future employer contributions.

The Internal Revenue Service (Revenue Ruling 84-156) recognizes that the forfeited amounts may also be used to pay reasonable plan administrative expenses and/or reduce future employer contributions. In order to offset expenses for staff time and other direct costs attributable to the Dual Retirement Plan, such as recordkeeping, compliance, audits, etc., the Board requests that the Ordinance language be amended to provide the flexibility to also use these funds for reasonable administrative expenses.

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Approved by: Margaret Radabaugh, Deputy City Attorney

[\(See Attached Ordinance\)](#)