



APPROVED
BY THE CITY COUNCIL

JUL 1 1997

OFFICE OF THE
CITY CLERK

1.23

DEPARTMENT OF
ADMINISTRATIVE SERVICES
PERSONNEL SERVICES DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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SACRAMENTO, CA
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June 25, 1997

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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: RESOLUTIONS ADOPTING "PICK-UP" PLAN AND SUPERSEDING RESOLUTIONS NOS. 88-483 AND 88-484 FOR EMPLOYEE CONTRIBUTIONS TO SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS) AND PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) UNDER INTERNAL REVENUE CODE 414(h)(2)

LOCATION AND COUNCIL DISTRICT:

City

RECOMMENDATION:

It is recommended that the City Council adopt two resolutions adopting federal Internal Revenue Service "pick-up" plans for employee contributions to SCERS and PERS.

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

FOR COUNCIL MEETING OF: July 1, 1997

SUMMARY:

Effective July 1, 1997, with the implementation of the new cafeteria benefit structure under Internal Revenue Code 125, outside counsel advised the City to update Resolutions #88-843 and #88-484 and adopt new resolutions to clarify the language on implementation of the provisions of Internal Revenue Code Section 414(h)(2). This language will reflect that the total contribution to either retirement system is the contribution amount deducted

City Council
Re: Internal Revenue Code Section 414(h) (2)

from "fringe pay", and if the obligation has not been satisfied by "fringe pay", then the remaining contribution amount is deducted from the employees' salary.

BACKGROUND:

On June 14, 1988, the City Council, by resolutions #88-843 and #88-484, implemented the provisions of IRC 414(h) (2) concerning the tax treatment of employee contributions paid by the City on behalf of members of SCERS and PERS. These resolutions are now being updated and clarified to conform to the City's Section 125 cafeteria plan.

FINANCIAL CONSIDERATIONS:

There is no direct financial impact on the City.

ENVIRONMENTAL CONSIDERATIONS:

There are no environmental considerations.

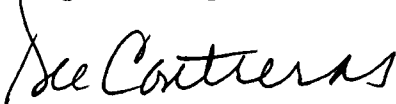
POLICY CONSIDERATIONS:

None. This would continue the prior City Council action adopting the "pick-up" provisions of IRC 414(h) (2) on June 14, 1988 for SCERS and PERS.

MBE/WBE EFFORTS

Not applicable.

Respectfully submitted,



Dee Contreras
Labor Relations Director

RECOMMENDATION APPROVED:

APPROVED:



WILLIAM H. EDGAR
City Manager



KEN NISHIMOTO
Administrative Services Director

RESOLUTION NO.

97-398

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ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION ADOPTING A "PICK-UP" PLAN AND SUPERSEDING RESOLUTION NO. 88-483 FOR EMPLOYEE CONTRIBUTIONS TO THE SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

WHEREAS, the City of Sacramento adopted Resolution No. 88-483 on June 14, 1988 in order to implement the provisions of section 414(h)(2) of the Internal Revenue Code ("Tax Code"); and

WHEREAS, the Internal Revenue Service has ruled that, although implementation of the provisions of Tax Code section 414(h)(2) is not required by law, the tax benefit offered by Tax Code section 414(h)(2) is available to employees of the government of any state or political subdivision thereof, or of any agency or instrumentality of any of the foregoing, who are members of a governmental plan (as defined in Tax Code section 414(d)), such as the Sacramento City Employees' Retirement System ("SCERS"), the provisions of which are contained in the Sacramento City Charter and Title 34 of the Sacramento City Code; provided that such governmental employer adopts a resolution implementing the provisions of Tax Code section 414(h)(2) or takes other appropriate equivalent action (such as approving a collective bargaining agreement providing for such implementation); and

WHEREAS, the City of Sacramento desires to clarify how Resolution No. 88-483 applies to various categories of compensation paid to employees who are members of SCERS;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City of Sacramento will implement the provisions of Tax Code section 414(h)(2) by making employee contributions to SCERS on behalf of its employees who are members of SCERS ("Employees"). "Employee contributions" shall mean for this purpose the total of:
 - A. Those contributions to SCERS which are deducted from compensation amounts, other than salary, that are designated for use solely in connection with the City's employee benefit plans and are currently referred to as the City's health and welfare contribution ("Benefit Dollars" or "Fringe Pay") and credited to individual Employees' employee contribution accounts pursuant to Sacramento City Code Title 34, Article XI; and

