

September 15, 2005

**ACTION ITEM:**

**1. Internal Revenue Service Closing Agreement Concerning the Fire Department 457(b) Plan.**

**Policy Issue:** Whether to approve an agreement, referred to by the IRS as a “Closing Agreement,” whereby the City, as sponsor of the Fire Department 457(b) Plan, agrees to pay the United States Treasury \$5,000 and to take certain other actions, in full and complete settlement of issues related to the Plan’s non-compliance with IRS regulations.

**Staff Recommendation:** Approval.

**Background:** Effective September 1, 2003, the City assumed the functions of the Overland Park Fire Department Inc. and the department’s employees became the employees of the City. Simultaneously with assumption of the department employees, the City became the sponsor of the department pension plans, to include, the Fire Department 457(b) Plan (“the Plan”). The City subsequently determined that the Plan failed to comply with the requirements of certain IRS Code provisions. More specifically, the Plan had been operating pursuant to the provisions of the tax code related to governmental entities, notwithstanding the Fire Department was at that time, not a governmental entity. Pursuant to IRS procedures that permit a Plan sponsor to voluntarily correct non-compliance issues, the City submitted a plan to bring the Fire Department 457(b) Plan into compliance with applicable IRS Code provisions. Through the attached Closing Agreement On Final Determination Covering Specific Matters, the IRS has agreed to a final and conclusive resolution of the noncompliance issues related to the Plan.

**Budget Impact:** Payment of \$5000 from contingency fund.

**Attachments:** Closing Agreement On Final Determination Covering Specific Matters