

**ALBANY MUNICIPAL SERVICES JOINT POWERS AUTHORITY
BOARD OF DIRECTORS AGENDA
STAFF REPORT**

Agenda Date: 5/2/11

Reviewed by: BP

SUBJECT: Resolution #JPA2011-3 to tax defer employee paid contributions to the Public Employees Retirement System (PERS), pursuant to Internal Revenue Code 414(h)(2)

FROM: Aaron Walker, Human Resources Manager
Beth Pollard, City Manager

STAFF RECOMMENDATION

Approve Resolution #JPA2011-3.

BACKGROUND AND DISCUSSION

Internal Revenue Code (IRC) Section 414(h)(2) allows public agencies to designate employee contributions to the California Public Employees' Retirement System (PERS) as being treated as employer contributions for tax purposes. The effect is to defer tax on employee contribution amounts until the member retires and receives retirement benefits, or separates from employment and takes a refund of contributions. Absent the 414(h)(2) provision applicable to government plans, employee contributions to a defined benefit pension plan would automatically be after-tax contributions (e.g. taxable income to the employee at the time contribution was made).

The management, professional, and confidential employees of the Albany Municipal Services Joint Powers Authority (JPA) will begin making contributions to PERS in July 2011. Approval of this resolution will allow these contributions to be made on a pre-tax basis. This resolution mirrors City of Albany Resolution #2011-23 that City Council considered earlier this evening.

SUSTAINABILITY

N/A

FINANCIAL IMPACT

There is no cost to the City to implement IRC Section 414(h)(2).

Attachment:

Resolution #JPA2011-3