

Agenda Report

DATE: MAY 17, 2004

TO: City Council

FROM: Cynthia J. Kurtz, City Manager

SUBJECT: APPROVAL OF A RESOLUTION OF INTENT AND FIRST READING OF AN ORDINANCE TO AMEND THE CalPERS CONTRACT TO ESTABLISH AN OPEN WAIVER PERIOD FOR ALL SAFETY EMPLOYEES CURRENTLY PARTICIPATING IN THE FIRE AND POLICE RETIREMENT SYSTEM WHO MAY WISH TO TRANSFER TO PERS

RECOMMENDATION

It is recommended that the City Council adopt a Resolution of Intention and hold first reading of an Ordinance to approve an amendment to the Contract between the Board of Administration of the California Public Employees' Retirement System (PERS) and the City of Pasadena to establish an open waiver period for all safety employees currently participating in the Fire and Police Retirement System (FPRS) and allow any such member who wishes to transfer from FPRS to PERS to do so no later than June 30, 2004.

BACKGROUND

The City closed its Fire and Police Retirement System to new participants in 1977. All police and fire public safety employees hired after that date are covered under the CalPERS Retirement System. At the time FPRS was closed, employees were provided a one time, irrevocable opportunity to transfer from FPRS to PERS. Recently, the City was approached by FPRS members who wish to have one more opportunity to transfer to PERS. There are currently 22 active public safety employees remaining in the FPRS who would be eligible to make this transfer.

DISCUSSION

After a review of the actuarial and financial impact the open waiver period would have on both FPRS and PERS and the ultimate cost to the City, staff has determined that the City would be financially better off if it allowed the 22 remaining FPRS participants to transfer. While not every employee may elect to transfer, the analysis was done on the

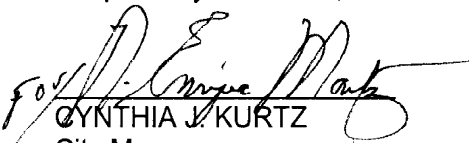
assumption that 21 of the 22 FPRS members would elect to transfer. This may or may not be the actual results.

Based upon the assumption that 21 FPRS members transfer to PERS, the FPRS' liabilities would be reduced by approximately \$32 million, while \$9.8 million in assets would leave the System. Because of an agreement to return a portion of these assets to those members leaving the System, PERS would assume the \$32 million in liability while receiving approximately \$8.5 million in assets. The projected savings in supplemental contributions to the Fire and Police Retirement System clearly exceed the incremental cost due to a higher PERS rate. If all 21 members leave, the PERS rate for public safety employees is projected to increase by 3.397%. This higher rate would be applied against the pensionable compensation for all public safety employees.

FISCAL IMPACT

The approval of the PERS contract amendment will result in a projected increase of \$1.1 million to the City's PERS contribution, while decreasing the FPRS supplemental contribution by approximately \$4.3 million. The net savings will vary from year-to-year; however, the projected net present value savings over the projected remaining life of the FPRS plan is \$7.6 million.

Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

Approved by:


JAY M. GOLDSTONE
Director of Finance

Concurrence:


KARYN S. EZELL
Director of Human Resources