



**CITY OF URBANA, ILLINOIS
FINANCE DEPARTMENT**

MEMORANDUM

TO: Mayor Diane Wolfe Marlin and City Council Members
FROM: Elizabeth Hannan, Finance Director
DATE: February 27, 2020
SUBJECT: **Intergovernmental Agreement with Police Pension Fund Board**

Introduction: Attached is a Resolution that would authorize the Mayor to enter into an intergovernmental agreement to provide payroll services for the Police Pension Fund.

Discussion:

Previous Practice: In the past, the payroll for the Police Pension Fund has been prepared by a City employee outside of regular work hours. This employee was compensated directly by the Pension Fund for this work. This arrangement required use of the financial system on the City's AS400 computer system, which is being decommissioned. As a result, the payroll for the Pension Fund must be completed through some other means.

Proposed Arrangement with Police Pension Fund: Staff proposes to enter into an agreement with the Pension Fund to provide payroll services using the City's Munis financial system. Because the person performing this work will have access to the City's payroll system, staff recommends that this work be performed by a City employee, who would work under the direction of the Financial Services Manager. Current staff are unable to absorb the additional workload.

After internal review and discussion with the Police Pension Board, staff recommends that the City enter into the attached agreement to provide these services. The Pension Fund would no longer pay directly for these services. Staff also expects the Fire Pension Fund to enter into a similar arrangement at their April board meeting, which would then be brought to City Council for approval.

The current cost for payroll services is about \$3,600 annually for each pension fund for a total of \$7,200 annually. The cost to hire an outside accounting firm to provide these services is likely to be substantially higher than the cost of a new, quarter-time position, which is expected to be not more than \$16,000 annually. This employee would provide payroll services for both pension funds. An additional advantage is that Financial Services staff would be able to provide backup for the employee assigned to perform this work, when that is required.

As discussed above, this work could be contracted out to an accounting firm. However, the costs would likely be significantly higher. The additional cost of this approach would ultimately be borne by the City through increased pension contributions.

Future Considerations: As pension fund investments are consolidated by the State over the next couple of years, the work associated with maintaining financial data on investments and other general ledger transactions will be reduced. This work is currently performed by an outside consultant, who works on a voluntary basis. For long term stability, it makes sense to transition all of the financial information onto the Munis system once the investments are consolidated. At that time, the agreement may be amended to include additional services for accounts payable, general ledger accounting, and financial reporting.

Fiscal Impact: In the long term, all pension costs become a cost for the City through pension contributions. The recommended option is the least costly choice. The alternative of contracting the work to an outside accounting firm would be more costly and would ultimately result in higher pension contributions for the City than the recommended option.

Alternatives:

1. Forward the Resolution authorizing the Mayor to enter into an intergovernmental agreement for payroll services for the Police Pension Fund to Council for approval on March 9, 2020.
2. Do not forward the resolution for approval.

Recommendation: Forward the resolution authorizing the Mayor to enter into an intergovernmental agreement for payroll services with the Police Pension Fund to City Council for approval on March 9, 2020.

RESOLUTION NO. 2020-03-013R

**A RESOLUTION APPROVING AN INTERGOVERNMENTAL AGREEMENT
BETWEEN THE CITY OF URBANA AND THE POLICE PENSION FUND**

(Police Pension Fund Payroll Services)

WHEREAS, the City of Urbana (“City”) is an Illinois home rule unit of local government pursuant to Section 6 of Article VII of the Illinois Constitution of 1970 and the Statutes of the State of Illinois; and

WHEREAS, the Police Pension Fund was established pursuant to 40 ILCS 5/3-101 *et seq.*; and

WHEREAS, Section 10 of Article VII of the Illinois Constitution of 1970 and the Illinois Intergovernmental Cooperation Act, 5 ILCS 220/1 *et seq.* enable the City and the Police Pension Fund to enter into intergovernmental agreements; and

WHEREAS, the Police Pension Fund Board, pursuant to Sections 3-138 and 3-139 of the Illinois Pension Code (40 ILCS 5/3-138, 3-139), has the authority to enter into agreements that provide for payment from the Police Pension Fund of all necessary expenses and record-keeping services for the Police Pension Fund; and

