

The County Connection



To: A&F Committee

Date: July 25, 2011

From: Kathy Casenave
Director of Finance *KC*

Reviewed By: *RLB*

SUBJECT: PERS PRETAX RESOLUTION

SUMMARY OF ISSUES:

In 1986 the Board of Directors adopted a resolution implementing section 414 (h)(2) of the Internal Revenue Code providing tax benefits to employee contributions for PERS. The code section allows for a reduction of the employee's taxable income in the amount of the employee contribution. The 1986 resolution applied only to regular contributions for the current salary.

There are occasions when an employee can pay or buy back additional service credit. Currently we have three employees who are buying service credit- two for part time work for the Authority not covered by PERS and one for an employee who left the area, withdrew the contributions and subsequently was rehired. The 1986 resolution does not apply to these situations so the buyback has been with the employee's after tax wages.

The IRS code does allow for pretax treatment in these situations provided that the Board of Directors adopts a separate resolution. (See attached).

FINANCIAL IMPLICATIONS:

None to the Authority. A reduction in taxable income for the employee.

ACTION REQUESTED: Staff requests that the A&F Committee forward the resolution to the Board of Directors recommending adoption..

ATTACHMENTS: 1986 resolution and the proposed resolution.

Resolution No. 86-032
CENTRAL CONTRA COSTA TRANSIT AUTHORITY
BOARD OF DIRECTORS

Whereas, the Central Contra Costa Transit Authority (CCCTA) Board of Directors has the authority to implement the provisions of section 414(h)(2) of the Internal Revenue Code (IRC); and,

Whereas, the Board of Administration of the Public Employees' Retirement System (PERS) adopted its resolution regarding section 414(h)(2) IRC on September 18, 1985; and

Whereas, the Internal Revenue Service has stated on December 6, 1985, that the implementation of the provisions of section 414(h)(2) IRC pursuant to the Resolution of the Board of Administration would satisfy the legal requirements of section 414(h)(2) IRC; and

Whereas, CCCTA Board of Directors has determined that even though the implementation of the provisions of section 414(h)(2) IRC is not required by law, the tax benefits offered by section 414(h)(2) IRC should be provided to CCCTA's employees who are members of PERS;

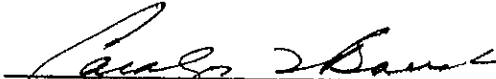
NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Central Contra Costa Transit Authority:

1. That CCCTA will implement the provisions of Section 414(h)(2) of the Internal Revenue Code by making employee contributions pursuant to California Government Code section 20615 to PERS on behalf of its employees who are members of PERS. "Employee contributions" shall mean those contributions to PERS which are deducted from the salary of employees and are credited to individual employee's accounts pursuant to California Government Code section 20615.
2. That the contributions made by CCCTA to PERS although designated as employee contributions are being paid by CCCTA in lieu of contributions by the employees who are members of PERS.
3. That employees will not have the option of choosing to receive the contributed amounts directly instead of having them paid by CCCTA to PERS.
4. That CCCTA shall pay to PERS 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 CCCTA to PERS on behalf of an employee shall be the entire contribution required of the employee by the Public Employees' Retirement Law (California Government Code sections 20000, et seq.).

6. That the contributions designated as employee contributions made by CCCTA to PERS shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by PERS.

This resolution was entered into by the Board of Directors of the Central Contra Costa Transit Authority this 20th day of November 1986.

CENTRAL CONTRA COSTA TRANSIT AUTHORITY



Carolyn F. Bovat, Chairman

AYES: Bovat, Bulman, Dabel, Dessayer, Feyh, Lane,
Mulhall, Schinnerer, Schroder, and Uilkema

NOES: None

ABSTENTIONS: None

ABSENT: Murray

ATTEST:



Janet Madrigal, Clerk

Resolution To Tax Defer Service Credit Purchases

Return to CalPERS -- Unit 830

Employer Code: 1290

**EMPLOYER PICKUP RESOLUTION
PRE-TAX PAYROLL DEDUCTION PLAN
FOR SERVICE CREDIT PURCHASES
(CONTRIBUTION CODE 14)**

WHEREAS, the Board of Administration of the California Public Employees' Retirement System (CalPERS) at the April 1996 meeting approved a pre-tax payroll deduction plan for service credit purchases under Internal Revenue Code (IRC) section 414(h)(2); and

WHEREAS, the Central Contra Costa Transit Authority has the authority to implement the provisions of 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 CalPERS; and

WHEREAS, the Central Contra Costa Transit Authority elects to participate in the pre-tax payroll deduction plan for all employees in the following CalPERS Coverage Group(s):

ALL EMPLOYEES

NOW, THEREFORE, BE IT RESOLVED:

I. That the Central Contra Costa Transit Authority will implement the provision of IRC Section 414(h)(2) by making employee contributions for service credit purchases pursuant to the California State Government Code on behalf of its employees who are members of CalPERS 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 CalPERS which are deducted from the salary of employees and are credited to individual employee accounts for service credit purchases, thereby resulting in tax deferral of employee contributions.

II. That the contributions made by the Central Contra Costa Transit Authority to CalPERS, although designated as employee contributions, are being paid by the Central Contra Costa Transit Authority in lieu of contributions by the employees who are members of CalPERS.

III. That the employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the Central Contra Costa Transit Authority to CalPERS

Employers Paying Member Contributions

IV. That the Central Contra Costa Transit Authority shall pay to CalPERS 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.

V. That the governing body of the Central Contra Costa Transit Authority shall participate in and adhere to requirements and restrictions of the pre-tax deduction plan by reporting pre-tax payroll deductions when authorized by CalPERS for those employees of the above stated Coverage Group(s) who have elected to participate in this plan.

PASSED AND ADOPTED by the governing body of the
Central Contra Costa Transit Authority this _____ day of August, 2011

BY _____
(Signature of Official)

(Title of Official)

RETURN ADDRESS:

CCCTA
2477 ARNOLD INDUSTRIAL WAY
CONCORD, CA 94520

.....
FOR CALPERS USE ONLY

Pre-tax payroll deduction plan effective date: _____

Approved By: _____ Title: _____

MEMBER SERVICE DIVISION, Service credit section-Unit 830