



Legislation Text

File #: 09-1200, **Version:** 1

An Ordinance to Amend Sections 1:552(14) and 1:572(b) of Chapter 18, Title I of the Code of the City of Ann Arbor to Implement a "Pick-Up" Provision Allowed by Internal Revenue Code 414(h) for Non - Union Employees of the City of Ann Arbor (Ordinance No. ORD-09-34)

Human Resources Services recommends approval of amendment of the pension ordinance. The amendments to the pension ordinance implement a pick up feature as permitted by the Internal Revenue Code.

This pick up feature will convert the current post-tax 5% pension contribution made by non-union employees to a 5% pre-tax contribution. There will be no impact to the pension fund, but it will result in a greater net pay for non-union employees. The amendment becomes effective with the first pay period of 2010. It applies only to non-union employees of the City.

Prepared by: Nancy L. Niemela, Sr. Ass't City Attorney

Reviewed by: Robyn Wilkerson, Director, Human Resources and Labor Relations

Approved by: Roger W. Fraser, City Administrator

ORDINANCE NO. ORD-09-34

First Reading : December 7, 2009

Approved: December 21, 2009

Public Hearing : December 21, 2009

Published: December 24, 2009

Effective: January 3, 2010

EMPLOYEES RETIREMENT SYSTEM

An Ordinance to Amend Sections 1:552(14) and 1:572(b) of Chapter 18, Title I of the Code of the City of Ann Arbor to Implement a "Pick-Up" Provision Allowed by Internal Revenue Code 414(h) for Non -Union Employees of the City of Ann Arbor

The City of Ann Arbor Ordains:

Section 1. That Section 1:552 of Chapter 18 of Title 1 of the Code of the City of Ann Arbor be amended to read as follows:

1:552(14). Accumulated Contribution.

(14) Accumulated contribution. The sum of all amounts deducted from the compensation of a member and credited to the member's individual account to the annuity savings fund, together with applicable regular interest thereon. Prior to January 1, 2010, such contributions were deducted from non-union employee member's compensation and made on an after-tax basis. Beginning with the first pay period which begins in January, 2010, non-union employee member contributions are made on a pre-tax basis, pursuant to the "pick-up" feature of Section 1.572(b).

Section 2. That Section 1:572(b) of Chapter 18 of Title 1 of the Code of the City of Ann Arbor be amended to

read as follows:

1.572 Annuity Savings Fund.

(b) The contributions of any member shall be 5% of the compensation paid by the City. Member contributions shall be deducted only from amounts paid to a member which are considered compensation for purposes of this Chapter.

Prior to January 1, 2010, non-union employee member contributions were made on an after-tax basis. Effective with the first payroll checks issued in January, 2010, the City shall “pick-up” the non-union employee member contributions for all compensation earned on and after January 1, 2010. The contributions so picked up shall be treated as City contributions in determining tax treatment under the Code. The City shall pick up the non-union employee member contributions from funds established and available for non-union employee member salaries, which funds would otherwise have been designated as member contributions and paid to the pension fund. Non-union employee member contributions picked up by the City pursuant to this subsection shall be treated for all other purposes of this and other laws of the City in the same manner and to the same extent as non-union employee member contributions made prior to the effective date of this subsection. The non-union employee member contributions so picked up shall not be included in gross income for tax purposes until such time as they are distributed by refund or benefit payment.

Monies contributed under subsection (b) shall be accounted for, by non-union employee member, so as to separately reflect each non-union employee member’s after-tax contributions (and regular interest applicable thereto) and pick-up contributions (and the regular interest applicable thereto).

The officer or officers responsible for making up the payroll shall cause the contributions provided for in this section to be deducted from the compensations of each member on each and every payroll, for each and every payroll period so long as such member remains a member in the employ of the City. The member’s contributions provided for herein shall be made notwithstanding that the minimum compensation provided by law for any member shall be changed thereby. Every member shall be deemed to consent and agree to the deductions made and provided for herein, and payment of compensation less said deductions, shall be a full and complete discharge and a quittance of all claims and demands whatsoever for the services rendered by said person during the period covered by such payment, except as to benefits provided by this Chapter. The amount of contributions to be deducted shall be paid to the retirement system and shall be credited to the individual annuity savings fund account of the member from whose compensation the deduction was made.

Section 3: In the event any court of competent jurisdiction shall hold any provision of this Ordinance invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision thereof.

Section 4: This Ordinance shall take effect ten days after passage and publication.