

City Council – Action Request Form

Date: September 11, 2023

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Ben Rowe, Assistant City Manager
 Dr. Marquis Barnett, Human Resources Director
 Kelly Latham, Chief Financial Officer

Council Action Requested:
 Ordinance amending Chapter 50 Entitled “Retirement” and Resolution approving the investment policy statement of the Winston-Salem Defined Contribution Retirement Plan Committee.

Strategic Focus Area: Service Excellence
Strategic Objective: N/A
Strategic Plan Action Item: No
Key Work Item: No



Summary of Information:

The City of Winston-Salem administers two 401(a) and two 457(b) defined contribution retirement plans available to eligible City employees. These plans offer employees the option to have funds deducted from their pay to save for their needs in retirement. The City also makes contributions to the plans; additional information on each of the plans is presented below:

- 401(a) for General and Fire employees (2% City contribution)
- 401(a) for Sworn Police Officers not eligible for WSPORS (4% City match to employee 457(b) contributions)
- 457(b) for General, Fire, and Police (employees may contribute pre-tax dollars)
- 457(b) for Sworn Police Officers not eligible for WSPORS (4% employee contribution for those electing participation; employees may contribute pre-tax or after-tax (Roth) dollars)

Committee Action:

Committee	CD/H/GG, FC-9/12/2023	Action	Approval
For	Unanimous	Against	

Remarks:

It is important to note that the City also contributes 5% (as required by Statute) for Sworn Police Officers to a 401(k) defined contribution plan, which is administered by the State of North Carolina.

The City's Defined Contribution Retirement Plan Committee meets quarterly with our advisory services vendor to review the administered plans' (401(a) and 457(b) plans above) investment performance and any upcoming regulatory changes.

This is a committee of City staff and is not related to the Winston-Salem Police Officers' Retirement Commission (WSPORS differs in that it is a defined benefit retirement plan). The committee consists of the following staff members:

- Assistant City Manager (Appointed by the City Manager)
- City Attorney
- Assistant City Attorney for Human Resources
- Human Resources Director (Plan Administrator)
- Deputy Human Resources Director
- Human Resources Benefits Analyst
- Chief Financial Officer
- Deputy Financial Officer

The following plan changes are recommended and/or required:

- Adopt an ordinance to amend the City Code to create the Winston-Salem Defined Contribution Retirement Plan Committee and direct the Committee to update the plans as follows:
 1. Utilize our record keeper's (Mission Square) template plan documents to simplify administration and IRS compliance
 2. Amend the 457(b) Plan for General, Fire, and Police to allow for Roth after-tax deductions (required due to Secure 2.0*)
 3. Amend the 457(b) Plan for Sworn Police Officers not eligible for WSPORS to allow for employees to make both pre-tax and Roth after-tax deductions simultaneously
 4. Increase the automatic distribution of small balances from \$1,000 to \$5,000 for terminated participants**
 5. Amend the General and Fire 401(a) plan to allow vested participants (those with 5 years of service) to take loans and hardship distributions (upon further review, it is not recommended that this provision be added for the Police 401(a) or Police 457(b) as these plans are meant to replace social security for our sworn officers who are not WSPORS eligible)
 6. Establish an executive employee class as relates to the 401 (a) General and Fire plan to include the City Manager and City Attorney, and to establish a 10% city contribution for the executive class effective October 1, 2023 (provided City Council approves a written employment contract with an employee in said executive class that provides for said benefit)

- Adopt a resolution to approve the Winston-Salem Defined Contribution Plan Investment Policy Statement to guide the Committee's investment decisions – Exhibit A

Although the ordinance becomes effective upon adoption, some changes to the plan provisions will require an extended implementation period.

*Secure 2.0 is comprehensive legislation that impacts retirement plans and is intended to expand and increase retirement savings. The City must make a change to the provisions of our plan because catch-up deductions (allowed for employees aged fifty and over) must be Roth after-tax for employees with social security taxable wages of \$145,000 or greater, effective January 2026. On August 25, 2023, the IRS delayed the implementation of this provision from January 1, 2024, to January 1, 2026.

**This will improve the plan economics and provide the City with additional leverage in pricing negotiations. The City has a small balance distribution provision in the plan to require that terminated participants under the plan-stated minimum, close the account and withdraw funds. IRS regulations require that any cash out between \$1,000 and \$5,000 be rolled into an outside Individual Retirement Account (IRA).