

Agenda Report

JANUARY 8, 2001

TO: City Council

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: APPROVAL OF A RESOLUTION OF THE CITY OF PASADENA
IMPLEMENTING PASADENA CITY CHARTER SECTION 1509.15 SERVICE
RETIREMENT: RETIREMENT ALLOWANCE SUB-SECTION (B)

RECOMMENDATION

It is recommended that the City Council's approve a Resolution implementing Pasadena City Charter Section 1509.15 (B) regarding the City's Fire and Police Retirement System.

BACKGROUND

Pasadena City Charter Section 1509.15 (A) lists five actuarial equivalents that are currently used to calculate the level of retirement benefits for members of the Fire and Police Retirement System. Charter Section 1509.15 (B) adds four additional actuarial equivalents to those specified in Section (A), provided that the City's contribution is less than 15.5% of payroll.

Under the revised contribution agreement entered into between the City and the Fire and Police Retirement System and based upon the actuarial report for June 30, 2000, the City's contribution for fiscal year 2001 will be limited to 5% of payroll. As a result, Section 1509.15 (B) states that if this condition is met "the City Council shall by ordinance or resolution establish the effective date of the new retirement rates, which date shall be within 90 days of the filing of the said actuarial report." The effective date of this change as stated in the Resolution is January 15, 2001.

DISCUSSION

The "Actuarial Equivalent" referenced in the Charter refers to the factor by which an employees years of service is multiplied in order to determine the percentage of retirement compensation the employee is entitled. For example, if the Actuarial Equivalent is 1.0516 and the employee has 25 years of service at the time of retirement, the employee will receive 26.29% (25 years times 1.0516) of his/her final compensations . Under the current Charter provisions, this 1.0516 factor is the maximum an employee is entitled to once they reach age 51. Under Section B, the factor continues to increase each year until an employee reaches age 55 at which time it

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reaches a maximum rate of 1.30994. As such, under the current provisions, a 55 year old employee with 25 years of employment will receive 26.29% of final compensation, while under the revised provisions that same employee will receive 32.7485% (25 years times 1.30994).

The actual tables included in the Charter are presented below. Again, under Section 1509.15 (A) of the Charter, the Actuarial Equivalent caps at age 51, while under Section 1509.15 (B), it caps at age 55.

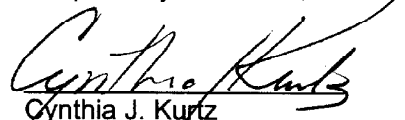
Age At Retirement	Actuarial Equivalent
46	.8226
47	.8678
48	.9085
49	.9522
50	1.0000
51	1.0516
52	1.1078
53	1.1692
54	1.2336
55 and over	1.30994

Presently there are 35 active employees affected by this amendment. This change will not affect any member already retired.

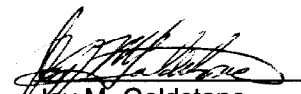
FISCAL IMPACT

The annual cost of this amendment cannot be determined at this time. While it provides for potentially higher initial benefits to employees who are ages 52 or higher at the time of retirement, this enhanced benefit does not change the provision that limits the initial service retirement allowance to no more than 75% of the member's final compensation. This higher cost will be factored into future actuarial reports when determining any future supplemental contribution requirements by the City.

Respectfully submitted,


Cynthia J. Kurtz
City Manager

Approved:


Jay M. Goldstone
Director of Finance

