

# Memorandum



CITY OF DALLAS

DATE October 13, 2011

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry Allen (Chair), Tennell Atkins (Vice Chair), Monica R. Alonzo, Scott Griggs, Ann Margolin

SUBJECT Deferred Compensation Plan Amendments

The City Council agenda for November 7, 2011 will include items to authorize the approval of plan documents amended and restated as of November 7, 2011 for (1) City of Dallas 401(k) Retirement Savings Plan; (2) 457 Deferred Compensation Plan for City Employees of the City of Dallas; and (3) City of Dallas 457 Deferred Compensation Plan for Part-Time, Seasonal, Temporary Employees and City Councilmembers. This memorandum provides background information.

### **Background**

Since the early 1980's, the City has offered voluntary 401(k) and 457 plans to eligible employees, who may contribute pre-tax earnings to either or both plans. In 1993, the City established a mandatory 457 plan for employees who are part-time, seasonal, or temporary and City Councilmembers to comply with federal regulations. The plans are governed by the provisions set forth in each plan's documents.

The 401(k) plan is required periodically to be reviewed by the Internal Revenue Service, which recently conducted such a review and issued a favorable determination letter for the plan on June 30, 2011.

### **Summary of Changes to the Plans**

1. The voluntary 401(k) and 457 plans are being revised to add Roth accounts that allow participants an opportunity to contribute after-tax dollars to the account and receive income from the account tax-free.
2. The Boards of each plan have recommended changes to the election process that reduce administrative costs by allowing the Board to select a replacement when a Board member leaves City employment to serve until the next scheduled election.
3. The restated plan documents also incorporate previously approved amendments to allow participants to take out more than one loan from the voluntary plans and make revisions to the core investments in each plan.
4. Other minor changes are included to update the plans for new regulations or because the IRS requested additional language.

Please contact me if you have any questions or need additional information.

A handwritten signature in cursive script that reads "Jeanne Chipperfield".

Jeanne Chipperfield  
Chief Financial Officer

C: Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Rosa A. Rios, Acting City Secretary  
Thomas P. Perkins, Jr., City Attorney  
Craig D. Kinton, City Auditor  
C. Victor Lander, Administrative Judge  
A.C. Gonzalez, First Assistant City Manager  
Helena Stevens-Thompson, Assistant to the City Manager

Ryan S. Evans, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Interim Assistant City Manager