



Memorandum

TO: Elizabeth Pauli, City Manager
FROM: Shelby Fritz Human Resources Director
Kari Louie, Senior Compensation & Benefits Manager
Karen Short, Senior Human Resources Analyst
SUBJECT: Ordinance Disclosure
DATE: October 6, 2021

On the agenda for City Council action on October 12, 2021, will be an ordinance to amend the Compensation Plan. This memorandum discloses the contents of the ordinance pursuant to Section 1.12.970 of the Tacoma Municipal Code.

Section 1: Amends Section 1.12.229 to provide for a change related to VEBA Accounts for nonrepresented employees that allows the contribution of the value of unused, accrued leave at the time of retirement.

Due to IRS regulations regarding the administration of VEBA plans, any changes made for non-represented employees need to be made as a group, as there can be no individual employee election allowed at the time of retirement.

Current language provides that nonrepresented employees meeting requirements will have the value of 25 percent of unused sick leave accruals deposited into a VEBA account upon their retirement on a pre-tax basis.

Human Resources conducted a survey of nonrepresented employees and determined there was sufficient interest in a change to the current VEBA plan rules to include some or all of the value of unused PTO accruals to also be deposited to a VEBA account at the time of retirement. A majority of nonrepresented employees are in favor of expanding the VEBA program, to provide for a contribution of PTO accruals at time of retirement.

The ordinance provides for a new paragraph be added to TMC 1.12.229, effective January 1, 2022, to provide for the following changes to the VEBA plan for eligible nonrepresented employees.

A voting mechanism would be established for nonrepresented employees to determine whether eligible employees would participate in the VEBA plan for the next calendar year or not. Eligible employees would be defined as nonrepresented employees eligible to retire within the next calendar year.

For 2022, such vote shall occur in 2021, following Council approval of the ordinance.

The VEBA plan would automatically be in effect for each calendar year, unless, 20 percent of eligible nonrepresented employees request a vote to take place to determine whether unused PTO accruals would be paid in cash or contributed to the VEBA plan. If a vote is held, the majority of returned ballots would determine the election for all nonrepresented employees for the following calendar year only. If a vote is not conducted, the default would be a contribution to a VEBA plan.

For years in which the VEBA plan is in force for nonrepresented employees, the VEBA plan would be funded with both unused Sick Leave and unused PTO hours upon retirement or death as follows:

- For sick leave – under current code language, the employee would receive a sum equivalent to 25 percent of unused sick leave accruals contributed to a VEBA.
- For Personal Time Off (PTO) - under this ordinance, the employee would also receive a sum equivalent to 50 percent of unused PTO contributed to the VEBA.
- The remaining balance of unused accrued PTO accruals would be paid to the employee in cash and would be considered taxable earnings.

I would be happy to answer any questions you may have.