

CITY COUNCIL REGULAR SESSION

Resolution authorizing the City of Bellevue Employees' Retirement Benefit Plan Committee Chair ("Municipal Employees' Benefit Trust Bellevue Plan Committee Chair") or its designee to execute the Third Amendment to the City of Bellevue Employees' Retirement Benefit Plan ("Bellevue MEBT Plan") to incorporate the hardship distribution provisions of the Bipartisan Budget Act of 2018.

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Finance & Asset Management Department

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Human Resources

EXECUTIVE SUMMARY

The Bellevue Municipal Employees' Benefit Trust (MEBT) Plan Committee recommends the City amend the Bellevue MEBT Plan to implement the new hardship distribution provisions of the Bipartisan Budget Act of 2018. This amendment is intended to be a good-faith amendment to comply with the final regulations adopted by the Internal Revenue Service in 2019 which require plan amendment by December 31, 2021. The amendment will revise the MEBT Plan as necessary to adopt the operational changes made by the Plan Committee in accordance with IRS guidance to implement the new hardship provisions.

RECOMMENDATION

Move to adopt Resolution No 10020

BACKGROUND/ANALYSIS

In 1970, the federal government gave all governmental organizations a window of time to decide whether to continue participating in Social Security for employee retirement and insurance or to offer an alternative plan. MEBT was designed to provide such a plan to equal or exceed expected Social Security benefits. Effective September 30, 1972, City of Bellevue employees voted to withdraw from Social Security, and to participate in MEBT. Plan amendments are presented to Council for approval as needed. On June 19, 2017, Council authorized the second amendment to the Bellevue MEBT Plan, changing the vesting period from ten years to three years.

The Bipartisan Budget Act of 2018 made certain changes to hardship distributions that impacted retirement plans. The IRS issued final regulations with respect to the new hardship rules in 2019. To comply with the final regulations, plans must adopt formal amendments by December 31, 2021. This third amendment will revise the MEBT Plan to adopt the operational changes made by the Plan Committee implementing the new hardship distribution provisions. Some changes were mandatory, and others were permissive. The changes are effective January 1, 2020, unless otherwise stated in the amendment. The changes are set forth in the redlined text of the amendment (attached) but can be summarized as follows.

- Eliminates any six-month suspension of elective deferrals following a hardship withdrawal.
- Eliminates the need to take all loans available prior to taking a hardship distribution.
- Modifies the casualty loss event in accordance with the regulations.
- Adds losses due to FEMA Disaster area events.
- Modifies the employee certification required to obtain a hardship.

POLICY & FISCAL IMPACTS

Policy Impact

The City of Bellevue is the Bellevue MEBT Plan Sponsor. The Bellevue MEBT Plan requires Council approval of any changes to the Bellevue MEBT Plan document.

Fiscal Impact

The proposed amendment results in no new fiscal impacts to the City and only minor policy updates. The costs associated with the administration of the Bellevue MEBT Plan are borne by the Bellevue MEBT Plan participants. No increase in participant rates is anticipated as a result of the recommended plan changes.

OPTIONS

1. Adopt the Resolution authorizing the City of Bellevue Employees' Retirement Benefit Plan Committee Chair ("Municipal Employees' Benefit Trust Bellevue Plan Committee Chair") or its designee to execute the Third Amendment to the City of Bellevue Employees' Retirement Benefit Plan ("Bellevue MEBT Plan") to incorporate the hardship distribution provisions of the Bipartisan Budget Act of 2018.
2. Do not adopt the Resolution and provide alternate direction to staff and the Bellevue MEBT Plan Committee.

ATTACHMENTS & AVAILABLE DOCUMENTS

Proposed Resolution No. 10020

AVAILABLE IN COUNCIL LIBRARY

- A. Bellevue MEBT Third Amendment – redline
- B. Bellevue MEBT Third Amendment – final
- C. History and background of MEBT and the Bellevue Plan
- D. Bellevue MEBT Plan Committee Members 2021