



County of El Dorado

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Legislation Text

File #: 08-1829, **Version:** 1

Human Resources Department recommending adoption of Resolution **330-2008** to provide documentation of conformance with Internal Revenue Code (IRC) Section 414 (h)(2) with regard to employee contributions to CalPERS retirement system.

RECOMMENDED ACTION: Approve.

Fiscal Impact/Change to Net County Cost: None.

Background/Reason for Recommendation: On or about October 2008 CalPERS sent out a circular letter to contracting agencies to address certain requirements for contributions to be "picked up" by the employer within the meaning of IRS section 414(h)(2) based upon IRS ruling(s). The employer must specify that the contributions, although designated as employee contributions, are being paid by the employer in lieu of contributions by the employee; and the employee must not be given the option of choosing to receive the contributed amounts directly instead of having them paid by the employer to the plan. The result is that taxes on the contribution amounts are deferred for the employee until the employee retires and receives benefit payments or separates from the County and takes a refund of contributions.

The IRS ruling requires that formal documentation of employer pick-up of contributions must be completed by December 31, 2008, in order to cover past pre-tax contributions. The attached resolution will serve as conforming documentation of the County's current and past practice of picking up the employee contribution for specified bargaining units.

Action to be taken following Board approval: Direct the Human Resources Director to negotiate and/or implement said resolutions to be in compliance with IRS regulations.

Contact: Ted Cwiek, Director of Human Resources

Concurrences: