

# Memorandum

**TO:** SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY  
BOARD

**FROM:** Julia H. Cooper

**SUBJECT: TERMINATION OF RETIREMENT  
PLANS OF THE FORMER  
REDEVELOPMENT AGENCY**

**DATE:** April 23, 2018

Approved

*D. D. SyL*

Date

*5/4/18*

## **RECOMMENDATION**

It is recommended that the Board of the Successor Agency to the Redevelopment Agency ("Board") adopt the following resolutions:

- a. Authorizing the termination of the Redevelopment Agency of the City of San Jose Retirement Plan and Trust Agreement (the "401(a) Plan") effective June 30, 2018 and authorizing the Executive Officer to execute all future instruments related to the termination of the 401(a) Plan.
- b. Authorizing the termination of the Redevelopment Agency of the City of San Jose 457 Public Employee Deferred Compensation Plan (the "457 Plan") effective June 30, 2018 and authorizing the Executive Officer to execute all future instruments related to the termination of the 457 Plan.
- c. Authorizing the termination of the Redevelopment Agency of the City of San Jose Retirement Plan and Trust Agreement (the "Group Variable Annuity Contract") effective June 30, 2018 and authorizing the Executive Officer to execute all future instruments related to the termination of the Group Variable Annuity Contract.

## **OUTCOME**

Termination of the three legacy retirement plans established for Redevelopment Agency Employees will allow for the continued effort to "wind down" the affairs of the former Redevelopment Agency.

## **BACKGROUND**

Pursuant to Assembly Bill X1 26 ("AB X1 26"), redevelopment agencies in California were dissolved effective February 1, 2012. AB X1 26 was subsequently amended on June 27, 2012 by Assembly Bill 1484 and on September 22, 2015 by Senate Bill 107 ("Redevelopment

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Dissolution Law”). The legislation provides for successor agencies to be responsible for overseeing the dissolution process and the wind down of redevelopment activity.

As part of the dissolution process, City staff has been integrating the remaining work efforts for the Successor Agency into City operations and effective with the commencement of FY 2018-19, all activities associated with managing the Successor Agency operations will be undertaken by City staff primarily in the Finance Department, City Manager’s Office, and City Attorney’s Office.

## **ANALYSIS**

The former Redevelopment Agency established three separate defined contribution retirement plans for employees of the Redevelopment Agency to either participate as mandatory or voluntarily. These plans are briefly described below.

- ***Redevelopment Agency of the City of San Jose Retirement Plan and Trust – 401(a) Plan*** – was effective on July 1, 1994 and was amended and restated several times to ensure continued compliance with IRS regulations for qualified retirement plans. This is a defined contribution plan in which the Agency contributed approximately 9.0% of each eligible employee’s salary to the 401(a) Plan. This Plan remained active at the time of dissolution of redevelopment agencies and active participants are former Agency employees who became Successor Agency employees on February 1, 2012. This plan is currently administered under a contract with Standard Retirement Services, Inc.
- ***Redevelopment Agency of the City of San Jose 457 Public Employee Deferred Compensation Plan -- 457 Plan*** – was effective July 1, 1994 and was amended several times to ensure continued compliance with IRS regulations for qualified plans. This was a voluntary deferred compensation plan made available to Agency employees and remained active after dissolution. This plan is currently administered under a contract with Standard Retirement Services, Inc.
- ***Redevelopment Agency of the City of San Jose Retirement Plan and Trust Agreement - Group Variable Annuity Contract*** – This deferred compensation investment option was initially established in June 1987 under a contract with Aetna Life Insurance and Annuity Company (“Aetna”) for Agency employees’ 457 deferred compensation investments. The investment option has been modified and amended periodically to comply with IRS regulations and the availability of investment options. The Agency changed providers from Aetna to ING and ING changed its name to VOYA. The contract is currently with VOYA.

As of March 31, 2018, there are only four Successor Agency employees and as described above, as of July 1, 2018, all the remaining work efforts of the Successor Agency will be integrated into City operations. The Administration has been and will continue to work with the affected employees on their transition and potential options for continued employment in a different capacity through the City’s hiring process.

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On July 27, 2017, the Successor Agency and City staff commenced communications efforts to notify remaining participants in the Plans of the decision to terminate the Agency's retirement plans and to provide information on how to "roll out" their deposits into other qualified retirement plans. In early 2018, the outreach efforts were transferred from Successor Agency staff to the Human Resources Department, Benefits Division for managing and coordinating the outreach efforts to former Agency employees remaining in the Plans.

Since July 2017, three (3) additional letters have been mailed to participants and outreach efforts are ongoing. The ongoing outreach efforts include:

- Sending the second letter from the City Manager/Successor Agency Executive Officer
- Sending additional letter with contact information to assist 401(a) account holders with the "roll-out" process
- Engaging in individual outreach to current Successor Agency employees
- Following up via phone with former Successor Agency employees inquiring about distribution/"roll-out" process
- Contacting both vendors to clarify the termination process and requirements
- Gaining access to both systems to monitor account activity to facilitate the outreach efforts to former employees
- Discussing with consultant outreach to identify what annuity products may be available for those in the 401(a) who fail to disperse prior to June 30, 2018
- Engaging the City's VOYA representative to assist former Successor Agency employees with distribution their funds

The table below provides a summary of the activity to date related to voluntary roll-outs from the plans. Please note, there may be former employees who have deposits in more than one plan.

	<b>401(a) Plan</b>	<b>457 Plan</b>	<b>Group Variable Annuity Contract</b>
<b>Balances</b>			
Prior to Outreach	\$6,391,722	\$1,703,325	\$1,156,186
Current	\$4,577,352	\$1,472,229	\$1,186,011 <sup>1</sup>
<b>Number of Participants</b>			
Prior to Outreach	45	18	16
Current	29	16	15
<b>Distributions</b>			
Funds	\$1,814,370	\$231,096	(\$29,825)
Participants	16	2	1
Average Distribution	\$113,398	\$115,548	
<i>(1) Current balance increased due to earnings</i>			

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If plan participants fail to make a voluntary disbursement by the June 30, 2018 termination date of the Plans, funds in participants' accounts in the 457 Plan and Group Variable Annuity Contract will be distributed by the administrators of the Plans. With respect to the 401(a) Plan, if a participant does not elect a distribution, the SARA will coordinate the purchase of deferred annuity contracts for each such participant pursuant to the terms of the Plan. If plan participants do not elect a distribution of their funds, funds will be disbursed and will more than likely trigger a taxable event for the plan participant. Staff is in the process of sending out a final letter, certified mail, to all plan participants to notify them again of the upcoming termination of the plans on June 30, as well as the likelihood of a taxable event if funds are disbursed.

The Successor Agency Oversight Board has directed the Successor Agency to continue to examine and reduce the administrative costs of the Successor Agency. Termination of these three retirement plans, given that there will be no active Successor Agency employees after June 30, 2018, assists in reducing the administrative expenses of the Successor Agency.

#### **EVALUATION AND FOLLOW-UP**

This memorandum will not require any follow-up from staff.

#### **PUBLIC OUTREACH**

This memorandum will be posted on the City's website on or about May 4, 2018 for the May 15, 2018 Council agenda.

#### **COORDINATION**

This memorandum has been coordinated with the Human Resources Department and the City Attorney's Office.

#### **COMMISSION RECOMMENDATION/INPUT**

This item does not have any input from a board or commission

#### **CEQA**

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/

JULIA H. COOPER

Chief Financial Officer, Successor Agency

For questions, please contact Julia H. Cooper, Chief Financial Officer, Successor Agency (408) 535-7011.