

**SUBJECT: TAX DEFERRAL OF ACCUMULATED PAY UPON RETIREMENT
OR TERMINATION**

Purpose: The purpose of this APM is to establish procedures for the tax deferral of accumulated pay upon retirement or termination, consistent with Section 457 of the IRS Tax Code.

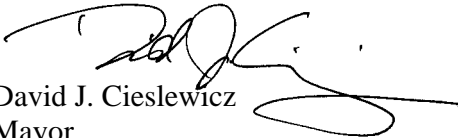
Background: Upon retirement or termination many employees are paid for accumulated leave time (e.g., vacation and/or sick leave) consistent with the City ordinances and collective bargaining provisions. Section 457 of the IRS Tax Code currently provides for the tax deferral of this accumulated leave time pay under certain conditions. Although this APM does not outline all of the conditions of this section of the tax code, it does provide administrative guidelines relative to the timing of the deferral, consistent with the code. More specifically, any said deferral must occur prior to leaving employment in order to qualify.

Policy: Any employee who wishes to tax defer pay received from accumulated leave time, must do so prior to leaving City employment in order to comply with Section 457 of the IRS Tax Code. City “employment,” in this context, means that the employee is in pay or approved leave status. For purposes of clarification, this opportunity does not extend to the payment of the last paycheck (which normally follows the last day of employment), but requires an election while in active employment status.

Procedures:

1. Any employee who wishes to tax defer accumulated leave pay, under these provisions, must elect to do so in writing ten (10) days prior to the last day of employment (forms are available in Human Resources or City Payroll). Again, this is ten (10) days prior to the last work or leave day.
2. The City will also deduct any other qualifying tax deferral amounts from this balance, to the degree possible, and shall issue the remainder (if any) to the employee on his/her termination date. Direct deposit of this payment will be made if requested.
3. The employee will receive a subsequent check for time worked in the normal payroll cycle.

Authority: The City Comptroller shall interpret and maintain this procedure, as may be required.


David J. Cieslewicz
Mayor

APM No. 3-15
March 10, 2004