

# Agenda Report

**DATE:** June 5, 2006

**TO:** City Council  
**FROM:** City Manager  
**RE:** ADOPTION OF A RESOLUTION OF INTENT TO AMEND THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM CONTRACT TO IMPLEMENT RETIREMENT BENEFIT ENHANCEMENTS FOR MISCELLANEOUS NON-SAFETY EMPLOYEES

## **RECOMMENDATION**

It is recommended that the City Council adopt a Resolution of intent to approve an amendment to the contract between the Board of Administration of the California Public Employees' Retirement System and the City Council of the City of Pasadena to implement Credit for Unused Sick Leave (Government Code Section 20965), Pre-Retirement Optional Settlement 2 Death Benefit (Code Section 21548), Fourth Level of 1959 Survivor Benefits (Code Section 21574), and Military Service Credit as Public Service (Code Section 21024) for local miscellaneous members, to implement the terms of the agreement reached with the non-safety unions.

## **BACKGROUND**

Last year, the City and the Unions representing the non-sworn, miscellaneous employees, American Federation of State, County and Municipal Employees (AFSCME), International Brotherhood of Electrical Workers (IBEW), International Union of Operating Engineers (IUOE), Pasadena Association of Clerical and Technical Employees (PACTE), Pasadena Management Association (PMA) and Service Employees International Union (SEIU), collectively referred to as "the Coalition," negotiated in good faith and reached agreement on enhancements to PERS retirement benefits and on arrangements to share the cost of retirement benefits. The agreement, a copy of which is attached, provides for the following:

a) Effective as soon as administratively possible:

Credit for Unused Sick Leave  
Military Service Credit Buy Back  
Pre-Retirement Optional Settlement 2 Death Benefit  
Fourth Level of 1959 Survivor Benefits

- b) Effective July 1, 2006: The first phase of cost sharing implemented; employees to pay 2.2% of salary.
- c) Effective January 1, 2007: 2.5%@55 enhanced retirement benefit.
- d) Effective July 1, 2007: The final phase of cost sharing implemented; employees to pay additional 1.4% in cost sharing, for a total of 3.6% of salary.

The City Council has amended the Salary Resolution to implement the enhancements and cost sharing for the miscellaneous unrepresented management employees. Salary Resolution amendments applicable to the unrepresented non-supervisory employees and the unrepresented Executive Management employees are pending. This action is part of the process to amend the City's contract with PERS to implement the first series of benefit enhancements provided for by the Coalition agreement, described in item a) above.

The Credit for Unused Sick Leave benefit allows retiring employees to convert unused sick leave to additional service credit on a pro-rated basis. The Pre-Retirement Optional Settlement 2 Death Benefit allows a surviving spouse to receive the same monthly benefit that the deceased member would have received. The Fourth Level of 1959 Survivor Benefits, funded from a sub-account with PERS, to which both the employer and employees contribute, provides for a higher level of benefits to survivors of a deceased member.

In order to amend the PERS contract for these benefits, PERS regulations require that the City Council adopt a Resolution of Intention giving public notice of the intention to approve a specified amendment to the PERS contract. The PERS contract must be amended by Ordinance, which is before the Council under a separate item. The first reading of the Ordinance may be done concurrently with the Resolution of Intent, with a second reading no earlier than 20 days after adoption of the Resolution of Intention. The Ordinance will be effective upon publication; the contract amendment to provide for these benefits will be effective the beginning of the first pay period thereafter in July 2006, consistent with the agreement reached with the Unions.

The cost sharing arrangement will be accomplished by reducing the amount of the employee contribution rate that is paid by the City. To illustrate, currently the City pays all of the 7% employee cost; effective July 2006, the City will pay 4.8% of the employee cost and the employees will pay 2.2% on a pre-tax basis. The implementation of this portion of the Coalition agreement requires administrative action by staff, without further action by the City Council.

PERS requires a separate Resolution and an Ordinance to implement the 2.5%@55 benefit. That process, which under PERS regulations must include a vote of all

miscellaneous employees, is expected to take place in the early fall to allow for an implementation date of January 2007.

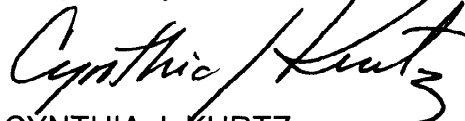
**FISCAL IMPACT**

The PERS actuarial valuation reports an increase in the present value of benefits of \$4,669,063, and an increase in the accrued liability of \$3,397,640; resulting in an increase of 0.532% to the City's total employer rate for miscellaneous employees as a result of implementing the Credit for Unused Sick Leave and Pre-Retirement Optional Settlement 2 Death Benefits enhancements. For the Fourth Level of 1959 Survivor Benefits, the PERS actuarial valuation reports an annual cost of approximately \$194,734 each year for five years, and then approximately \$91,984 annually thereafter.

The cost of implementing the Military Service Credit as Public Service is dependent on the circumstances of the individuals applying for this benefit, and therefore any cost will be included in the City's future annual valuations and the resulting annual employer rates. The incremental cost increase for each individual is expected to have a negligible impact on the City's future employer rates.