WHEREAS, the City has the authority to enter into agreements with the Police Pension Fund; and

WHEREAS, the City’s Finance Director serves as Treasurer of the Police Pension Fund and is responsible for handling all moneys received and disbursed by the Police Pension Fund pursuant to the said Fund’s Board direction; and

WHEREAS, the City has been and is able to continue providing payroll and record-keeping services for the Police Pension Fund and the said Fund desires to maintain its relationship with the City in this regard as more fully provided for in the Intergovernmental Agreement Between the City of Urbana and the Board of Trustees of the Police Pension Fund Regarding Payroll Services which appears as an exhibit appended hereto and incorporated herein.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Urbana, Illinois, as follows:

Section 1.

The Intergovernmental Agreement between the City of Urbana and the Board of Trustees of the Police Pension Fund Regarding Payroll Services in substantially the form appended hereto and incorporated herein by reference, shall be and the same is hereby authorized and approved.

Section 2.

The Mayor of the City of Urbana, Illinois, be and the same is hereby authorized to execute on behalf of the City of Urbana, Illinois and deliver the same to the City Clerk of the City of Urbana, Illinois, the Intergovernmental Agreement Between the City of Urbana and the Board of Trustees of the Police Pension Fund Regarding Payroll Services in substantially the form appended hereto and the City Clerk being hereby authorized to attest to said execution of the same so authorized and approved for and on behalf of the City of Urbana, Illinois.

PASSED BY THE CITY COUNCIL this _____ Day of _____, 2020.

AYES:

NAYS:

ABSTENTIONS:

Charles A. Smyth, City Clerk.

APPROVED BY THE MAYOR this ____ Day of _____, 2020.

Diane Wolfe Marlin, Mayor.

**INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY
OF URBANA AND THE BOARD OF TRUSTEES OF THE
POLICE PENSION FUND REGARDING PAYROLL SERVICES**

This Intergovernmental Agreement between the City of Urbana and the Board of Trustees of the Urbana Police Pension Fund Regarding Payroll Services (hereinafter, "IGA") is entered into by and between the City of Urbana, Illinois (hereinafter, the "City") and the Board of Trustees of the Urbana Police Pension Fund (hereinafter, the "Board") (individually and generically a "Party" and, collectively, the "Parties").

WHEREAS, the City is a home rule unit of local government pursuant to Article VII, Section 6, of the Illinois Constitution of 1970 and may exercise any power, whether legislative or administrative, and perform any function pertaining to its government and affairs not otherwise expressly reserved to the State of Illinois; and

WHEREAS, the State of Illinois has enacted the Illinois Pension Code (40 ILCS 5/1-1 *et seq.*, hereinafter, the "Code"); and

WHEREAS, the Code includes provisions for the establishment and maintenance of police pension funds (40 ILCS 5/3-101 *et seq.*); and

WHEREAS, the Urbana Police Pension Fund (hereinafter, the "Fund") was established pursuant to 40 ILCS 5/3-101 *et seq.*; and

WHEREAS, the Board has the powers and authority over the Fund as provided in that part of the Code pertaining to police pension funds (40 ILCS 5/3-101 *et seq.*); and

WHEREAS, among its powers, the Board has the authority to control and manage the Fund's receipt moneys from all sources, pay beneficiaries benefits consistent with the Code and make other disbursements on behalf of the Fund as provided in the Code; and

WHEREAS, the City's Finance Director serves as the Treasurer of the Fund; and

WHEREAS, the City's Finance Director, as Treasurer of the Fund, is responsible for handling all moneys received and disbursed by the Fund pursuant to Board direction; and

WHEREAS, the Parties seek to establish and formalize a relationship whereby the City will provide certain finance and accounting services for the Board as provided in this IGA.

NOW, therefore, for good, valuable and mutual consideration which each Party acknowledges as having in hand received and for the mutual exchange of the terms, conditions and covenants contained in this IGA, the Parties agree as follows:

Section 1. Recitals: The above-stated recitals are incorporated in this Section 1 as if fully set forth herein.

