

# Agenda Report

November 6, 2006

TO: City Council

FROM: City Manager

RE: RESOLUTION OF INTENT AND FIRST READING OF AN UNCODIFIED ORDINANCE TO AMEND THE CONTRACT BETWEEN THE CITY OF PASADENA AND THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM TO IMPLEMENT THE 2.5%@55 ENHANCED RETIREMENT BENEFIT FOR ALL LOCAL MISCELLANEOUS EMPLOYEES AND RESOLUTION REGARDING THE REPORTING OF EMPLOYER PAID MEMBER CONTRIBUTIONS AS COMPENSATION FOR CERTAIN MISCELLANEOUS EMPLOYEES

## RECOMMENDATION:

It is recommended that the City Council:

1. 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 the 2.5%@55 enhanced retirement benefit for all local miscellaneous employees; and,
2. Introduce and conduct the first reading of "An Uncodified Ordinance of the City Council of the City of Pasadena Amending the Contract Between the City of Pasadena and the Board of Administration of the California Public Employees Retirement System to Provide Retirement Benefit Enhancements to Local Miscellaneous Employees" to implement the 2.5%@55 Retirement Provision for Local Miscellaneous employees, to implement the terms of the agreement reached with the non-safety unions.
3. Adopt a Resolution regarding the reporting of the value of employer paid member contributions as compensation to the California Public Employees Retirement System for certain miscellaneous employees.

## 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 2.5%@55 retirement formula provides an enhanced retirement benefit to retirees, based on age and years of service. As part of the agreement with the Unions, the employees agreed to share in the cost of this benefit.

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, the first reading of which 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. In addition, PERS regulations require an election by all miscellaneous employees, which will be conducted in November. The Ordinance will be effective upon publication after the second reading; the contract amendment providing these benefits will be effective the beginning of the first payroll period in January 2007.

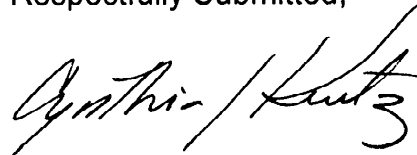
Additionally, the agreement with the Coalition provided that the unions may elect an additional benefit at the employees' cost, wherein the City's payment of the employees' portion of retirement contributions is reported to PERS as compensation, thereby increasing an employee's benefit calculation at retirement. The employees have chosen to implement this benefit, and will pay for the cost of the benefit by increasing the employees' share of the cost of the enhanced retirement benefits by 1% of salary. This benefit is implemented by a Resolution of the City Council.

## FISCAL IMPACT:

For the 2.5%@55 benefit, the PERS actuarial valuation reflects an increase in the present value of benefits of \$28,792,505, and an increase in the accrued liability of \$14,516,572; resulting in an increase of 2.447% to the City's total employer rate for miscellaneous employees as a result of implementing 2.5%@55 for all non-sworn employees. The additional cost associated with the implementation of reporting the Employer Paid Member Contribution as compensation is entirely offset by the employees' payment of an additional one percent of salary through the cost sharing arrangement.

This action implements an existing agreement that was previously approved by the City Council as part of negotiations with the various impacted Unions; therefore the fiscal impact of these changes is included in the adopted FY 2007 Operating Budget. Additional appropriations are not required at this time.

Respectfully Submitted,



CYNTHIA J. KURTZ  
City Manager

Prepared and Approved by:



KARYN S. EZELL  
Director of Human Resources

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

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

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by 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 City Council 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 Full Formula) for local miscellaneous members."

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Pasadena 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.

Adopted by the following vote at the meeting of the City Council on November 6, 2006:

AYES:

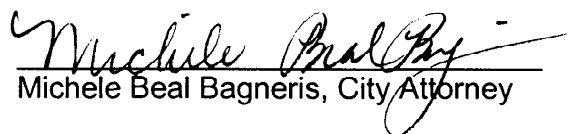
NOES:

ABSTAIN:

ABSENT:

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

Approved as to Form:

  
Michele Beal Bagneris, 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, June 28, 2004 and July 24, 2006 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 July 24, 2006, 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 55 for local safety members.

PLEASE DO NOT SIGN "EXHIBIT C."

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.

PLEASE DO NOT SIGN "EMPHATIC"

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.
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 in employment before and not on or after the effective date of this amendment to contract 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 miscellaneous member in employment on or after the effective date of this amendment to contract shall be determined in accordance with Section 21354.4 of said Retirement Law (2.5% at age 55 Full).
10. 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).
11. 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.

## Repealed Sections

- 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.
- 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).