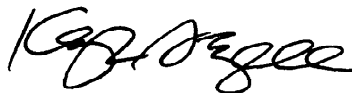
These benefit enhancements were previously approved by the City Council as part of negotiations with the various Unions; therefore the fiscal impact of the Coalition agreement is included in the City Manager's recommended FY 2007 Operating Budget and in the most recent five-year financial projections. Additional appropriations are not required.

Respectfully Submitted,



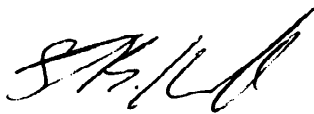
CYNTHIA J. KURTZ  
City Manager

Approved by:



KARYN S. EZELL  
Director of Human Resources

Concur:



STEVE MERMELL  
Interim Director of Finance

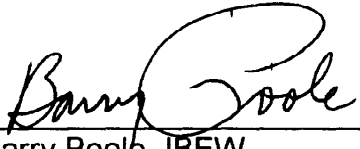
1. **Plan:** The City agrees to contract for 2.5% at 55 for implementation as provided herein. 2.5% at 55 shall be subject to a vote of all miscellaneous employees as required by PERS. If the miscellaneous employees vote to approve the amendment to the PERS plan, they shall pay a portion of the cost by paying a portion of their own Employee Normal Contribution as provided below at #3.
2. **Plan Effective Date:** The plan agreed to by the Parties shall be implemented on January 1, 2007.
3. **Employee Payment:**
  - A. Effective July 1, 2006, employees pay 2.2%.
  - B. Effective July 1, 2007, employees pay an additional 1.4% for a total of 3.6%.
4. **Pre-tax:** All employee contributions shall be made on a pre-tax basis and credited to the employee's PERS member account.
5. **Market Volatility:** No change based on market volatility. The City shall absorb all increases due to market volatility and shall receive the benefit of all reductions due to market volatility.
6. **Other PERS Optional Benefits:**
  - A. Credit for Unused Sick Leave (GC 20965) shall be implemented as soon as administratively possible after the Parties reach total agreement in these City/Coalition negotiations.
  - B. Military Buy Back (GC 21024) shall be implemented as soon as administratively possible after the Parties reach total agreement in these City/Coalition negotiations.
  - C. Survivor Spouse (GC 21548) shall be implemented as soon as administratively possible after the Parties reach total agreement in these City/Coalition negotiations.
  - D. Level 4 Survivor Benefit (GC 24574) shall be implemented as soon as administratively possible after the Parties reach total agreement in these City/Coalition negotiations.
7. **Full Understanding:** The Parties agree that until June 30, 2009, neither party, nor any Union that is a member of the Coalition, shall be required to negotiate or compel any other party to negotiate concerning an enhanced retirement plan, retirement contributions, or any PERS Optional Benefit, except for EPMC (GC 20692).


Any bargaining unit in the Coalition may have EPMC (GC 20692) implemented at the cost of one percent (1%) if such implementation occurs prior to October 1, 2006.


As provided by applicable State law, the terms and conditions of this agreement shall continue until otherwise modified or changed in writing by a subsequent mutually negotiated agreement.

Read, understood and agreed:

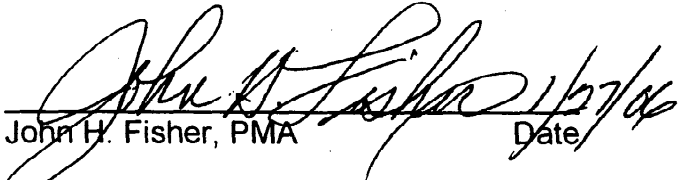
 1/27/06  
Pete Hodes, AFSCME Date


 1/27/06  
Barry Poole, IBEW Date

 1-27-06  
Lance Bedolla, UOE Date

 1-27-06  
Nicolina Montoya, PACTE, Local 777 Date

 1/27/06  
Susan Sturdevant, SEIU Date

 1/27/06  
John H. Fisher, PMA Date

 1/27/06  
Don Becker, City of Pasadena Date

RESOLUTION NO. \_\_\_\_\_

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

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 Credit for Unused Sick Leave (Government Code Section 20965), Pre-Retirement Optional Settlement 2 Death Benefit (Code Section 21548), Fourth Level of 1959 Survivor Benefits (Code Section 21574), and Military Service Credit as Public Service (Code Section 21024) for local miscellaneous members.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Pasadena that notice is hereby given of the intention to approve an amendment to the contract between the City of Pasadena 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.

This Resolution shall be effective as of June 12, 2006.