Section 2. City Responsibilities and Obligations:

2.1. Staffing: The Finance Director and such persons as the Financer Director deems appropriate qualified (collectively, "Finance Director") shall carry out the tasks and functions to be performed by the City as provided in this IGA.

2.2. Transition of Fund Payroll Records: The City shall create a new fund in the City's general ledger to account for Fund financial activity.

2.2.1. Transition of Fund Payrolls Into Munis System: At a date and time specified by the Finance Director, the City shall make a complete copy of the Fund's payroll information, including payments to beneficiaries (hereinafter, "Payroll"), related transactions and other Fund information (hereinafter, collectively, "Financial Information") as it appears on the City's AS400 System. This information shall be loaded into the Munis system.

2.2.2. Testing: Upon completion of the loading of the Fund's payroll information on the City's Munis System as provided in Section 2.2.1 of this IGA, the City shall

complete at least two “parallel” payroll runs, duplicating payrolls previously completed on the AS400 System in order to assess the functionality, accuracy, completeness and timeliness of the Financial Information on the Munis System. Upon the Finance Director’s determination that the City’s Munis System is properly handling and managing the Fund’s payroll information, the City shall cease using the AS400 System and begin using the Munis System for all the Fund’s payroll transactions, recordkeeping, and payroll information management. The City shall retain the Fund’s Financial Information that exists on the AS400 System for so long as the Finance Director deems necessary in the event such Financial Information needs to be accessed and/or duplicated. All testing shall be complete before the payroll is processed for the month of January 2020. In the unlikely event testing is not complete, testing will continue and be completed before payroll is processed for the month of April 2020.

2.4. Obligations and Responsibilities Following Information Transition:

2.4.1. Processing Payroll: From the effective date of this IGA, the City shall process on a monthly basis Payroll including all direct deposits into beneficiaries’ respective bank accounts or through the issuance of hardcopy checks as each respective beneficiary designates or has designated in writing to the Finance Director. As part of such processing, the City shall withhold from each beneficiary’s benefit payment such sum or sums as is or are needed for the City to pay the respective beneficiaries’ health, dental and/or vision insurance premiums, if any, during the next consecutive month.

2.4.2. Payroll Data: The City shall maintain the confidentiality of Fund Payroll data and the Fund's other Financial Information to the extent required and permitted by law.

2.4.3. Reports: The Finance Director shall provide the Board with such reports as the Board may request and/or as required by law. The Finance Director shall provide such Financial Information to the Board and the City's City Council as they may need in order to undertake and discharge their respective responsibilities under the Code.

2.4.4. FOIA Requests: The City shall provide such information regarding the Fund as the Board Secretary requests in order for the Board Secretary to respond to records requests that the Fund receives pursuant to the Freedom of Information Act (5 ILCS 140/1 *et seq.*). The Board Secretary shall have sole responsibility, whether or not in consultation with the Fund's attorney, for determining what records or portions thereof should be provided, withheld or redacted pursuant to one or more lawful exemptions under the Freedom of Information Act. The Fund shall be responsible for all costs and expenses (e.g., attorneys' fees, copying, etc.) incurred, if any, in responding to Fund records requests pursuant the Freedom of Information Act.

2.4.5. Adjustments to Existing and New Pensions Benefits: The Finance Director shall make adjustments as directed by the Board President or designee to pension benefit payments to existing beneficiaries and initial benefit payments when a participant becomes a beneficiary in a manner consistent with the Code.

2.4.6. Tax Information: The Finance Director shall prepare and cause to be filed on behalf of the Fund all tax information and tax returns required to be filed with the Internal Revenue Service, Illinois Department of Revenue, and/or such other federal and/or state agencies as required by federal and/or state law. The Finance Director shall prepare for and provide to beneficiaries and participants of the Fund such income tax and other financial information required by the Internal Revenue Service, Illinois Department of Revenue, and the Code. Notwithstanding anything to the contrary, the Finance Director shall not provide tax advice or prepare any individual beneficiary's or participant's personal federal or state income tax return.

2.4.7. Preliminary Calculations: The Finance Director shall prepare preliminary benefit calculations for beneficiaries and participants and shall submit the same to the Board.

