



MEMORANDUM

Date: April 9, 2015

To: Administration Committee
From: Pamela A. Captain, City Attorney

RE: Post-Employment Retirement Plan
Precision Retirement Group (Pelion Benefits, Inc.)

Prior to April 21, 2009, as part of the City's non-represented employee benefits package, upon an employee's death or retirement through the Wisconsin Retirement System, accumulated sick leave up to a maximum of ninety (90)/ninety-five (95) days was paid to the beneficiary/employee in a lump sum based on the employee's regular straight time pay rate at the time of death or retirement. After April 21, 2009, the Common Council approved the city's involvement with a post employment retirement plan through Precision Retirement Group (Pelion Benefits, Inc.). Rather than a lump sum cash payout, the funds are distributed to a trust account administered by a third-party and can only be used for certain qualifying medical expenses or retirement (as defined under IRS code/ERISA). The change to distributing the funds to a post retirement employment plan saved both the city and the employee money as an outright distribution of cash subjects that amount to income and FICA taxes. The fees associated with administration are borne by the former employee/beneficiary.

The distribution of accumulated sick leave benefits to Precision Retirement Group (Pelion Benefits, Inc.) cannot be an option to employees or it subjects all sick leave benefits to taxation. In other words, an employee/beneficiary cannot have an option to take a cash payout or it subjects all sick leave benefits to taxation. In order to maximize the tax benefits to both the city and the employee the distribution of these funds must be required by city policy.

Prior to 2015 this benefit applied only to non-represented employees. Union contracts required a cash payout. With the new police union contract this benefit applies to Menasha's represented employees (only upon retirement under WRS).

RECOMMENDATION: We need to amend the plan documents, agreements and the sick leave policy to apply to Menasha's represented employees. It is also recommended that the Common Council affirm the policy requiring the deposit of these funds to the post employment retirement plan and that no sick leave cash payout option is available.

REQUESTED MOTION: (1) Authorize an amendment to the plan documents and agreements with Precision Retirement Group (Pelion Benefits, Inc.) to include represented employees; and (2) Confirm the requirement that all eligible city employees are subject to the distribution of accumulated sick leave benefits to the post employment benefit plan administered by Precision Retirement Group (Pelion Benefits, Inc.).