

Proposal for Alternate Retirement System (ARS)



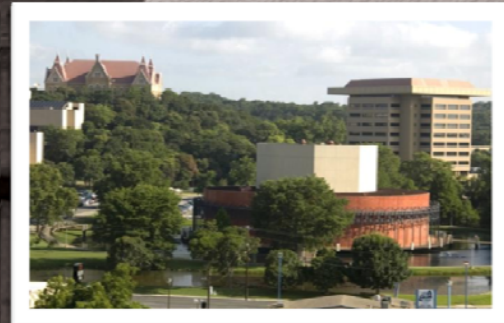
City of San Marcos, Texas

May 27, 2015





PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.



PARS ARS Program Team

	 		
Role	TRUST ADMINISTRATOR AND CONSULTANT <ul style="list-style-type: none"> • Recordkeeping/account valuations • Monitor contributions/process distributions • Handles all agency/participant inquiries • Ongoing plan compliance 	TRUSTEE <ul style="list-style-type: none"> • Safeguard plan assets • Oversight protection <ul style="list-style-type: none"> • Plan Fiduciary • Custodian of assets 	INVESTMENT MANAGER <ul style="list-style-type: none"> • An investment sub-advisor to U.S. Bank • Open architecture
Experience	31 years (1984 – 2015)	152 years (1863 – 2015)	96 years (1919 – 2015)
Number of plans under administration	1,400+ plans for 700+ public agencies		
Dollars under administration	More than \$1.7 billion	More than \$4 trillion	More than \$15.2 billion under management

Administering 1,012 Plans for 692 US
Public Agencies – and Growing!
46 Plans for 40 Texas Public Agencies
Texas Municipal Agencies

City of Allen

City of Beaumont

City of Conroe

City of Coppell

City of Duncanville

City of Euless

City of Fort Worth

City of Garland

City of Grand Prairie

City of Grapevine

City of Haltom City

City of Hurst

City of Irving

City of Krum



City of La Porte

City of Longview

City of Mansfield

City of Mesquite

City of North Richland Hills

City of Odessa

City of Rowlett

City of San Angelo

City of Southlake

Tarrant Regional Water District

City of Tyler

City of Watauga

County of Dallas

*Agencies in **Bold** are in the PARS OPEB Trust Program for GASB 45
We currently have more than 140 OPEB clients.

Texas Educational Agencies

Aldine ISD

Clarendon College

Clear Creek ISD

Dallas ISD

Dayton ISD

Grapevine-Colleyville ISD

Harris County Dept of Education

Hays Consolidated ISD

Hill Junior College District

Katy ISD

Keller ISD

Port Neches-Groves ISD

PARS Alternate Retirement System

- PARS Alternate Retirement System (ARS) is an Alternative to Social Security for Part-Time, Seasonal, and Temporary (PST) Employees
- Meets OBRA '90 requirements (Act approved by Congress); IRC 3121(b)(7)(F) provides regulations
- 457 tax-qualified defined contribution plan
- Contribution may be split in any manner between employer and employee with 7.5% minimum (examples: 6.2EE/1.3ER, 7.5EE/0.0ER).
- Reduces cost to Agency due to lower total contribution rate (7.5% minimum versus 12.4% with Social Security)
- Employee's benefit is the accumulated account balance at distribution
- Participants would no longer contribute to Social Security (would keep Credits already accrued), but would continue with Medicare

Summary of Findings

Contribution Split (Employee/Employer)	Contribution Total	1st-Year Savings to City	Cumulative 10-Year Savings	Additional Take-Home Pay for Part-Time Employee
Scenario 1 (6.20%/1.30%)	7.50%	\$29,655	\$294,304	\$58

