

COUNTY OF SONOMA AGENDA ITEM SUMMARY REPORT			Clerk of the Board Use Only Meeting Date Held Until ____/____/____ ____/____/____	
			Agenda Item No: Agenda Item No: _____ _____	
Department: Human Resources			() 4/5 Vote Required	
Contact: Ann Goodrich	Phone: (707) 565-2875	Board Date: 10-27-09	Deadline for Board Action: October 27, 2009	
Agenda Short Title: Sonoma County Replacement Plan Trust Agreement, Agreement for Plan Administrative Services, and Replacement Plan Amendments				
Requested Board Action: 1. Adopt the resolution amending the Sonoma County Replacement Plan. 2. Adopt the resolution accepting the PARS Trust agreement as the Sonoma County Replacement Plan trust agreement; authorize the Acting County Administrator, or his designee/successor, as Plan Administrator, to execute all PARS legal and administrative services documents, and to take all actions necessary, to establish and maintain the County's participation in the PARS Program, including executing the agreement with Phase II Systems, dba Public Agency Retirement Services (PARS) to provide administrative services for the Sonoma County Replacement Plan, effective November 1, 2009 through December 31, 2012.				
CURRENT FISCAL YEAR FINANCIAL IMPACT				
<u>Expenditures</u>			<u>Add'l Funds Requiring Board Approval</u>	
Estimated Cost	\$	3,000*	Contingencies	\$
			(Fund Name:)	
Amount Budgeted	\$	3,000*	Unanticipated Revenue	\$
			(Source:)	
Other Avail Approp (Explain below)	\$	0	Other Transfer(s)	\$
			(Source:)	
Additional Requested:	\$	0	Add'l Funds Requested:	\$
Explanation (if required): (*Based on first 10 months) The 1 st year cost of the agreement is \$4,600 including one time set up costs. The ongoing costs for this contract are \$3,600 per year.				
Prior Board Action(s): June 16, 2009 Resolution adopting of Sonoma County Replacement Plan				
Alternatives – Results of Non-Approval Adoption of the Replacement Plan will not be fully implemented.				

Background:

On June 16, 2009 the Board adopted Resolution No. 09-0559 establishing the Sonoma County Replacement Plan to provide for a replacement plan for County employees whose salary and future retirement benefits may be impacted by Federal taxation limits under the Internal Revenue Service (IRS) code and the County employees Retirement Law of 1937 ("1937 Act"). Establishing such a replacement plan allows the Board only if it desires on an individual basis, to replace retirement benefits that are not allowed to be paid or are "lost" due to retirement compensation limits pursuant to IRS code section 401(a)(17) .The Replacement plan allows the Board to replace some or all lost retirement benefits by funding some form of replacement benefit. A copy of the June 16, 2009 Board report and attested Resolution No. 09-0559 is on file with the Clerk of the Board.

Concurrent with adoption of the Replacement Plan in June, the Board directed staff to proceed with selection of a trust administrator to hold the Plan assets in trust and manage the plan on behalf of the County. The following outlines the results of the Request for Proposal (RFP) process, and staff's recommendations for your Board's consideration.

The prior Board action also directed staff to obtain a determination letter from the IRS qualifying the Sonoma County Replacement Plan. Upon execution of an administrative services agreement with the selected provider, and execution of the Trust Agreement document, the County will proceed with this process through submission of the amended Plan document and trust agreement to the IRS. At a future date, staff will also return to your Board with an investment policy for this defined benefit program.

Discussion:

Trust Administration Services Provider Selection

The Human Resources Department and its benefit consultant, The Segal Company, conducted a Request for Proposals (RFP) process for trust administration services to administer the Replacement Plan. The RFP was sent to fund managers who specialize in public entity fund administration. Only one proposal was received from the Public Agency Retirement Services (PARS) and Union Bank of California, as the proposed size of this Plan and limited number of participants will be small. The PARS organization provides a full spectrum of services to administer the Sonoma County Replacement plan, including compliance, reporting, and benefit administration services. Union Bank of California, through it's arrangement with PARS, will provide bank trustee and investment services. Your Board previously authorized an agreement with PARS in 2008 to provide trust administration services for the County's Other Post Retirement Benefits (OPEB) Trust Fund. This organization has experience in providing the services

Attachments: **A** - Agreement for Administrative Services; **B** - PARS Trust Agreement and Exhibit A - Adoption Agreement; Resolution amending the Sonoma County Replacement Plan; Resolution adopting the PARS Trust agreement as the Sonoma County Replacement Plan trust agreement.

On File With Clerk: June 16, 2009 Board agenda item including Replacement Plan document.

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

Background (continued):

necessary to maintain plans of this nature and the County completed its due diligence upon confirmation from other public entities statewide who utilize the administrative services provided by PARS.

The administrative services agreement is with Phase II Systems, dba the Public Agency Retirement Services (PARS). Fees for these services are outlined in Exhibit 1B of the Agreement for Administrative Services and a copy of the complete Agreement for Services is attached as Attachment A.

Trust Document

The IRS requires all employers establishing a Replacement Plan adopt a trust document which outlines how the plan operates and how the monies are held in trust pursuant to the IRS code. PARS provided their trust agreement, which is a multiple employer trust agreement, as part of their proposal and requires the County to execute an adoption agreement of the PARS trust agreement to be able to access trust administration services. Staff and the Segal Company are recommending the Board adopt the PARS Trust agreement for the Sonoma County Replacement Plan and authorize the County Administrator to execute the Adoption Agreement and to take all other actions necessary to establish and maintain the County's participation in the PARS Program. The Trust agreement and the Adoption Agreement have been reviewed by counsel, meets IRS requirements, and is attached as Attachment B.

Amendments to Replacement Plan

The legal firm Hansen Bridgett, that originally drafted the Plan document previously approved by your Board on June 16, 2009, has proposed some minor technical revisions that are being presented to your Board in the form of an amendment to the current Plan document adopted on June 16, 2009. These are all minor, "housekeeping" changes and do not materially impact the Plan document, do not impact the Plan benefits or the costs to administer it. Staff is recommending your Board approve the resolution approving the amendment and incorporate these amendments into the Plan document.

Cost

There is no cost involved in the Plan amendment. The plan amendment does not alter the Plan or revise any benefits previously approved. Annualized cost for the vendor contract is estimated to be \$3,600 a year. Initial costs for the first year of the agreement are estimated to \$4,600 which includes one time set up costs.

Recommendations

1. Adopt the resolution amending the Sonoma County Replacement Plan.
2. Adopt the resolution accepting the PARS Trust agreement as the Sonoma County Replacement Plan trust agreement; authorize the Acting County Administrator, or his designee/successor, as Plan Administrator, to execute all PARS legal and administrative services documents, and to take all actions necessary, to establish and maintain the County's participation in the PARS Program, including executing the agreement with Phase II Systems, dba Public Agency Retirement Services (PARS) to provide administrative services for the Sonoma County Replacement Plan, effective November 1, 2009 through December 31, 2012.