

TO: James L. App, City Manager

FROM: Meg Williamson, Assistant to the City Manager

SUBJECT: Employee Retirement (PERS) Contract Revision

DATE: February 1, 2005

NEEDS: For City Council to amend the Public Employees' Retirement System (PERS) retirement contract for the Police Officers Association (P.O.A.), the Miscellaneous group (Service Employees International Union - S.E.I.U.) and the Unrepresented Confidential, Professional and Management bargaining groups).

FACTS:

1. City employees accrue retirement benefits under a contract between the City of Paso Robles and the Public Employees' Retirement System (PERS).
2. The current PERS contract for the P.O.A. ("Safety" group) is a 2% at 50 years formula. The Memorandum of Understanding between the City of Paso Robles and the P.O.A. calls for an amendment to a 3% at 50 years formula by April 1, 2005.
3. The current PERS contract for "Miscellaneous" group is 2% at 55 years. The Memoranda of Understanding between the City of Paso Robles and these labor groups calls for an amendment to a 2.5% at 55 years formula by April 1, 2005.
4. There are three main steps that the City must undertake to finalize the contract amendment with PERS:

a. Adopt a Resolution of Intent to amend the contract

The resolution of intent is scheduled for adoption at this February 1, 2005 City Council meeting and will be sent to PERS immediately upon adoption to initiate preparation of the Final Contract Amendment for signatures and execution.

b. Adopt an Urgency Ordinance

The Urgency Ordinance is the City's instrument authorizing the Mayor to execute the Contract amendment on behalf of the City. The ordinance is presented as an Urgency Ordinance because of minimum PERS timelines separating adoption of the final ordinance from the date of the resolution of intention being adopted. The first reading of the Urgency Ordinance is scheduled for February 1, 2005. Second reading is scheduled for March 1, 2005, establishing a contract amendment date of March 27, 2005.

c. Hold an Employee Election

When employee contribution rates change a secret ballot election of the effected employee group must be conducted. This election is scheduled for February 2, 2005 and certified results will be presented to PERS.

5. The schedule for taking these noted action steps is very specific and time critical for achieving the contract amendment by the April 1, 2005 deadline.

ANALYSIS &

CONCLUSION: The City's contracts with the "Miscellaneous" and "Safety" PERS groups require that the retirement formulas are modified no later than April 1, 2005.

POLICY

REFERENCE: California Government Code, Municipal Code Secs. 2.40.030(c) and 20474, Resolution 02-140 (S.E.I.U.), Resolution 02-157 (P.O.A.), Resolution 02-175 Unrepresented Confidential, Professional and Management, and PERS Contract dated March 1, 1974 as last amended on October 14, 2001 .

FISCAL

IMPACT: PERS requires public agencies that undertake plan amendments to disclose certain financial information regarding the impact of plan amendments.

In the case of plan amendment for public safety /police, effective 4/1/05, the plan will convert from a '3% @ 55' to a '3% @ 50' formula basis plan. The present value of benefits that might be paid under the plan, based upon PERS actuarial valuations, increases by \$1,991,772. Present value represents the total dollars needed today to fund all future benefits for current members of the plan. Rather than collect this amount in lump sum, its collection is spread over time in the form of employer contribution rates.

Additionally, the accrued liability for the public safety/police plan amendment will increase by \$1,543,728. Accrued liability represents the present value of benefits to be paid to current members less the present value of scheduled future employer/employee contributions.

To fund both the present value change in benefits and the accrued liability, the employer contribution rate will be increased by 9.949% representing a cost impact of \$249,600 based upon current staffing and projected pay levels for fiscal year 2006.

For the miscellaneous member plan amendment, 2% @ 55 to a 2.5% @ 55 plan effective 4/1/05, the change in the present value of benefits is \$1,564,582 and the change in accrued liability is \$793,275. These changes will result in a change in the employer contribution rate by 2.524% and the employee contribution rate by 1% (paid by the City). The cost impact of the rate change based upon current staffing and projected pay levels for fiscal year 2006 is \$207,100.

