

Agenda Report

April 7, 2003

TO: City Council

THROUGH: Legislative Policy Committee

FROM: City Manager

RE: Opposition to SB 100 (Dunn), Regarding Proposed Increased CalPERS Service Retirement Benefits for Public Safety Employees

RECOMMENDATION

It is recommended that the City Council take a position in opposition to SB 100 (Dunn), which, as introduced, would impose a mandatory increase in CalPERS service retirement benefits for public safety employees to 100% of final compensation, and authorize the Mayor to send letters to the appropriate authorities conveying Pasadena's position.

BILL SUMMARY

Under the Public Employees' Retirement Law, service retirement benefits for local safety members who retire on or after January 1, 2002, may not exceed 90% of final compensation. SB 100 would increase this benefit limitation to 100% of final compensation for local safety members who retire on or after January 1, 2004.

BACKGROUND

In 1999, legislation was enacted that increased the maximum public safety service retirement benefit from 75% to 85% of final compensation. Just one year ago in 2001, SB 90 (Dunn) imposed another mandatory benefit increase to up to 90% of final compensation. These mandated retirement benefit increases have cost public agencies state wide millions of dollars in additional retirement contributions. Increases in retirement benefits, whether mandatory or negotiated, combined with significant investment losses incurred by the PERS fund, will result in substantial increases in safety retirement contributions over the next several years.

Although estimating the fiscal impact on the City would require an actuarial valuation, projections from PERS show the increase to 100% will not cost cities more, based on the assumption that because it will encourage employees to work longer, retirement

benefits will be paid out for fewer years. However, PERS made similar projections when benefits were increased to 90%, and retirement contribution costs have increased by approximately 3.5% since the impact of the benefit increase was included in the calculation of rates, and since investment earnings have declined. Further, encouraging employees to work longer is contradictory to recent legislation providing for the optional 3%@50 and 3%@55 benefits, the stated philosophy of which was to encourage local safety employees to retire early, to prevent workers' compensation injuries that are more likely to occur in older public safety employees.

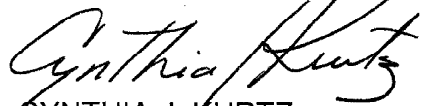
Given the State's budget crisis, declining local revenues and the resulting anticipated service cutbacks and employee layoffs, increasing public safety retirement benefits again is an unnecessary mandate on local agencies. In addition, by mandating increased pension benefits, SB 100 takes away the City's ability to negotiate pay and benefits for its employees.

SB 100 failed passage on March 24, 2003, in the Senate Public Employment and Retirement Committee, of which Senator Jack Scott is a currently a member, but was granted reconsideration, and may be reconsidered as soon as April 14, 2003.

FISCAL IMPACT

The fiscal impact cannot be determined at this time, but it is anticipated that PERS retirement contributions would increase as a result of increased retirement benefits.

Respectfully Submitted,



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Concur:



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