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APPROVED  
BY THE CITY COUNCIL

SEP 2 1997

DEPARTMENT OF  
ADMINISTRATIVE SERVICES  
  
PERSONNEL SERVICES DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

August 25, 1997

OFFICE OF THE  
CITY CLERK 921 TENTH STREET  
ROOM 101  
SACRAMENTO, CA  
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City Council  
Sacramento, Ca. 95814

Honorable Members in Session:

**SUBJECT: PRETAX PAYROLL DEDUCTION PLAN FOR  
SERVICE CREDIT PURCHASES**

**LOCATION AND COUNCIL DISTRICT:**

All Districts

**RECOMMENDATION:**

This report recommends that the City Council adopt the attached resolution which designates employee contributions to Sacramento City Employees' Retirement System (SCERS) to pay for additional service credit purchases as "pretax" contributions.

**CONTACT PERSON: Dee Contreras, Director of Labor Relations  
264-5424**

**FOR COUNCIL MEETING OF: September 2, 1997**

**SUMMARY AND BACKGROUND:**

Employees who are members of SCERS are allowed, under certain circumstances, to "buy" additional years of service credit, by redeposit of previous withdrawn funds or purchasing time prior to membership. In the past, such payroll deductions were considered to have been taken as "after tax" deductions, meaning the money was taxed before being deducted.

Recent Public Employees' Retirement System (PERS) and council action permit members of PERS to "buy" service credit with pretax contributions and the City would like to permit SCERS members to do the same.

The attached resolution will implement this change as to city SCERS members.

**FINANCIAL CONSIDERATIONS:**

There is no cost to the City in adopting or implementing this resolution, or in designating employee contributions to pay for purchased service credits as pretax deductions.

**ENVIRONMENTAL CONSIDERATIONS:**

This action is not considered a project for purposes of CEQA, inasmuch as it is a financial mechanism having no conceivable adverse effect upon the environment.

**POLICY CONSIDERATIONS:**

Council action on February 18, 1997 permitted the pre-tax contribution for PERS employees and after the City Attorney's office studied the matter staff recommends permitting the pre-tax contribution for SCERS employees.

**MBE/WBE:**

No goods or services are involved in this action.

Respectfully submitted



Dee Contreras  
Director of Labor Relations

**RECOMMENDATION APPROVED:**



WILLIAM H. EDGAR  
City Manager

Attachment

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BY THE CITY COUNCIL

SEP 2 1997

OFFICE OF THE  
CITY CLERK

**RESOLUTION NO. 97-502**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**A RESOLUTION APPROVING A PRE-TAX  
PAYROLL DEDUCTION PLAN FOR SERVICE  
CREDIT PURCHASES PURSUANT TO IRC SECTION 414(h)(2)  
BY MEMBERS OF THE SACRAMENTO CITY EMPLOYEES'  
RETIREMENT SYSTEM (SCERS)**

**BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:**

WHEREAS, the City of Sacramento has the authority to implement a pre-tax payroll deduction plan for service credit purchases pursuant to the provisions of Internal Revenue Code (IRC) section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those employees who are members of SCERS; and

WHEREAS, the City of Sacramento elects to approve a pre-tax payroll deduction plan for all members of SCERS;

**NOW, THEREFORE:**

1. The City of Sacramento will implement the provisions of IRC section 414(h)(2) by making employee contributions for service credit purchases on behalf of its employees who are members of SCERS and who have made a binding irrevocable election to participate in the pre-tax payroll deduction plan. "Employee contributions" shall mean those contributions reported to SCERS which are deducted from the salary of employees and are credits to individual employee accounts for service credit purchases thereby resulting in tax deferral of employee contributions.

2. The contributions made by the City of Sacramento to SCERS, although designated as employee contributions, are being paid by the City of Sacramento in lieu of contributions by the employees who are members of SCERS.

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DATE ADOPTED: \_\_\_\_\_

3. The employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the City of Sacramento to SCERS.

4. The City of Sacramento shall pay to SCERS the contributions designated as employee contributions from the same source of funds as used in paying salary, thereby resulting in tax deferral of employee contributions.

5. The effective date for commencement of the pre-tax payroll deduction plan for service credit purchases shall be the date on which this resolution is transmitted by the Sacramento City Clerk to the SCERS secretary.

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

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RESOLUTION NO. \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_