2.4.8. Annual Letters: The Finance Director shall prepare for and distribute to Fund beneficiaries such annual letters and other information as required by law.

2.4.9. Additional Services: The Finance Director shall perform or caused to be performed such other financial and accounting services as requested by the Board and as agreed upon by the Finance Director. Either Party may terminate the performance of additional services upon giving the other Party Notice of Termination that, at minimum, states the date when such termination shall become effective no shorter than sixty (60) days following the date first appearing on said Notice of Termination.

2.4.10. Internal Controls: The City shall maintain reasonable internal controls in order to assure the protection and confidentiality, within the bounds of federal and state law, of the Fund's Financial Information.

2.4.11. Access to Information: The City shall provide Board Trustees with such access to the Fund's Financial Information as is necessary for them to carry out their fiduciary responsibilities to the Fund. The City shall provide employee payroll information for any member of the Fund as requested by the Board President. Notwithstanding the immediate foregoing, no Board Trustee shall be granted access to any City employee financial, compensation, benefits, human resource, or other employee-related information including those Board Trustees who are then current employees of the City, without the member's express written consent. Nothing herein shall be deemed or construed as abrogating the City's responsibility to respond to a proper Freedom of Information Act requests for records directed and related to the City.

Section 3. Fund Responsibilities and Obligations:

Section 3.1. Access to Fund Bank Accounts: The Board shall provide the City with such authorization and access to each of the Fund's bank and investment accounts, wherever located, as needed in order for the City to carry out its responsibilities and obligations as provided in Section 2 of this IGA including processing Payroll in the manner requested by the respective beneficiaries, paying all expenses incurred by the Fund, issuing stop payment order on behalf of the Fund, and undertaking positive pay arrangements as part of the overall effort of maintaining and monitoring controls over the Fund's financial assets. If the City is served with a lawful court or administrative agency subpoena or order, the

City will provide a copy to the Pension Board and the City will undertake whatever steps necessary to honor the subpoena or order unless the Board initiates and succeeds on a motion to quash the subpoena or reverse the order.

Section 3.2. Payment for Services:

Section 3.2.1. Immediate Payment/Reimbursement: Upon the effective date of this IGA, the Fund will either pay for or reimburse the City for the actual costs and expenses incurred, paid or otherwise obligated to be paid by the City in connection with the following:

3.2.1.1. the design and printing of check forms and deposit forms, if any, for the Fund; and

3.2.1.2. services rendered by Lauterbach & Amen, LLP or such other comparably competent accounting and actuary company; and

3.2.1.3. such other costs and expenses that the City incurs, pays or becomes obligated to pay for services performed by other third-persons pursuant to Board authorization; and

3.2.1.4. beginning with the audit for the year ending June 30, 2020, the cost of the annual audit of the Fund; and

3.2.1.5. beginning July 1, 2020, the cost of actuarial services provided to the Board.

Section 3.3. Selection of Auditor: The Pension Board shall have the right to select an auditor for the Fund who has demonstrated education, training and experience in auditing municipal pension funds located within the State of Illinois

and consistent with any appropriate and applicable requirements provided in the Code.

Section 4. Effective Date: The effective date of this IGA shall be the date on which the last of the Parties executes this IGA below.

Section 5. Indemnity: Each Party to this IGA shall at all times (including subsequent to the expiration or cancellation of this Agreement) indemnify, defend and forever keep and hold harmless the other Party and, in the case of the City, its elected and appointed officers and employees, agents, representatives, attorneys, successors, and assigns, and in the case of the Board, its Board members, and their respective agents, representatives, attorneys, successors, and assigns, as the case may be, from and against, without limitation and regardless of the forum in which asserted, any and all claims, actions, suits, causes of action, rights, remedies, liabilities, penalties, judgments, decrees, orders, costs and expenses (including but necessarily limited to attorneys' fees) of every type, nature and description, whether in law or in equity, which are or may in any manner be asserted in connected with this IGA, other than claims of an unlawful, intentional, willful, wanton, or grossly negligent act or omission,

