




Office of the City Manager

CONSENT CALENDAR

July 18, 2006

To: Honorable Mayor and
Members of the City Council

From:  Phil Kamlarz, City Manager

Submitted by: David W. Hodgkins, Director of Human Resources

Subject: Contract: Supplementary Retirement and Income Plan Self Directed Investment
Account Third Party Administrator

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to execute a contract and any amendments with The Prudential Insurance Company of America (Prudential) to provide administrative services for the Supplementary Retirement and Income Plan (SRIP) Self Directed Investment Account.

FISCAL IMPACTS OF RECOMMENDATION

None. There are no annual fees for the City or participants who invest their SRIP contributions. The only fees are associated with loan requests or special data processing requests that are charged directly to the participants.

CURRENT SITUATION AND ITS EFFECTS

The City currently has a contract with Hartford Life to provide administrative services for the SRIP a self-directed investment account established under Internal Revenue Code Section 401(a), for record keeping and reporting of assets under investment.

All SRIP investment account contributions made by the City on behalf of eligible employees are currently invested with the mutual fund options offered by Hartford Life Insurance Company. By adding Prudential as an administrative services carrier to the SRIP, employees will be allowed to choose between one of the carriers to invest their SRIP contributions. Employees will not be allowed to invest with both carriers or have active loans with both carriers at the same time.

BACKGROUND

The SRIP I was originally established by Ordinance No. 5450–N.S., to be effective on July 1, 1982. The SRIP I plan was intended to act as a replacement for Social Security coverage for non-sworn miscellaneous employees covered by CalPERS. On June 14, 1988, the City Council adopted Ordinance No. 5864–N.S., which: 1) closed SRIP I to all employees hired after June 30, 1988; 2) allowed employees covered by SRIP I to transfer to a newly enacted SRIP II; 3) made certain technical corrections to the SRIP I plan to permit application to the Internal Revenue

Service for qualification as a tax deferred money purchase pension plan; and 4) repealed Ordinance No. 5450 – N.S. Miscellaneous employees hired after June 30, 1988, are enrolled in the SRIP II, which the City Council adopted by Ordinance No. 5865–N.S. on July 14, 1988. On December 13, 1988, the City Council adopted Ordinance No. 5900–N.S. that amended Ordinance No. 5865–N.S. to include sworn police employees in the SRIP Plan. On January 25, 2005, the City Council adopted Ordinance No 6837–N.S. that established a separate SRIP III plan for sworn police employees.

SRIP plans consist of an individual self-directed investment account established under Internal Revenue Code Section 401(a). The City contributes the equivalent of 5.7% of salary for employees enrolled in SRIP I of the first \$32,400 of earnings for a maximum annual contribution of \$1,846.80. The City contributes the equivalent of 6.7% of salary for employees enrolled in SRIP II of the first \$32,400 of earnings for a maximum annual contribution of \$2,170.80. For employees represented by the Berkeley Police Association, the City contributes the equivalent of 2% of salary of the first \$32,400 of earnings for a maximum annual contribution of \$648.

Hartford Life provides third-party administrative services for the self-directed investment accounts including record keeping and reporting of assets under investment. This is particularly important for the SRIP II because it contains a loan provision.

On June 29, 2005, representatives from Prudential made a presentation to the SRIP Investment Plans Committee to provide administrative services to the SRIP, and as a result by a unanimous vote of those present (Yes - Hodgkins, Wiley, Hogan, Jojola, Lui; No – None; Absent – Chan; Brenman, Lambert, Brooks) the Committee approved the addition of Prudential as an additional third-party administrator for the SRIP self-directed investment accounts.

RATIONALE FOR RECOMMENDATION

The Supplemental Retirement and Income Plan is an employee benefit required under various collective bargaining agreements with the City. The administrative services are currently being handled by The Hartford Life Insurance Company. By introducing the Prudential as another administrative services carrier option, employees will have a choice as to which carrier best fits their financial investment needs.

ALTERNATIVE ACTIONS CONSIDERED

Staff met with representatives from Prudential because they already provide services to the City under the Deferred Compensation (457) Plan. Employees approve of the services provided by Prudential with regards to the Deferred Compensation Plan. An additional alternative is to continue with Hartford Life as the sole provider of these services.

CONTACT PERSON

David W. Hodgkins, Director of Human Resources, Human Resources, (510) 981-6805

Attachments:

1. Resolution

RESOLUTION NO. -N.S.

AUTHORIZATION TO PROVIDE ADMINISTRATIVE SERVICES FOR THE SUPPLEMENTARY RETIREMENT AND INCOME PLAN (SRIP) SELF DIRECTED INVESTMENT ACCOUNT

WHEREAS, the Supplemental Retirement Income Plan is an employee benefit required under various collective bargaining agreements with the City; and

WHEREAS, the City currently has a contract with Hartford Life to provide administrative services to the Supplemental Retirement and Income Plan.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley hereby authorizes the City Manager to execute a contract and any amendments with The Prudential Insurance Company of America to provide a second investment option for all eligible employees under the Supplemental Retirement and Income Plan.

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments reflecting these rate increases to be on file in the Office of the City Clerk.