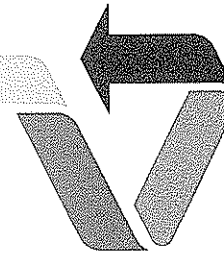


# VENTURA REGIONAL SANITATION DISTRICT

1001 PARTRIDGE DRIVE, SUITE 150 ■ VENTURA, CA 93003-0704



A Public  
Waste  
Management  
Agency

October 27, 2011

Board of Directors  
Ventura Regional Sanitation District  
Ventura, California

## **ADOPTION OF VRSD RESOLUTION NO. 11-05, IMPLEMENTING PRE-TAX DEDUCTION PLAN UNDER INTERNAL REVENUE CODE SECTION 414(h)(2) FOR MANDATORY EMPLOYEE RETIREMENT CONTRIBUTIONS**

### **Staff Report/Background**

Ventura Regional Sanitation District is a member of the Ventura County Employees' Retirement Association (VCERA) to provide its employees a defined benefit retirement pursuant to the provisions of the County Employees' Retirement Law of 1937 ('37 Act). Membership in VCERA is mandatory for all regular District employees who work more than 63 hours biweekly.

The District's goal during recent contract negotiations with employee organizations has been to reduce the District's retirement contribution costs by having employees pay a portion of their retirement contributions. The District has secured retirement contributions from employees represented by the two different employee organizations including the unrepresented employees.

The District has determined it is in the best interest of the District and its employees to make available the pre-tax payroll deduction plan for mandatory employee contributions to all its employees. The District is not required by law to implement the provision of IRC section 414(h)(2), but has elected to implement a pre-tax payroll deduction plan to provide tax benefit to VCERA members. The pre-tax payroll deduction plan will be a mandatory plan affecting all District employees who are members of VCERA and make mandatory employee retirement contributions. The effective date of the pre-tax payroll deduction plan will be January 1, 2012, and will apply to prospective retirement payments.

This letter has been reviewed by legal counsel. Please contact me at [vickiedragan@vrzd.com](mailto:vickiedragan@vrzd.com) or 658-4646 if you have any questions.

### **Fiscal Impact**

There is no fiscal impact to the District.

*Item 7-1*

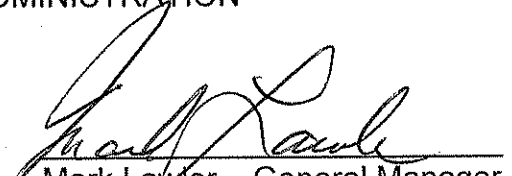
**Recommendation**

It is recommended the Board authorize the Chairman to sign VRSD Resolution No. 11-05, to implement the pre-tax payroll deduction plan under Internal Revenue Code section 414(h)(2) for mandatory employee retirement contributions effective January 1, 2012.

*Vickie Dragan*  
VICKIE DRAGAN – DIRECTOR OF FINANCE & ADMINISTRATION

Enc.

APPROVED FOR NOVEMBER 3, 2011 AGENDA

  
Mark Lawler – General Manager

**VRSD RESOLUTION NO. 11-05**

**RESOLUTION IMPLEMENTING PRE-TAX PAYROLL DEDUCTION  
PLAN UNDER INTERNAL REVENUE CODE SECTION 414(h)(2)  
FOR MANDATORY EMPLOYEE RETIREMENT CONTRIBUTIONS**

**WHEREAS**, employees of the Ventura Regional Sanitation District ("District") participate in the Ventura County Employees' Retirement Association ("VCERA") in accordance with the County Employees' Retirement Law of 1937 ("37 Act") as set forth in the California Government Code; and

**WHEREAS**, members of VCERA make mandatory employee retirement contributions to VCERA pursuant to the '37 Act; and

**WHEREAS**, the District has determined it is in the best interest of the District and its employees to implement a pre-tax payroll deduction plan under Internal Revenue Code ("IRC") section 414(h)(2) for mandatory employee retirement contributions; and

**WHEREAS**, the District has the authority to implement the provisions of IRC section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by IRC section 414(h)(2) should be provided to those employees who are members of VCERA; and

**WHEREAS**, the District elects to provide a pre-tax payroll deduction plan for all of its employees (collectively "employees") who are members of VCERA so employee contributions are picked up under IRC section 414(h)(2).

**NOW, THEREFORE, BE IT RESOLVED** that that Ventura Regional Sanitation District Board of Directors adopts the following policy:

1. This resolution applies to all regular contributions that are required to be made by any employees of the District as members of VCERA, in accordance with the '37 Act, on a regular payroll deduction basis and which are reported to VCERA and credited to individual employee accounts. These member contributions to VCERA are referred to as normal contributions under the '37 Act. This resolution also applies to all additional contributions that are required to be made by any employees of the District as members of VCERA, in accordance with Government Code section 31627 of the '37 Act, the Regulations of VCERA and applicable labor agreements between the District and its various bargaining groups, where such contributions are made on a regular payroll deduction basis and credited to individual employee accounts. These member contributions to VCERA are referred to as additional contributions under the '37 Act. The normal contributions and additional contributions are collectively called "mandatory employee retirement contributions" in this resolution.

2. All mandatory employee retirement contributions made to VCERA, although designated as employee contributions under the '37 Act and although deducted from the employee's compensation, shall be picked up by the District for tax purposes in accordance with IRC section 414(h)(2) and shall be treated by the District as paid by the District to VCERA in lieu of contributions by employees who are members of VCERA.
3. Employees shall not have the option of choosing to receive mandatory employee retirement contributions directly instead of having them paid by the District to VCERA.
4. The District shall pay to VCERA all mandatory employee retirement contributions from the same source of funds as used in paying salary.
5. Employee contributions that are picked up in accordance with this resolution shall result in the tax deferral of these contributions to the extent provided under the IRC Treasury Regulations and other guidance issued thereunder.
6. The effective date of this pre-tax payroll deduction plan under IRC section 414(h)(2) for mandatory employee retirement contributions is January 1, 2012. This resolution shall only apply to mandatory employee retirement contributions deducted from compensation earned on or after the effective date stated herein and does not apply to any mandatory employee retirement contributions made to VCERA before the effective date.
7. The District shall comply with all reporting, contribution and other administrative requirements established by VCERA with respect to all employees whose contributions are picked up in accordance with this resolution.

**PASSED, ADOPTED AND APPROVED** this 3<sup>rd</sup> day of November, 2011.

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JAMES MONAHAN, CHAIRMAN  
Board of Directors

ATTEST:

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JOSIE GUZMAN, CMC  
Clerk of the Board

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