

TO: Regional Transportation Commission

FROM: Tegan Speiser, Senior Transportation Planner

REGARDING: RTC Autonomy – Tax Status of Employees' Contributions to the CalPERS Retirement System

RECOMMENDATIONS

Staff recommends that the Regional Transportation Commission adopt a resolution ([Attachment 1](#)) which agrees to treat RTC employees' contributions towards their retirement accounts on a pre-tax basis in the same way that the Public Employees' Retirement System (CalPERS) treats employer contributions with an effective date of November 4, 2006.

BACKGROUND

As part of its autonomy process, the Commission approved establishing a new membership for RTC employees in the CalPERS retirement system. Over the past six months, the Commission adopted a series of decisions and resolutions regarding the RTC's participation in CalPERS. In the process of implementing our new account, it became clear that one last decision needs to be made regarding the tax status of employee contributions to the CalPERS retirement system.

DISCUSSION

Before you today is a resolution that would ensure that the contributions that RTC employees make to their retirement accounts remain tax deferred as they have been through the County of Santa Cruz. Internal Revenue Service Code 414(h)(2) permits employees to pay employee contributions to the CalPERS retirement program from their base salary and defer paying state and federal taxes on these contributions through a program called Employer Pick-Up (EPU). This program allows employees' retirement contributions to be treated in the same tax deferred manner as employer contributions for federal and state tax purposes.

A resolution regarding Employer Pick-Up provisions is provided in [Attachment 1](#). **Staff recommends that the Commission adopt this resolution effective November 4, 2006 to allow employees' contributions to be treated in the same tax deferred manner as employer contributions for federal and state taxes.**

SUMMARY

Staff recommends adopting a resolution to treat RTC employees' contributions towards their retirement accounts in the same way that the Public Employees' Retirement System (CalPERS) treats employer contributions with an effective date of November 4, 2006.

[Attachment 1](#): Resolution