

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES

DBUG MEETING: February 25, 2021

Reminder (Covered in 2017)

- CalPERS Employer “Pick-up”
 - What is it?
 - There is an Internal Revenue Code (414(h)(2) that allows school employers to designate employee contributions as being “picked-up” by the district for tax purposes; thus allowing for the employee contributions to be treated as tax deferred
 - What does it require?
 - Must have a resolution (See example attached)
 - ❖ <https://www.calpers.ca.gov/docs/forms-publications/resolution-tax-defer-member.docx>
 - If you have one, it could date back as far as the 1980’s
 - The resolution should identify whether all employees of the organization are subject to the “pick-up” or it can specify a specific group or class of employee
 - It is important to note, you cannot give your employees a choice. If you do not have a resolution in place, the PERS deductions must be **Post-Tax**
 - What if we cannot find our resolution?
 - Send an email to Maria Aguayo and Christy Arend – we have some of the resolutions saved
 - If we do not have it, CalPERS has these resolutions on file
 - What are the implications of setting up employees incorrectly?
 - The report sent to CalPERS indicates which employees had pre or post tax deductions. CalPERS does not require this to be fixed.
 - The issue is you may have to address the inequity with your employees. We recommend getting legal advice on the subject if you have some employees with pre and some with post tax deductions in the same class.



CalPERS ID:

**RESOLUTION TO TAX DEFER MEMBER PAID CONTRIBUTIONS –
IRC 414(H)(2) EMPLOYER PICK-UP**

WHEREAS, the (Name of Agency) has the authority to implement the provisions of section 414(h)(2) of the Internal Revenue Code (IRC); and

WHEREAS, the Board of Administration of the California Public Employees' Retirement System (CalPERS) adopted its resolution re section 414(h)(2) IRC on September 18, 1985; and

WHEREAS, the Internal Revenue Service has stated in December 1985, that the implementation of the provisions of section 414(h)(2) IRC pursuant to the Resolution of the Board of Administration would satisfy the legal requirements of section 414(h)(2) IRC; and

WHEREAS, the (Name of Agency) has determined that even though the implementation of the provisions of section 414(h)(2) IRC is not required by law, the tax benefit offered by section 414(h)(2) IRC should be provided to (Membership Category OR Goup or Class) who are members of the CalPERS:

NOW, THEREFORE, BE IT RESOLVED:

- I. That the (Name of Agency) will implement the provisions of section 414(h)(2) Internal Revenue Code by making employee contributions pursuant to California Government Code Section 20691 to the CalPERS on behalf of all its employees or all its employees in a recognized group or class of employment who are members of CalPERS. "Employee contributions" shall mean those contributions to CalPERS which are deducted from the salary of employees and are credited to individual employee's accounts pursuant to California Government Code section 20691.
- II. That the contributions made by the (Name of Agency) to CalPERS, although designated as employee contributions, are being paid by the (Name of Agency) in lieu of contributions by the employees who are members of CalPERS.
- III. That employees shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the (Name of Agency) to CalPERS.
- IV. The (Name of Agency) shall pay to CalPERS the contributions designated as employee contributions from the same source of funds as used in paying salary.
- V. That the amount of the contributions designated as employee contributions and paid by the (Name of Agency) to CalPERS on behalf of an employee shall be the entire contribution required of the employee by CalPERS (California Government Code sections 20000, et seq.).
- VI. That the contributions designated as employee contributions made by (Name of Agency) to CalPERS shall be treated for all purposes, other than taxation, in the same way that member contributions are treated by CalPERS.

PASSED AND ADOPTED by the governing body of the (Name of Agency) this (Day of Month e.g. 1st, 2nd, 3rd...) day of (Month), (Year).

BY _____
(Signature of Official)

(Title of Official)

Updates

- AP Certification – New process we are testing through Google Forms
 - Adding a few districts each week
 - Scott Greenwood will email out the form the Friday before the AP deadline
 - Please fill out the form with the information from the AP Certification sheet
 - Attach your AP Certification sheet with administrator signature
 - If you have an emergency and the form is closed, please send an email to Scott and we can consider accepting a late submission

- Sarah and Thuan are working on an estimated payroll delivery schedule to provide to districts
 - Payroll will be delivered over two days unless we only have one day for delivery before payroll

- 2021 W-4 has been added to the IRS website
 - <https://www.irs.gov/pub/irs-pdf/fw4.pdf>

- Routing of Work document has been updated
 - Please see attached