PLEASE DO NOT SIGN

- i. 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.
12. 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.
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. 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.
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 PASADENA

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

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

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

Attest:

\_\_\_\_\_  
Clerk

Introduced by Councilmember: \_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_

AN UNCODIFIED ORDINANCE OF THE CITY COUNCIL OF THE CITY OF PASADENA AMENDING THE CONTRACT BETWEEN THE CITY OF PASADENA AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM TO PROVIDE RETIREMENT BENEFIT ENHANCEMENTS TO LOCAL MISCELLANEOUS EMPLOYEES

The People of the City of Pasadena ordain as follows:

SECTION 1. That an amendment to the contract between the City of Pasadena and the Board of Administration of the California Public Employees Retirement System (CalPERS) is hereby authorized, implementing Section 21354.4 (2.5%@55 Full Formula) for local miscellaneous; a copy of said amendment being attached hereto, marked "Exhibit" and by such reference made a part hereof as though herein set out in full.

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

SECTION 3. The City Clerk shall certify the adoption of this Ordinance and shall cause this Ordinance to be published in full text, with the exception of the Exhibit, which shall be on file in the City of Pasadena City Clerk's Office.

SECTION 4. This Ordinance shall take effect upon publication.

Signed and approved this \_\_\_ day of \_\_\_\_\_, 2006.

\_\_\_\_\_  
Bill Bogaard, Mayor

I HEREBY CERTIFY that the foregoing Ordinance was adopted by the City Council at its regular meeting held \_\_\_\_\_, 2006, by the following vote:

AYES:

NOES:

ABSTAIN:

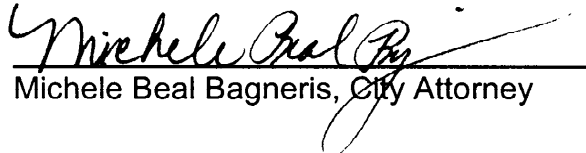
ABSENT:

Published:

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Jane L. Rodriguez, City Clerk

Approved as to Form:

  
Michele Beal Bagneris, City Attorney



**EXHIBIT**

California  
Public Employees' Retirement System

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PLEASE DO NOT WRITE

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.
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PLEASE DO NOT SIGN

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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 in employment before and not on or after the effective date of this amendment to contract shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
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  - b. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980 for local miscellaneous members only.

PLEASE DO NOT SIGN "EXHIBIT C"

- 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.
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- RETIRED
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    - m. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local fire members and local miscellaneous members only.
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    - 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.
  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 PASADENA

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

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

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

Attest:

\_\_\_\_\_  
Clerk

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

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA  
REGARDING THE REPORTING OF THE VALUE OF EMPLOYER PAID  
MEMBER CONTRIBUTIONS AS COMPENSATION TO THE  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM FOR  
CERTAIN LOCAL MISCELLANEOUS EMPLOYEES

WHEREAS, the City Council of the City of Pasadena has the authority to implement California Government Code Section 20636(c)(4) pursuant to Section 20691, and;

WHEREAS, the City Council of the City of Pasadena has adopted an agreement with the American Federation of State, County and Municipal Employees, Local 858 (AFSCME), the International Brotherhood of Electrical Workers, Local 18 (IBEW); the International Union of Operating Engineers, Local 501 (IUOE); the Pasadena Association of Clerical and Technical Employees, LIUNA Local 777 (PACTE); the Pasadena Management Association (PMA) and the Service Employees International Union, Local 327 (SEIU), which specifically provides for the normal member contributions to be paid by the employer and reported as additional compensation; and,

WHEREAS, the City Council of the City of Pasadena has adopted a Salary Resolution establishing salary and benefits for unrepresented employees in the Top Management, Middle Management, Professional Management, Confidential Clerical, Technical & Administrative, Hourly, and Non-Represented groups which specifically provides for normal member contributions to be paid by the employer and reported as additional compensation; and,

WHEREAS, the implementation of Section 20691 requires a Resolution of the City Council of the City of Pasadena to allow the payment and reporting of the Employer Paid Member Contribution; and,

WHEREAS, the City Council of the City of Pasadena has identified the following conditions for the purpose of its election to pay the Employer Paid Member Contribution:

1. This benefit shall apply to all local miscellaneous members represented by AFSCME, IBEW, IUOE, PACTE, PMA and SEIU, and all local non-safety miscellaneous members included

in the Confidential Clerical, Technical & Administrative, Hourly, and Non-Represented groups.

2. Effective November 13, 2006, this benefit shall consist of paying the 3.8% of the 7% normal employee contribution as Employer Paid Member Contributions and reporting this same amount earnable as additional compensation.
3. Effective January 8, 2007, this benefit shall consist of paying 3.4% of the 8% normal employee contribution and reporting this same amount earnable as additional compensation.

NOW, THERFORE, BE IT RESOLVED by the City Council of the City of Pasadena that the City of Pasadena elects to pay and report the value of the Employer Paid Member Contribution as set forth above.

This amendment shall be effective as of November 13, 2006.

Adopted by the following vote at the meeting of the City Council on November 6, 2006:

AYES:

NOES:

ABSTAIN:

ABSENT:

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Jane Rodriguez, City Clerk

Approved as to Form:

  
\_\_\_\_\_  
Michele Beal Bagheris, City Attorney