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RESOLUTION NO.: _____

DATE ADOPTED: _____

- B. If the Employee's retirement contribution obligation has not been satisfied by contribution payments deducted from Benefit Dollars or Fringe Pay for a payroll period, those contributions to SCERS which are deducted from the Employees' salary and credited to individual Employees' employee contribution accounts pursuant to Sacramento City Code Title 34, Article XI.
2. That the contributions made by the City of Sacramento to SCERS pursuant to this Resolution, although designated as employee contributions, are being paid by the City of Sacramento in lieu of contributions by Employees.
 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 Sacramento to SCERS.
 4. That the City of Sacramento shall pay to SCERS the contributions designated as employee contributions from the same source of funds as is used in paying Employees' salary.
 5. That the total amount of the contributions designated as employee contributions and paid by the City of Sacramento to SCERS on behalf of an Employee pursuant to Paragraph 1 of this Resolution shall be the entire contributions required of the Employee by SCERS.
 6. That the contributions designated as employee contributions made by City of Sacramento to SCERS shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by SCERS; provided that those contributions designated as employee contributions pursuant to Paragraph 1 of this Resolution shall not be included in the Employees' "wages" (as defined in Sacramento City Code Title 34, Article I).
 7. That Resolution No. 88-483 is hereby amended, restated and superseded.

MAYOR

ATTEST:

CITY CLERK

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RESOLUTION NO.: _____

DATE ADOPTED: _____

RESOLUTION NO. 97-399

ADOPTED BY THE SACRAMENTO CITY COUNCIL

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ON DATE OF _____

RESOLUTION ADOPTING A "PICK-UP" PLAN AND SUPERSEDING RESOLUTION NO. 88-484 FOR EMPLOYEE CONTRIBUTIONS TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM

WHEREAS, the City of Sacramento adopted Resolution No. 88-484 on June 14, 1988 in order to implement the provisions of section 414(h)(2) of the Internal Revenue Code ("Tax Code"); and

WHEREAS, the Internal Revenue Service has ruled that, although implementation of the provisions of Tax Code section 414(h)(2) is not required by law, the tax benefit offered by Tax Code section 414(h)(2) is available to employees of the government of any state or political subdivision thereof, or of any agency or instrumentality of any of the foregoing, who are members of a governmental plan (as defined in Tax Code section 414(d)), such as the California Public Employees' Retirement System ("PERS"); provided that such governmental employer adopts a resolution implementing the provisions of Tax Code section 414(h)(2) or takes other appropriate equivalent action (such as approving a collective bargaining agreement providing for such implementation); and

WHEREAS, the City of Sacramento desires to clarify how Resolution No. 88-484 applies to various categories of compensation paid to employees who are members of PERS;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the City of Sacramento will implement the provisions of Tax Code section 414(h)(2) by making employee contributions pursuant to California Government Code ("Government Code") section 20691 (formerly 20615) to PERS on behalf of its employees who are members of PERS ("Employees"). "Employee contributions" shall mean for this purpose the total of:
 - A. Those contributions to PERS which are deducted from compensation amounts, other than "payrate" (or salary) or "special compensation" (as defined in Government Code section 20636 (formerly 20023)), that are designated for use solely in connection with the City's employee benefit plans and are currently referred to as the City's health and welfare contribution ("Benefit Dollars" or "Fringe Pay") and credited to individual employees' employee contribution accounts pursuant to Government Code section 20691 (formerly 20615); and

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- B. If the Employee's retirement contribution obligation has not been satisfied by contribution payments deducted from Benefit Dollars or Fringe Pay for a payroll period, those contributions to PERS which are deducted from the Employees' payrate (or salary) and special compensation and credited to individual Employee's employee contribution accounts pursuant to Government Code section 20691 (formerly 20615).
2. That the contributions made by the City of Sacramento to PERS pursuant to this Resolution, although designated as employee contributions, are being paid by the City of Sacramento in lieu of contributions by Employees.
 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 Sacramento to PERS.
 4. That the City of Sacramento shall pay to PERS the contributions designated as employee contributions from the same source of funds as is used in paying Employees' payrate (or salary) and special compensation.
 5. That the total amount of the contributions designated as employee contributions and paid by the City of Sacramento to PERS on behalf of an Employee pursuant to Paragraph 1 of this Resolution shall be the entire contribution required of the Employee by the Public Employees' Retirement Law (Government Code section 20000, et eq.).
 6. That the contributions designated as employee contributions made by City of Sacramento to PERS shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by PERS; provided that those contributions designated as employee contributions pursuant to Paragraph 1 of this Resolution shall not be included in the Employees' "compensation earnable" (as defined in Government Code section 20636(a) formerly 20023(a)).
 7. That Resolution No. 88-484 is hereby amended, restated and superseded.

MAYOR

ATTEST:

CITY CLERK