

# Agenda Report

July 10, 2017

**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 PASADENA FIREFIGHTERS ASSOCIATION 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 Pasadena Firefighters Association (PFFA) to the California Public Employees' Retirement System.

**BACKGROUND:**

The City provides pension benefits to eligible members of the Pasadena Firefighters Association (PFFA) through the California Public Employees' Retirement System (PERS). To fund those benefits, employees pay their full member share (i.e. 9% is paid by classic members and 11.25% is "half the normal cost" for members who are considered "new" to PERS and are subject to the provisions of the Public Employees' Pension Reform Act). In addition, effective July 1, 2013, classic members have paid "cost-sharing contributions" to the employer share pursuant to California Government Code 20516 and pursuant to the City's previous Memorandum of Understanding with PFFA. To date, the City has deducted these cost-sharing amounts on a post-tax basis.

In the most recent series of negotiations, PFFA has requested that the City pursue changing the "cost-sharing contributions" to be pre-tax. In order to do so, the City must

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

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1. Label the cost-sharing contributions as "employee contributions."
2. Adopt a resolution designating the employee cost-sharing contributions as employer contributions.
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 Memorandum of Understanding, 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. This is the same tax treatment that applies to amounts deducted from employees' compensation to pay employee costs.

**COUNCIL POLICY CONSIDERATION:**

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

**FISCAL IMPACT:**

There is no fiscal impact to the City as a result of this action.


Respectfully submitted,



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JENNIFER CURTIS  
Director of Human Resources  
Human Resources

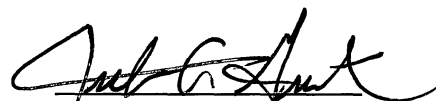
Prepared by:



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VANNA LESH  
Benefits Supervisor

Approved by:



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for STEVE MERMELL  
City Manager