



City Council Staff Report

DATE: September 21, 2011

Consent

SUBJECT: AMENDMENT TO THE CONTRACT CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM NEW 3% @ 55 SAFETY FIRE SECOND TIER WITHIN A NON-POOLED PLAN (SECTION 20475: DIFFERENT LEVEL OF BENEFITS PROVIDED FOR NEW EMPLOYEES) – FOR FIRE ONLY

FROM: David H. Ready, City Manager

BY: Human Resources

SUMMARY

The City will consider adopting a Resolution of intent to modify the contract with the California Public Employees' Retirement System for a new 3% @ 55 Safety Fire Second Tier (Section 20475: Different Level of Benefits Provided for New Employees).

RECOMMENDATION:

1. Adopt Resolution No. ____, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS, CALIFORNIA DECLARING ITS INTENTION TO APPROVE AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS."

STAFF ANALYSIS:

The City is in the process of approving a new Memorandum of Understanding with the Fire Safety Unit and the Fire Management Unit. The MOU's provide a modification of the California Public Employees' Retirement System for a new 3% @ 55 Safety Fire Second Tier (Section 20475: Different Level of Benefits Provided for New Employees).

ITEM NO. 2F

The Resolution of Intent amending the California Public Employees' Retirement System contract must be certified by City Council to comply with the California Public Employees' Retirement System contract amendment procedures.

Description of Benefit Provisions and Section(s): Section 20475 Different Level of Benefits. Section 21362.2 (3% @ 50 Full Formula) is applicable to only those local safety fire members entering membership on or prior to the effective of this amendment to Contract. Section 21363.1 (3% @ 55 Full Formula) is applicable to local safety fire members entering membership for the first time in the safety classification after the effective date of this amendment to contract. (Coverage group 75101 will be established for this benefit).

Attached is the California Public Employees' Retirement System's Actuarial Valuation for the proposed contract amendment.

FISCAL IMPACT

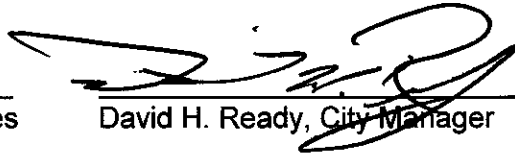
There will be no immediate employer contribution rate impact from this amendment. Ultimately, the employer normal cost will decrease. According to this Actuarial Valuation "if the mix of active member entry ages were the same for both the current continuing first tier employees and the new second tier employees, the ultimate decrease would be 0.9%.

This rate reduction will occur gradually, beginning on July 1, 2013, if there are second tier employees hired on or before June 30, 2011. For fiscal years 2013/2014 and beyond, the projected cumulative of rate reduction expected from introducing a second tier payroll to our total plan payroll two and a half years earlier.

For example if 1/10 of our safety fire members were in second tier on June 30, 2011 and the ultimate expected normal cost decrease was 0.9%, the cumulative rate reduction expected by the 2013/1014 fiscal year would be $1/10 \times 0.9\% = 0.9\%$."



Perry Madison, Director of Human Resources



David H. Ready, City Manager

Attachments: Resolution
Amendment to Contract
California Public Employees' Retirement System's Actuarial Valuation

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DECLARING ITS INTENTION TO APPROVE AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS.

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 Section 20475 (Different Level of Benefits). Section 21363.1 (3%@55 Full formula) is applicable to local fire members entering membership for the first time in the fire classification after the effective date of this amendment to contract.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The City Council of the City of Palm Springs does hereby give notice of its 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 Exhibit A and by this reference made a part hereof, as on file in the office of the City Clerk.

ADOPTED THIS 21st DAY OF SEPTEMBER, 2011

David H. Ready, City Manager

ATTEST:

James Thompson, City Clerk

CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE) ss.
CITY OF PALM SPRINGS)

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, hereby certify that Resolution No. _____ is a full, true and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Springs on this 8th day of September, 2010, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California



California Public Employees' Retirement System
Actuarial Office
P.O. Box 1494
Sacramento, CA 95812-1494
TTY: (916) 795-3240
(888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

Exhibit A

June 08, 2011
Employer Number: 355
Employer Name: CITY OF PALM SPRINGS
Rate Plan: SAFETY PLAN

Re: New 3% @ 55 Second Tier for local Safety Plan members within a Non-pooled Plan (Section 20475: Different Level of Benefits Provided for New Employees) – For Fire Only

Dear Requestor:

As requested, employer contribution rate information on your proposed second tier follows.

If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.

The information is based on the June 30, 2009 annual valuation.

For your new tier, there will be no immediate employer contribution rate impact from this amendment. Ultimately, however, your employer normal cost will decrease. If the mix of active member entry ages were the same for both the current continuing first tier employees and the new second tier employees, the decrease in the employer rate would be 0.9%.

The employer rate reduction will occur gradually, beginning on July 1, 2013, if there are second tier employees hired on or before June 30, 2011. For fiscal years 2013/2014 and beyond, the projected cumulative amount of rate reduction you can expect from introducing a second tier is equal to the ratio of your second tier payroll to your total plan payroll two and a half years earlier. For example if 1/10 of your Safety Plan members were in second tier on June 30, 2011 *and the ultimate expected normal cost decrease was 0.9%*, the cumulative rate reduction you can expect by the 2013/2014 fiscal year would be $1/10 \times 0.9\% = 0.09\%$.

To initiate an amendment to the contract, please complete the attached election form and mail or FAX (916) 795-3005 the form with a letter to the Contracts Maintenance Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).

RICHARD SANTOS, CFA, ASA, MAAA
Senior Pension Actuary, CalPERS