

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: 5/2/11

Reviewed by: BP

SUBJECT: Resolution #2011-23 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 #2011-23.

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 of a pick-up 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).

During recent contract negotiations with the Albany Peace Officers' Association (APOA), the City agreed to have employees make contributions to PERS on a pre-tax basis. Approval of this resolution will allow this to happen for APOA and other City employees.

SUSTAINABILITY

N/A

FINANCIAL IMPACT

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

Attachment:

Resolution #2011-23