



Staff Report

City of Manhattan Beach

TO: Honorable Mayor Ward and Members of the City Council

THROUGH: Geoff Dolan, City Manager

FROM: Marcie Scott, Human Resources Director
Bruce Moe, Finance Director

DATE: March 7, 2006

SUBJECT: Consideration of a Resolution to Allow Option of Pre-Tax Payroll Deduction Plan for Service Credit Purchases from California Public Employees' Retirement System (CalPERS)

RECOMMENDATION:

Staff recommends that the City Council adopt Resolution Number 6021 allowing pre-tax payroll deductions for service credit purchases from the California Public Employee's Retirement System (CalPERS).

FISCAL IMPLICATION:

There are no costs associated with the recommended action.

BACKGROUND:

The City contracts with CalPERS to provide retirement benefits to our employees. CalPERS offers its members various optional programs to purchase additional service time. Examples include time served in the military, a break in service or a previous withdrawal of funds from the retirement system.

DISCUSSION:

Once an employee chooses to purchase additional service time or redeposit withdrawn funds, he coordinates directly with CalPERS to determine the costs. CalPERS allows the employee to pay for the transaction with a lump sum payment or make payments through payroll deduction. Currently, a Manhattan Beach City employee may only utilize the payroll deduction option using after-tax funds. By adopting this Resolution, the City Council will allow CalPERS to offer an additional option of paying with a pre-tax payroll deduction. The cost of the transaction will remain the same and will be employee-paid, but the manner in which the employee pays CalPERS would be expanded to include this additional option. This action provides more flexibility to employees who may choose to voluntarily enter into an agreement with CalPERS to purchase service time.

ATTACHMENT: Resolution 6021

RESOLUTION NO. 6021

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, APPROVING A 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 City of Manhattan Beach 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 City of Manhattan Beach elects to participate in the pre-tax payroll deduction plan for all employees in the following CalPERS employee groups or classifications:

All Miscellaneous and all Safety Coverage Groups

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MANHATTAN BEACH, CALIFORNIA, DOES HEREBY FIND, DETERMINE AND DECLARE AS FOLLOWS:

SECTION 1. That the City of Manhattan Beach will implement the provisions 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.

SECTION 2. That contributions made by the City of Manhattan Beach to CalPERS, although designated as employee contributions, are being paid by the City of Manhattan Beach in lieu of contributions by the employees who are members of CalPERS.

SECTION 3. That the employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the City of Manhattan Beach to CalPERS.

SECTION 4. That the City of Manhattan Beach 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.

SECTION 5. That the effective date for commencement of the pre-tax payroll deduction plan cannot be any earlier than the date the completed resolution is received and approved by CalPERS.

SECTION 6. That the governing body of the City of Manhattan Beach shall participate in and adhere to requirements and restrictions of the pre-tax payroll deduction plan by reporting pre-tax payroll deductions when authorized by CalPERS for those employees of the above stated employee groups or classifications who have elected to participate in this plan.

SECTION 7. The City Clerk shall make this Resolution reasonably available for public inspection within thirty (30) days of the date this Resolution is adopted.

SECTION 8. The City Clerk shall certify to the adoption of this Resolution and thenceforth and thereafter the same shall be in full force and effect.

PASSED, APPROVED and ADOPTED this 7th day of March, 2006.

Ayes:
Noes:
Absent:
Abstain:

Mayor, City of Manhattan Beach, California

ATTEST:

City Clerk