With the plan amendment going into effect April 1, 2005, three months of FY04/05 are affected by the change. Based on overestimated PERS costs, there will be a positive balance of \$130,000 in the FY04/05 budget.

OPTIONS:

For the City Council to:

- a. (1) Adopt “Resolution of Intention” No. 05-xx establishing the City Council’s intention to approve an amendment to the Contract between the Board of Administration of the California Public Employees’ Retirement System and the City of Paso Robles; and
- (2.) Introduce for first reading Urgency Ordinance No. XXX N.S. authorizing an amendment to the Contract between the City of El Paso de Robles and the Board of Administration of the California Public Employees’ Retirement System; and set March 1, 2005, for second reading of said ordinance.

Note: These retirement contract amendments are obligations under current labor.

Attachments:

- 1. Resolution of Intention to approve an amendment to PERS Contract
- 2. Urgency Ordinance No. XXX N.S. authorizing an amendment to the PERS Contract

**RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
CITY COUNCIL
CITY OF PASO ROBLES**

COPY

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change

To provide Section 21354.4 (2.5% @ 55 Supplemental Formula) for local miscellaneous members and Section 21362.2 (3% @ 50 Full Formula) for local safety police members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Paso Robles

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective March 1, 1974, and witnessed January 28, 1974, and as amended effective July 1, 1983, November 6, 1984, October 30, 1988, February 2, 1991, January 1, 1998, February 17, 2001, June 6, 2001 and October 14, 2001 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 14 are hereby stricken from said contract as executed effective October 14, 2001, and hereby replaced by the following paragraphs numbered 1 through 16 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members and age 50 for local safety members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after March 1, 1974 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

PLEASE DO NOT SIGN "EXHIBIT C"

3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Local Fire Fighters (herein referred to as local safety members);
 - b. Local Police Officers (herein referred to as local safety members);
 - c. Employees other than local safety members. (herein referred to as local miscellaneous members).
4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **ELECTED OFFICIALS.**
5. Prior to January 1, 1975, those members who were hired by Public Agency on a temporary and/or seasonal basis not to exceed 6 months were excluded from PERS membership by contract. Government Code Section 20336 superseded this contract provision by providing that any such temporary and/or seasonal employees are excluded from PERS membership subsequent to January 1, 1975. Legislation repealed and replaced said Section with Government Code Section 20305 effective July 1, 1994.
6. Assets heretofore accumulated with respect to members in the local retirement system have been transferred to the Public Employees' Retirement System and applied against the liability for prior service incurred thereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system has been credited to the individual membership account of each such employee under the Public Employees' Retirement System.
7. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment before and not on or after the effective date of the amendment to contract shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 supplemental).
8. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment on or after the effective date of the amendment to contract shall be determined in accordance with Section 21354.4 of said Retirement Law (2.5% at age 55 supplemental).

PLEASE DO NOT SIGN "EXHIBIT C"

9. The percentage of final compensation to be provided for each year of credited prior and current service as a local fire member shall be determined in accordance with Section 21362 of said Retirement Law (2% at age 50), supplemental to Federal Social Security
10. The percentage of final compensation to be provided for each year of credited prior and current service as a local police member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
11. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21536 (Local System Service Credit Included in Basic Death Benefit).
 - b. Section 20965 (Credit for Unused Sick Leave).
 - c. Section 21024 (Military Service Credit as Public Service) for local miscellaneous members and local police members only.
 - d. Section 20042 (One-Year Final Compensation).
12. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on July 1, 1983. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
13. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.
14. Public Agency shall also contribute to said Retirement System as follows:
 - a. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - b. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

15. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.
16. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF PASO ROBLES

BY _____
KENNETH W. MARZION, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

ORDINANCE NO. XXX N.S.

