



Legislation Text

File #: ID-321-19, **Version:** 1

Department of Administrative Services

Reference: Elimination of Vesting Requirement for ICMA-RC participants

To: Mayor Kenneth J. Kreutzer and Members of City Council

Through: Marv Falconburg, Acting City Manager

Prepared By: Karen Borkowski Surine, Administrative Services Director

Date Prepared: 10/8/2019

PURPOSE

To update the vesting requirement for employees under ICMA-RC.

STRATEGIC FOCUS AREA

Financially Responsible

BACKGROUND

The City of Brighton's retirement program is through ICMA and is a defined retirement contribution program. In the 1980's the City elected not to participate in Social Security. The Medicare portion was added back into the program in the early 1990's. This means City of Brighton employees are not eligible for Social Security at retirement unless they have worked elsewhere in their career. If they have Social Security benefits from a prior employer, this benefit is reduced by a provision called the Windfall Elimination Provision (WEP). This provision reduces retirement benefits for workers who also collect a "non-covered" pension from a job in which they didn't pay [Social Security taxes](https://www.aarp.org/retirement/social-security/questions-answers/ss-fica/) [<https://www.aarp.org/retirement/social-security/questions-answers/ss-fica/>](https://www.aarp.org/retirement/social-security/questions-answers/ss-fica/). The provision affects about 1.8 million Social Security beneficiaries, most of them veterans of federal, state or local government service.

This WEP defines the time frame in which you become the sole owner of all your benefits in the plan. Some plans allow you to become 100% vested in the plan immediately. This means all the money in your account including any money put there by your employer belongs to you at all times. The City would like its' employees to be vested 100% as soon as they receive their first pay. This would serve as a recruitment tool, particularly in a tight job market.

Additionally, terminated employees who have not achieved 100% vesting could perceive that the City's action was discriminatory.

The Pension Board approves this request.

FINANCIAL IMPACT

This change does not cost the City anything. In the past, employees who leave prior to being fully vested had the City's contribution rolled back into the plan.

STAFF RECOMMENDATION

Staff recommends approval of the proposed Ordinance.

OPTIONS FOR COUNCIL CONSIDERATION

Council can approve the Ordinance as presented, request additional information or give further instruction to staff.

ATTACHMENTS

Ordinance