PARS Alternate Retirement System

Scenario #1

CONTRIBUTION SPLIT

Employee = 6.20%

Employer = 1.30%

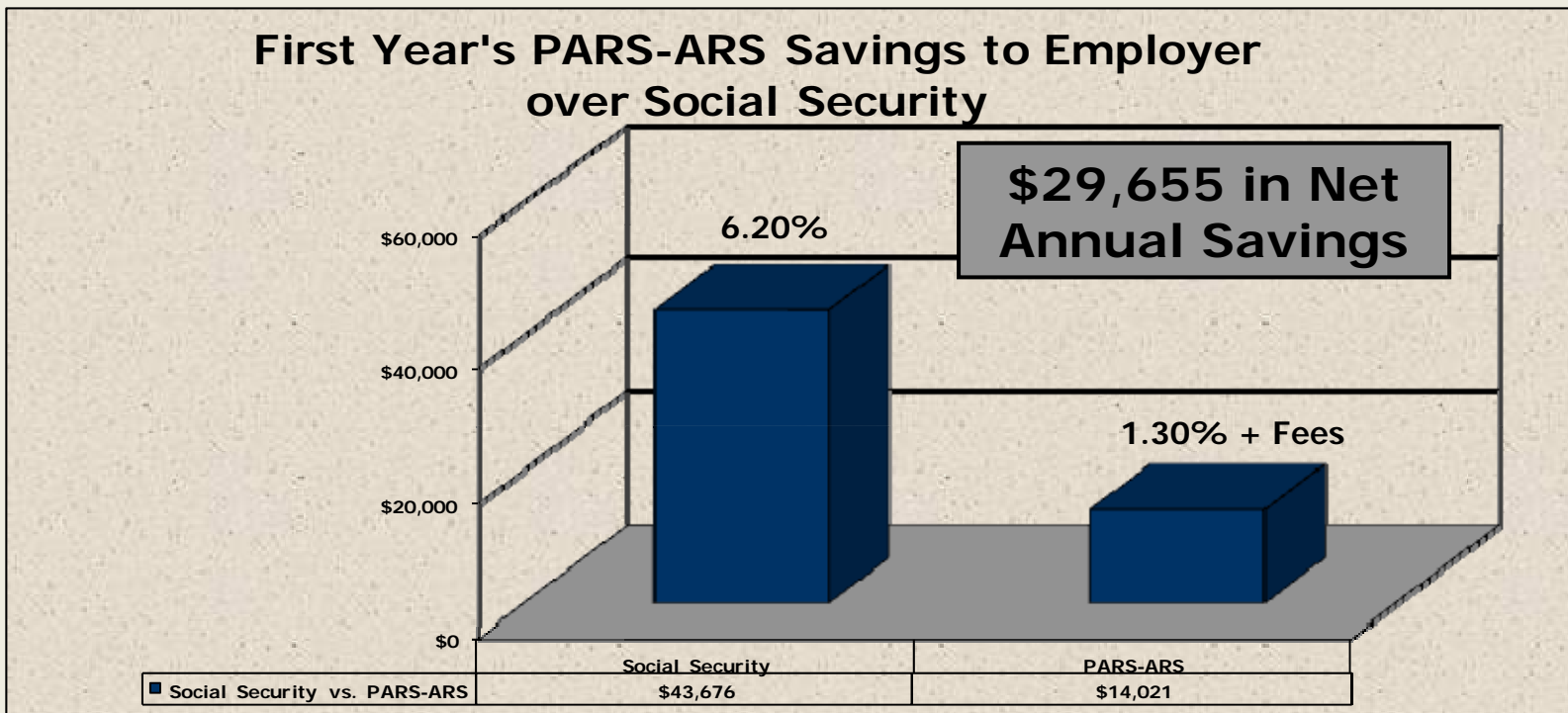
Benefits to the Agency

Assumptions

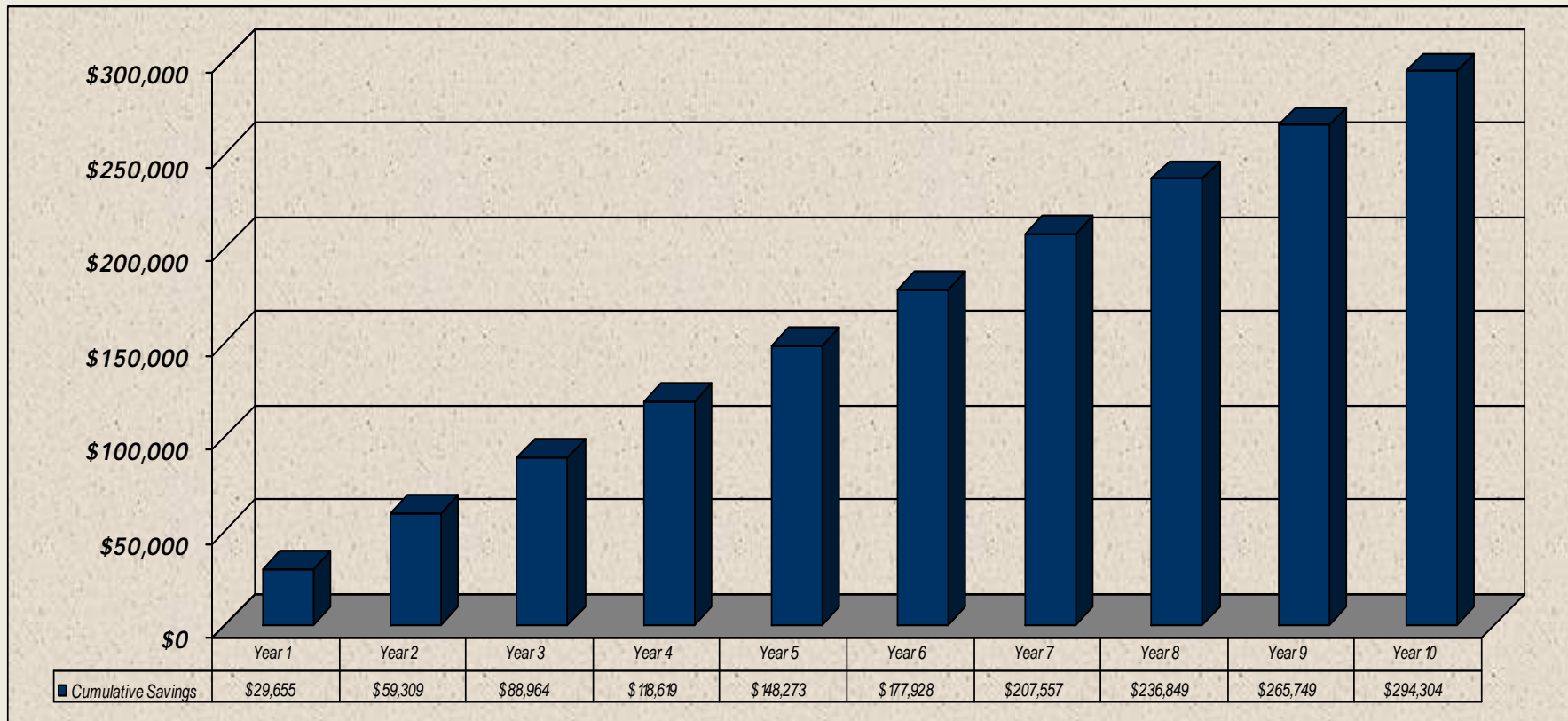
150 PST employees
\$704,449.69 Total Salary
Expenses paid by the Agency

Contribution Split

EE Contribution: 6.20%
ER Contribution: 1.30%



Cumulative Savings Over Social Security



1 Year Savings

\$29,655

5 Year Savings

\$148,273

10 Year Savings

\$294,304

Benefits to the Employees

Assumptions:

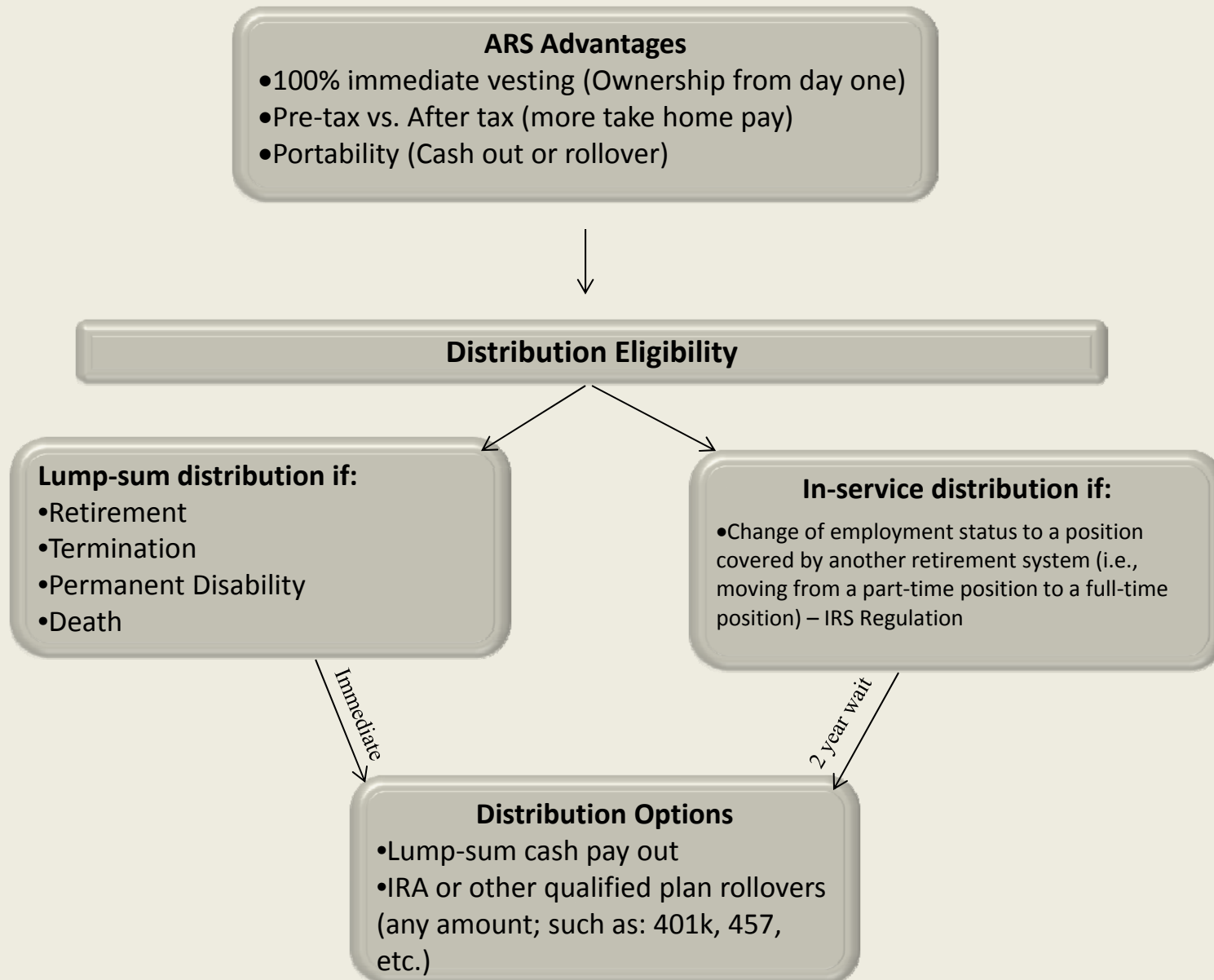
EE Contribution: 6.20%

ER Contribution: 1.30%

Comparison of PARS-ARS and Social Security

	PARS-ARS	SOCIAL SECURITY
GROSS ANNUAL INCOME	\$4,696	\$4,696
LESS PARS @ 6.20%	(\$291)	
TAXABLE INCOME	\$4,405	\$4,696
LESS TAXES @ 20%	(\$881)	(\$939)
LESS SOCIAL SECURITY @ 6.20%		(\$291)
NET INCOME	\$3,524	\$3,466
ADDITIONAL TAKE-HOME PAY	\$58	