AN URGENCY ORDINANCE OF THE CITY OF EL PASO DE ROBLES
AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY OF
EL PASO DE ROBLES AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

WHEREAS, California's Public Employee's Retirement Law permits public agencies and their employees to participate in the Public Employees Retirement System (PERS); and

WHEREAS, the City and its employees hold contracts with PERS. One each for Police Public Safety Employees, Emergency Services Safety Employees and for "Miscellaneous" employees (employees other than public safety); and

WHEREAS, a benefit option available to "Miscellaneous" employees is the 2.5% at 55 years of age retirement plan; and

WHEREAS, a benefit option available to "Safety" employees is the 3% at 50 years of age retirement plan; and

WHEREAS, on July 16, 2002, City Council approved the adoption of the 2.5% at 55 years of age retirement plan for "Miscellaneous" employees effective April 1, 2005; and

WHEREAS, on August 6, 2002, City Council approved the adoption of the 3% at 50 years of age retirement plan for "Safety" employees effective April 1, 2005; and

WHEREAS, the City is required to adopt a resolution of intention; and

WHEREAS, the City is required to do a first reading of the Ordinance.

The City Council of the City of El Paso de Robles does hereby ordain as follows:

SECTION 1. An amendment to the contract between the City Council of the City of El Paso de Robles and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment is attached hereto marked Exhibit and by such reference made a part hereof and thus herein set out in full.

SECTION 2. The Mayor of the City Council is hereby authorized, empowered, and directed to execute said amendment for and on behalf of said Agency.

SECTION 3. Severability. If any section, subsection, sentence, clause, or phrase of the Ordinance is, for any reason, found to be invalid or unconstitutional, such finding shall not affect the remaining portions of this Ordinance.

The City Council hereby declares that it would have passed this ordinance by section, subsection, sentence, clause, or phrase irrespective of the fact that any one or more sections, subsections, sentences, clauses, or phrases are declared unconstitutional.

SECTION 4. Inconsistency. To the extent that the terms or provisions of this Ordinance may be inconsistent or in conflict with the terms or conditions of any prior City ordinance(s), motion, resolution, rule, or regulation governing the same subject matter thereof and such inconsistent and conflicting provisions of prior ordinances, motions, resolutions, rules, and regulations are hereby repealed.

SECTION 5. This ordinance is an urgency ordinance and shall take effect immediately upon adoption. The City Council hereby declares that the need for the adoption of this ordinance as an urgency measure is to preserve the public health, safety and welfare and is based upon the following facts:

- a. This ordinance will authorize the execution of an amendment to the contract between the California Public Employee Retirement System and the City regarding the retirement benefits to be paid to the members of CalPERS. Pursuant to law, the ordinance to amend the contract cannot be adopted until at least twenty (20) days after the adoption of a resolution of intention to approve the amendment to the contract. The resolution of intention was adopted by the City Council at its meeting of February 1, 2005.
- b. Second reading of this ordinance has taken place on March 1, 2005 as set forth in Section 5(a) above. The contract effective date must be March 27, 2005 to correspond with the first day of the payroll period in which the April 1, 2005 effective date deadline falls.
- c. Based on the time the annual actuarial valuation reports were prepared and provided by CalPERS to the City to initiate this process, if this ordinance is not adopted as an urgency measure, the City would not be able to comply with negotiated employee contracts for the "Miscellaneous" and "Safety" work groups which require amendment to retirement benefits effective April 1, 2005.

SECTION 6. The City Clerk is hereby directed to cause publication of this ordinance within 15 days from its passage in the Paso Robles Press, a newspaper of general circulation, published and circulated in the City of EL Paso de Robles in accordance with Section 36933 of the Government Code, and thenceforth and thereafter the same shall be in full force and effect.

Introduced at a regular meeting of the City Council held on February 1, 2005, and approved and adopted this 1st day of March 2005 by the following minimum of four-fifths majority vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk