



CITY OF WAUKESHA

Administration

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Committee: Common Council	Date: 2/5/19
Common Council Item Number: Click here to enter text.	Date: 1/24/19
Submitted By: Peggy Kadrich, Interim HR Director	City Administrator Approval: Kevin Lahner, City Administrator Click here to enter text.
Finance Department Review: Rich Abbott, Finance Director RA	City Attorney's Office Review: Brian Running, City Attorney BR
Subject: Approve contract amendment with American United Life for the FICA Alternative Plan	

Details: On March 21, 2006, the Common Council approved the FICA Alternative Plan which allowed the City to enroll all part-time, seasonal and temporary employees that do not qualify for pension into this investment option and avoid paying social security taxes on the employee's wages. The plan is administered by MidAmerica Group. AUL handles the investment of funds. This plan has saved the City a significant amount of money. The employee enrolled in the plan pays 7.5% of their gross wages toward the plan which is invested on their behalf.

Options & Alternatives:

AUL is looking to amend the Fixed Interest Rate portion of the contract, removing the NAIC language (this is due to the NAIC being calculated using the 5 year treasury, which is short term, while AUL invests these funds long term). Because they are removing the NAIC language, they are guaranteeing the minimum interest rate for the next 3 years, will be 1.8%, which is higher than the last 3 years. They are also removing the NAIC cap – which was 3%, so if things go well, plan participants could receive a higher percentage. AUL/MidAmerica has almost always paid more than the NAIC rate anyway. After the 3 years, the minimum guaranteed rate will be 1%, but they have shown a strong history of paying above that and will be competitive. Participants will know the 2022 rate 14 months in advance as well (when the guaranteed 1.8% goes away). The NAIC is in constant fluctuation and they want to be able to forecast using their investments rather than rely on a completely different investment.

The other option is, the City does not agree to the change and the interest rate for this year will be lower and likely in the future due to the fact that AUL could stop accepting contributions under the current contract at the end of the first quarter (3/31/19). MidAmerica negotiated with AUL to get the 1.8% guaranteed minimum interest rate for the next 3 years. The future contract likely wouldn't be as good.

Options & Alternatives:

N/A

Financial Remarks:

No financial impact to the City.

Executive Recommendation:

Recommend approval.