Section 6. Default, Cure, Dispute Resolution, Waiver:

Section 6.1.: Default and Cure: If either Party to this IGA defaults (hereinafter, the "Defaulting Party") in any of its obligations to any other Party to this IGA (hereinafter, the "Non-Defaulting Party"), the Non-Defaulting Party may, at its election, send a Notice of Default to the Defaulting Party that, at a minimum, states (i) the nature of the default; (ii) the section of this IGA believed to be in default; and (iii) a reasonable time for curing such default. Within five (5) business days of receipt of a Notice of Default, the Defaulting Party shall provide written notice to the Non-Defaulting Party that (i) the default has been

cured; (ii) the default cannot be cured within the time set forth in the Notice of Default and provides a reasonable period of time by which the said default will be cured; or (iii) provides clear evidence that no such default has occurred. If the Defaulting Party fails to cure the default or provide clear evidence that no such default has occurred, the Non-Defaulting Party shall have the right to pursue the dispute resolution process provided for in Section 8 of this IGA.

Section 6.2. Dispute Resolution: In the event that a Defaulting Party fails to cure the default or provide clear evidence that no such default has occurred, the Parties shall meet face to face in an effort to resolve their differences. If the Parties fail to resolve their differences, the Non-Defaulting Party shall have the right to provide written Notice of Termination of this IGA to the Defaulting Party which notice shall include date on when such termination shall be deemed effective. The said termination effective dates shall be no less than sixty (60) days from the date first appearing on the Notice of Termination. In the event that the Fund is the Defaulting Party, the Fund shall be obligated to reimburse and/or pay to the City for any and all costs and expenses incurred by the City for, on behalf of or for the benefit of the Fund as provided in this IGA up to the said termination date. Further, the Non-Defaulting Party shall have the right on the Defaulting Party's failure to cure the default or provide the Non-Defaulting Party with clear evidence that no default has occurred to pursue such legal and/or equitable remedies as is, are or maybe available to the Non-Defaulting Party.

Section 6.3. Waiver of Default: The failure of the Non-Defaulting Party to give Notice of Default to the Defaulting Party shall not constitute a waiver of such default.

Section 7. Voluntary Termination: Either Party may terminate this IGA upon giving the other Party Notice of Termination that, at a minimum, states the date when such termination shall become effective which date shall not be shorter than one hundred twenty(120) days following the date first appearing on the said Notice of Termination.

Section 8. Notice: Any notice required to be given by this IGA shall be deemed effective as hereinafter provided:

If notice is given by First Class U.S. Mail, certified with return receipt requested, such notice shall be deemed effective one day after receipt of such notice as indicated on the aforesaid return receipt if such notice is placed in an envelope bearing proper postage and address to the intended recipient.

If such notice is given by personal or courier delivery, such notice shall be deemed effective one day after receipt by the intended recipient.

If such notice is given by facsimile, such notice shall be deemed effective one day after receipt by the intended recipient so long as the sender's facsimile machine provides a printed receipt that the notice was successfully received by the intended recipient.

No other form of delivery shall be deemed effective.

Notices shall be made to:

City of Urbana
Finance Director
400 South Vine Street
Urbana, IL 61801

Urbana Police Pension Fund
Secretary
400 South Vine Street
Urbana, IL 61801

Section 9. Governing Law: Any action to interpret, enforce or for breach of this IGA shall be governed by the laws of the State of Illinois and any action for the same shall be initiated and maintained in the Circuit Court for the Sixth Judicial Circuit, Champaign County, Illinois.

Section 10. Representations and Warranties: Each Party to this IGA represents and warrants that the person executing this IGA on behalf of the respective Party is duly authorized to execute the same on behalf of the said Party.

[END OF IGA. SIGNATURES FOLLOW.]

For the City of Urbana, Illinois:

Diane Wolfe Marlin, Mayor

ATTEST:

Charles A. Smyth, City Clerk

Date: _____

For the Urbana Police Pension Fund:

Str Pp - 01312020

President of Police Pension Fund
Board.

ATTEST:

David Lopez

Secretary of Urbana Police Pension Fund

Date: 01-30-2020