



MEMORANDUM

To: David L. Corliss, Town Manager

From: Fritz Sprague, Deputy Town Manager

Date: September 9, 2016

Title: Follow up to Town Retirement Contribution Discussion

In concert with development of the Proposed 2017 Budget, staff conducted benchmarking with like jurisdictions and determined that Town's level of retirement contribution was lagging behind market. This was followed by the recommendation that the Town increase its level of contribution from 6% to 7% (**Attachment 1**). This is currently in the Proposed 2017 Budget that was adopted on first reading at the September 6 meeting. Second reading is calendared for September 20.

During budget briefings and at the September 6 Council meeting, Council made inquiries regarding the 4% of retirement contribution made by Town employees, which contribute to the total benefit offered by the Town's 401(a) plan. Specifically, Council asked if the Town could change (or require an increase to) the employee contribution.

Staff had previously inquired about this possibility with ICMA-RC and responded with the information we had at that time. The sum and substance of that response was that changing the employee contribution was not possible for our *current* 401(a) plan due to IRS regulations. This statement is accurate and is reflective of IRS regulations and ICMA-RC policy.

Given Council's inquiry, staff initiated contact with ICMA-RC at the executive level to see if a change was possible through other means that comply with IRS regulations. A course of action emerged whereby the Town could 'restate' or adopt a new 401(a) plan with ICMA-RC that would establish a new rate for Town employee contributions. **So, it is possible to make the change to increase the required employee contributions through a different method, other than changing our current plan, which is not permissible. Staff regrets the lack of clarity in its earlier communication on this issue. If Council desires to increase the mandatory employee retirement contribution, it can so direct.**

It is important to remember that Town employees also have the option to voluntarily add additional savings to retirement through a 457 pre-tax contribution. Many employees already do this, thereby adding to their retirement savings.

Looking at the same benchmarks, staff further evaluated the levels of employee contributions required by like plans in similar jurisdictions. This averaged 4.2%, compared to Castle Rock's 4%. Given this nominal difference, our recommendation is to leave the employee contribution at its current level for 2017.

Human Resources conducts annual benchmark reviews of compensation and retirement levels in advance of the annual budget process and will report any changes that may drive a recommendation for any further changes to retirement benefit levels and contributions.

I hope you find this additional information useful and responsive to Council inquiries, as our goal is to always provide our elected leadership with the most accurate information.

Attachment 1: Benchmarking data

Social Security Participants Retirement Contributions

Benchmark Jurisdiction	Participate in Social Security	Employee Contribution	Employer Match		Social Security	Total Combined Contribution	Additional Contributions
Commerce City	Yes	6.00%	6.00%		7.25%	19.25%	
Douglas County	Yes	7.00%	8.00%		7.25%	22.25%	
Englewood	Yes	3.00%	7.00%		7.25%	17.25%	
Golden	Yes	2.00%	5.00%	401a	7.25%	17.25%	
			3.00%	457			Addl 3% match to 457
Greenwood Village		No Min					
	Yes	Contrb Reqd	5.00%	401a	7.25%	15.25%	
			3.00%	457 & 401k			Addl match of 3% to either 457 or 401k
Littleton	Yes	7.00%	7.00%		7.25%	21.25%	
Louisville	Yes	5.00%	5.50%		7.25%	17.75%	
Loveland	Yes	3.00%	7.00%		7.25%	17.25%	
Thornton	Yes	5.00%	5.85%	401a	7.25%	20.10%	
			2.00%	457			Addl match of 50% of EE's Contr to 457 up to 2%
Wheatridge	Yes	4.00%	4.00%		7.25%	15.25%	
Average		4.20%	6.84%		7.25%	18.29%	
Castle Rock	Yes	4.00%	6.00%		7.25%	17.25%	

Douglas County - employees have an option to elect 6% or 8% contribution

Non Social Security Participating jurisdictions

Arvada	Longmont
Brighton	Northglenn
Broomfield	Parker
Lafayette	Westminster
Lone Tree	