

Mayor
Lois Wynne
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**Office of the
City Manager**

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Staff Report

ITEM NO. 2-4

To: Lemoore City Council
From: Brooke Austin, Executive Secretary 
Date: January 14, 2015 **Meeting Date:** January 20, 2015
Subject: Resolution 2015-02 to Tax Defer Member Paid Contributions to the California Public Employees' Retirement System

Discussion:

The Public Employees' Pension Reform Act of 2013 (PEPRA) made numerous changes to the California Public Employees' Retirement System (CalPERS) Law. One of the changes required that employees hired after January 1, 2013 classified as new members equally share the normal cost of the retirement contribution rate. This resulted in new members paying their own employee portions.

CalPERS has indicated that in order to tax defer those member contributions (as the City has been doing), the City must have a resolution on file. The attached resolution has been prepared based on a sample resolution provided by CalPERS. Once adopted, this resolution must be sent to CalPERS for approval.

Adopting the resolution ensures that neither the City nor CalPERS will be subject to penalties from the Internal Revenue Service. It will also allow the City to tax defer employee contributions recently negotiated with the Police Officers Association and the Sergeants Unit.

Budget Impact:

None.

Recommendation:

That the City Council, by motion, adopt Resolution No. 2015-02 to Tax Defer Member Paid Contributions and authorize City staff to forward it to CalPERS for approval.

RESOLUTION NO. 2015-02

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LEMOORE
TO TAX DEFER MEMBER PAID CONTRIBUTIONS – IRC 414(h)(2)
EMPLOYER PICK-UP TREATMENT**

At a Regular Meeting of the City Council of the City of Lemoore duly called and held on January 20, 2015, at 7:30 p.m. on said day, it was moved by Council Member _____, seconded by Council Member _____ and carried that the following Resolution be adopted:

WHEREAS, the governing body of the City of Lemoore has the authority to implement the provisions of section 414(h)(2) of the Internal Revenue Code (IRC); and

WHEREAS, the City of Lemoore has determined that even though the implementation of the provisions of section 414(h)(2) IRC is not required by law, the tax benefit offered by section 414(h)(2) IRC should be provided to All Employees who are members of the California Public Employees' Retirement System.

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

1. Will implement the provisions of section 414(h)(2) Internal Revenue Code by making employee contributions pursuant to California Government Code Section 20691 to the California Public Employees' Retirement System on behalf of all its employees or all its employees in a recognized group or class of employment who are members of the California Public Employees Retirement System. "Employee contributions" shall mean those contributions to the Public Employees' Retirement System which are deducted from the salary of employees and are credited to individual employee's accounts pursuant to California Government Code section 20691.

2. That beginning January 1, 2013, the contributions made by the City of Lemoore to the California Public Employees' Retirement System, although designated as employee contributions, are being paid by the City of Lemoore to allow employee contributions to be treated as employer contributions for federal and state tax purposes.

3. That employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the City of Lemoore to the California Public Employees' Retirement System.

4. That the City of Lemoore shall pay to the California Public Employees' Retirement System the contributions designated as employee contributions from the same source of funds as used in paying salary.

5. That the amount of the contributions designated as employee contributions and paid by the City of Lemoore to the California Public Employees' Retirement System on behalf of an employee shall be the entire contribution required of the employee by the California Public Employees' Retirement Law (California Government Code Sections 20000, et seq.).

6. That the contributions designated as employee contributions made by the City of Lemoore to the California Public Employees' Retirement System shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by the California Public Employees' Retirement System.

PASSED AND ADOPTED at a Regular Meeting of the City Council of the City of Lemoore held on the 20th day of January 2015 by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

ATTEST:

Mary J. Venegas, City Clerk

Lois Wynne, Mayor

FOR CALPERS USE ONLY

RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS – IRC 414(h)(2)

Approved by: _____

Title: _____