

Legislation Details (With Text)

File #:	15-16510	Version:	1	Name:	
Type:	Business Item	Status:		Agenda Ready	
File created:	9/22/2021	In control:		City Council Business Meeting	
On agenda:	10/11/2021	Final action:		10/11/2021	
Title:	Correction to 401(k) Contributions				
Attachments:	1. Budget Ordinance				

Date	Ver.	Action By	Action	Result
10/11/2021	1	City Council Business Meeting	Adopt	Pass

Correction to 401(k) Contributions

Action:

- A. Approve payment to Prudential Retirement to correct employer contributions for vacation payout to certain individual 401(k) account participants, and**
- B. Adopt a budget ordinance appropriating \$1,018,357 from the Risk Management Loss Fund's Fund Balance to the Risk Management Loss Fund.**

Staff Resource(s):

Brent Cagle, City Manager's Office

Explanation:

- 401(k) benefits contributions on annual leave payouts were initially not included between January 2001 to May 2020 due to a software system configuration error.
- In 2020, the City discovered and corrected the error so that all future vacation payouts comply with the 401(k) employer contribution requirement.
- The 401(k) plan is governed by the NC State Treasurer and administered by Prudential Retirement (Prudential). After consultation with City staff, State Treasurer's Office, and Prudential, the requirement to provide retroactive principal and interest was clarified.
- Since 2001, 5,909 vacation payouts were affected with an average value of \$146; the employer contribution total is \$862,843.28.
- Prudential, as the 401(k) plan recordkeeper, is responsible for calculating the interest due on missed payouts.
- The anticipated amount of calculated interest on the above payout is \$1,018,357. The exact amount will be calculated by Prudential upon payment.
- Prudential will notify each account participant that a correction occurred and deposit funds into participants' accounts. For closed accounts or deceased participants, Prudential will follow its standard processes to send funds to participants or their beneficiaries.

Fiscal Note:

Risk Management Loss Fund

Attachment(s)

Budget Ordinance