Adopted by the following vote at the meeting of the City Council on June 5, 2006:

AYES:


NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Jane Rodriguez, City Clerk

Approved as to Form:

  
\_\_\_\_\_  
Hugh A. Halford, Asst. City Attorney



**EXHIBIT**

California  
Public Employees' Retirement System

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**AMENDMENT TO CONTRACT**

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

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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 July 1, 1945, and witnessed July 27, 1945, and as amended effective July 1, 1951, November 1, 1955, August 1, 1957, November 1, 1957, August 1, 1959, February 1, 1964, October 1, 1969, May 28, 1973, May 1, 1974, September 29, 1975, July 1, 1976, August 29, 1977, March 27, 1978, January 27, 1981, November 30, 1981, May 16, 1983, April 30, 1984, July 2, 1984, October 28, 1985, June 30, 1987, July 3, 1989, October 8, 1990, November 14, 1991, July 18, 1992, November 15, 1993, March 7, 1994, February 15, 1995, November 25, 1996, September 3, 1997 December 4, 2000, November 3, 2003 , December 29, 2003 and June 28, 2004 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective June 28, 2004, and hereby replaced by the following paragraphs numbered 1 through 15 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 55 for local safety members.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

2. Public Agency shall participate in the Public Employees' Retirement System from and after July 1, 1945 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.
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. **ALL FIRE FIGHTERS AND POLICE OFFICERS EMPLOYED ON OR PRIOR TO AUGUST 29, 1977, WHO DID NOT WAIVER THEIR RIGHTS UNDER THE LOCAL SYSTEM ON AUGUST 29, 1977 AND AS OF THE EFFECTIVE DATE OF THIS AMENDMENT OT CONTRACT;**
  - b. **THOSE INACTIVE FIRE FIGHTERS AND POLICE OFFICERS WHO WERE ELIGIBLE TO AND DID NOT WAIVE THEIR RIGHTS UNDER THE LOCAL SYSTEM ON NOVEMBER 30, 1981; AND**
  - c. **CITY SERVICE WORKERS HIRED ON OR AFTER JUNE 30, 1987.**
5. Those safety members in the local retirement system on August 29, 1977 who did not waive their rights under said local system and, upon leaving employment with the City of Pasadena, left their contributions on deposit with said local system and are members of the Public Employees' Retirement System on November 30, 1981, were provided the right to execute and file a waiver on or before November 30, 1981.
6. Assets heretofore accumulated with respect to members under the local retirement system who waived their rights under that system have been transferred to the Public Employees' Retirement System on August 29, 1977, November 30, 1981 and June 28, 2004 and applied against the liability for prior service incurred thereunder. That portion of assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system have been credited to the individual membership account of each such employee under the Public Employees' Retirement System.



PLEASE DO NOT SIGN "EXHIBIT ONE."

7. This contract shall be a continuation of the contract of the Pasadena Community Development Commission, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred January 11, 1982.
8. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
9. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member shall be determined in accordance with Section 21363.1 of said Retirement Law (3% at age 55 Full).
10. Public Agency elected and elects to be subject to the following optional provisions:
  - a. Section 21571 (Basic Level of 1959 Survivor Benefits) for local police members only.
  - b. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980 for local miscellaneous members only.
  - c. Section 21222.2 (One-Time 5% Increase - 1971). Legislation repealed said Section effective January 1, 1980 for local miscellaneous members only.
  - d. Section 20042 (One-Year Final Compensation) for local safety members and for those local miscellaneous members entering membership prior to July 2, 1984.
  - e. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance) for local safety members and for those local miscellaneous members entering membership prior to July 2, 1984.
  - f. Section 21024 (Military Service Credit as Public Service) for those local police members entering membership prior to May 16, 1983; for those local fire members entering membership prior to April 30, 1984 and for all local miscellaneous members .
  - g. Section 20938 (Public Service Credit for Service Under Local Retirement System). Legislation repealed said Section effective September 27, 1979.

PLEASE DO NOT SIGN EXHIBIT C...

- h. Section 20903 (Two Years Additional Service Credit) for local miscellaneous members only.
  - i. Section 20475 (Different Level of Benefits). Section 20042 (One-Year Final Compensation), Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance), are not applicable to those local miscellaneous members entering membership on or after July 2, 1984; Section 21024 (Military Service Credit), Statutes 1976, is not applicable to those local police members entering membership on or after May 16, 1983, and to those local fire members entering membership on or after April 30, 1984.
  - j. Section 20422 ("Local Safety Member" shall include employees designated as Emergency Medical Technician I, II, or Emergency Medical Technician - Paramedic as described in Government Code Section 20422).
  - k. Section 20965 (Credit for Unused Sick Leave).
  - l. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit) for local fire members and local miscellaneous members only.
  - m. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local fire members and local miscellaneous members only.
11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on September 29, 1975. 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.
12. 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.
13. Public Agency shall also contribute to said Retirement System as follows:
- a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local fire members and all local miscellaneous members.

- b. 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.
  - c. 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.
14. 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.
15. 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 PASADENA

BY \_\_\_\_\_  
LORI MCGARTLAND, CHIEF  
EMPLOYER SERVICES DIVISION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_  
PRESIDING OFFICER

\_\_\_\_\_  
Witness Date

Attest: \_\_\_\_\_

\_\_\_\_\_  
Clerk