Benefits to the Employees



Ease of Agency Administration

- **PARS provides ongoing “Turn-Key” administration to minimize burden to Agency staff:**
 - Conducts separate orientations for staff and part-time employees during start-up phase
 - Handles all Agency/Participant inquiries
 - Performs account valuations and produces statements and reports
 - Conducts periodic review of plan including administration and investment performance
 - Conducts all required state and federal reporting
 - PARS makes distributions 2x per month with an average distribution turn-around time of 23 days
 - PARS mails distribution paperwork directly to the separating participant (based on direction by the Agency with aid of periodic reports) and does not place this responsibility on staff.
- **Agency's simple ongoing administrative role:**
 - Send contributions to the Trustee
 - Send payroll contribution report to PARS
 - Notify PARS of employees eligible for a distribution

Flexible Investment Options

- Agency has total investment flexibility and can use any investment deemed prudent by the Trustee for retirement plan purposes
- PARS Portfolios are managed by HighMark Capital Management, sub-advisor to the “Discretionary Trustee”, U.S. Bank
- PARS can coordinate a meeting with your HighMark Portfolio Manager at any time
- Agency can select from a variety of investment strategies and can change at any time now or in the future

Flexible Investment Options

- **Money Market**
- **Fixed Income**
 - Morley Stable Value Fund (100% Fixed)
 - Short-to-Intermediate Fixed Income Portfolio (100% Fixed)
- **Diversified Portfolios**
 - Conservative Strategy
(Currently 15% equity, 80% fixed and 5% cash)
 - Moderately Conservative Strategy
(Currently 30% equity, 65% fixed and 5% cash)
 - Moderate Strategy
(Currently 50% equity, 45% fixed and 5% cash)
 - Balanced Strategy
(Currently 60% equity, 35% fixed and 5% cash)
 - Capital Appreciation Strategy
(Currently 75% equity, 20% fixed and 5% cash)

PARS Service

- PARS performs all administrative services and does not out-source functions (other than Trustee and Investment Services)
- Annual Review of plan is held onsite or by conference call. Also, we can conduct orientation of staff and/or participants upon request including attend benefit fairs.
- Provides Agency with monthly and annual reports on plan activity (including full disclosure of fees and returns) and other reports to aid in the administration of the plan (i.e., Non-Contributing Participant Report that aids in indentifying terminated employees)

Fee Schedule

- **Fees can be paid by agency or from plan assets** (when assets exceed \$250,000)

- **Trust Administrator – PARS**

– Asset Based Fee (sliding scale based on plan assets):	<u>Annual Rate</u>
\$1 to \$500,000 in Plan Assets	2.00%
\$500,001 to \$2,500,000 in Plan Assets	1.50%
\$2,500,001 to \$5,000,000 in Plan Assets	1.25%
\$5,000,001 to \$10,000,000 in Plan Assets	1.00%
\$10,000,001 + in Plan Assets	0.75%

- Monthly Trust Administrator Fee is subject to a monthly minimum of \$400.00.
- Rates are prorated and paid monthly as follows:
Annual rate divided by 12 and multiplied by end of the month balance.

– Distribution Fee (paid by participant at distribution)	\$20.00
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- **Trustee – U.S. Bank**

- 0.12% of contributions for “Discretionary Trustee” arrangement
- Asset Management Fee may apply depending on the type of investment selected

Summary – ARS Advantages

- Potential for savings vs. Social Security
- Fully vested on first day
- Pretax versus after tax meaning more take-home pay
- Portable benefit providing cash out or rollover option upon separation

Contact PARS

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