

Agenda Report

July 15, 2019

TO: Honorable Mayor and City Council

FROM: HUMAN RESOURCES DEPARTMENT

SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING PRE-TAX TREATMENT OF COST-SHARING CONTRIBUTIONS TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM PAID BY MEMBERS OF THE LABORERS' INTERNATIONAL UNION OF NORTH AMERICA, LOCAL 777, UNDER SECTION 414(H)2 OF THE INTERNAL REVENUE CODE

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is not a "project" as defined in the California Environmental Quality Act (CEQA), Public Resources Code Section 21065 and Section 15378(b)(2) of the State CEQA Guidelines and, as such, is not subject to environmental review; and
2. Adopt the Resolution to authorize the pre-tax treatment of cost-sharing contributions paid by members of the Laborers' International Union of North America, Local 777, to the California Public Employees' Retirement System.

BACKGROUND:

The City provides pension benefits to eligible members of the Laborers' International Union of North America (LIUNA) through the California Public Employees' Retirement System (CalPERS). To fund those benefits, all employees pay toward their member contribution and through cost-share pursuant to California Government Code 20516 and the City's previous Memorandum of Understanding with LIUNA.

As a result of the recently concluded negotiations for a successor contract, "cost-sharing contributions" will begin for all members and be deducted from employees' pay on a pre-tax basis. In order to do so, the City must:

1. Label the cost-sharing contributions as "employee contributions."
2. Adopt a resolution designating the employee cost-sharing contributions as employer contributions.

DELEGATING AUTHORITY TO APPLY PRE-TAX TREATMENT OF COST-SHARING OF MEMBER CONTRIBUTIONS TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM FOR LIUNA MEMBERS

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3. Deem the contributions to be mandatory, and employees cannot elect to receive cash in lieu of the contributions.

This resolution satisfies the first two requirements. In accordance with the last requirement, under the terms of the MOU, the contributions are mandatory and employees cannot opt out. While this resolution is intended to exempt cost-sharing from income taxes, it will not exempt the contributions from applicable Medicare taxes. The pre-tax treatment of cost-sharing is the same tax treatment that applies to pension contributions deducted from employees' compensation to pay their member share.

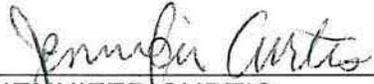
COUNCIL POLICY CONSIDERATION:

Approval of staff's recommendation supports the City Council's strategic goals of maintaining fiscal responsibility and stability.

FISCAL IMPACT:

While there is no direct fiscal impact to the City as a result of this action, which simply allows for employee pension contributions to be handled on a pre-tax basis, in recent years the City has shifted over \$5 million in annual pension costs to City employees.

Respectfully submitted,



JENNIFER CURTIS
Director of Human Resources

Prepared by:



VANNA R. LESH
Benefits Supervisor

Approved by:



STEVE MERMELL
City Manager

Attachment:

1. Resolution Providing for the Pick Up Under the Internal Revenue Code Section 414(H)2 of Cost-Sharing Contributions to CalPERS for the Miscellaneous Employees in the Bargaining Unit Represented by the Laborer's International Union of North America