



City Council Staff Report

DATE: October 17, 2012 Consent Calendar

SUBJECT: AMENDMENT TO THE CONTRACT CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM NEW 2%@60 FORMULA AND THREE YEAR FINAL COMPENSATION MISCELLANEOUS GROUP SECOND TIER WITHIN A NON-POOLED PLAN (SECTION 20475: DIFFERENT LEVEL OF BENEFITS PROVIDED FOR NEW EMPLOYEES)

FROM: David H. Ready, City Manager

BY: Human Resources

SUMMARY

The City will consider adopting a Resolution of intent and Introduce on first reading an Ordinance to modify the contract with the California Public Employees' Retirement System for a new 2%@60 and Three Year Average Compensation Miscellaneous Group 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."
2. Introduce on first reading Ordinance No. ____, "AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA, APPROVING 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 has approved a new Memorandum of Understanding with the Management Association of Palm Springs (MAPS) and the Service Employees International Union Local 721 (General Unit). The MOU's provide a modification of the California Public Employees' Retirement System for a new 2%@60 formula and Three Year Average Compensation Miscellaneous Group Second Tier (Section 20475: Different Level of Benefits Provided for New Employees). Additionally, this second tier will apply to other non-represented Miscellaneous Group employees including Executive Management (EX) and Optional Members (City Council).

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 and; an Ordinance approving and 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 to amend the contract.

Description of Benefit Provisions and Section(s): Section 20475 Different Level of Benefits. Section 21354.5 (2.7%@55 Full Formula) and Section 20042 (Three Year Final Compensation) is applicable to only those Miscellaneous Group employees entering membership on or prior to the effective of this amendment to Contract, which will be December 7, 2012. Section 21353 (2%@60 Full Formula) and Section 20037 (Three Year Final Compensation) is applicable to Miscellaneous Group employees entering membership for the first time after the effective date of this amendment to contract.

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

FISCAL IMPACT

There is no immediate employer contribution rate change from this amendment. Ultimately, the employer normal cost will decrease. According to the 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 decrease in the employer rate would be 4.2% and the decrease in the employee contribution rate would be 1%".

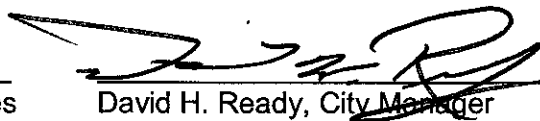
This rate reduction will occur gradually, beginning on July 1, 2014, if there are second tier employees hired on or before June 30, 2012. For fiscal years 2014/2015 and beyond, the projected cumulative of rate reduction expected from introducing a second tier is approximately equal to the ratio of your second tier payroll to your total plan annual payroll two and a half years earlier.

FISCAL IMPACT CONT:

For example if 1/10 of our miscellaneous members were in second tier on June 30, 2012, and the ultimate expected normal cost decrease was 4.2%, the cumulative rate reduction expected by the 2014/1015 fiscal year would be $1/10 \times 4.2\% = 0.42\%$."



Perry Madison, Director of Human Resources



David H. Ready, City Manager

Attachments: Resolution
Ordinance
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, 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.

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 21353 (2%@60 Full Formula) and Section 20037 (Three Year Average Compensation) is applicable to local miscellaneous members entering membership for the first time 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 17th DAY OF OCTOBER, 2012.

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 17th day of October, 2012, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

James Thompson, City Clerk
City of Palm Springs, California

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch

Public Agency Contract Services

P.O. Box 942709

Sacramento, CA 94229-2709

(888) CalPERS (225-7377)

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

_____ of the
(governing body)

(public agency)

on _____
(date)

Clerk/Secretary

Title

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs as determined by the System Actuary for the increase/change in retirement benefit(s) have been made public at a public meeting of the

_____ of the
(governing body)

_____ of the
(public agency)

on _____ which is at least two weeks prior to the adoption of the
(date)

Resolution / Ordinance.

Adoption of the retirement benefit increase/change will not be placed on the consent calendar.

Clerk/Secretary

Title

Date _____

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch

Public Agency Contract Services

P.O. Box 942709

Sacramento, CA 94229-2709

(888) CalPERS (225-7377)

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 20475**

I hereby certify that the _____ of the
(governing body)

(public agency)

has fully discharged all of the obligation imposed by Chapter 10 (commencing with
Section 3500) of Division 4 of Title 1, Government Code.

By _____

Title

Witness

Date

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF PALM SPRINGS,
CALIFORNIA, APPROVING 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.

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS HEREBY ORDAINS:

SECTION 1. An amendment to the contract between the City Council of the City of Palm Springs and the Board of Administration of the California Public Employees' Retirement System is hereby authorized and approved, a copy of said amendment being attached hereto, marked Exhibit A, and by such reference made a part hereof as though herein set out in full, as on file in the office of the City Clerk.

SECTION 2. The City Manager of the City of Palm Springs is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City Council and the City of Palm Springs.

SECTION 3. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same, or the summary thereof, to be published and posted pursuant to the provisions of law and this Ordinance shall take effect thirty (30) days after adoption.

PASSED, APPROVED, AND ADOPTED BY THE PALM SPRINGS CITY
COUNCIL THIS 7th DAY OF NOVEMBER, 2012.

STEPHEN P. POUCKET, MAYOR

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, California, do hereby certify that Ordinance No. ____ is a full, true, and correct copy, and was introduced at a regular meeting of the Palm Springs City Council on October 7, 2012, and adopted at a regular meeting of the City Council held on November 7, 2012, 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 942709
Sacramento, CA 95812-1494
TTY: (877) 249-7442
(888) 225-7377 phone • (916) 795-2744 fax
www.calpers.ca.gov

June 27, 2012
CALPERS ID: 5389648201
Employer Name: CITY OF PALM SPRINGS
Rate Plan: MISCELLANEOUS PLAN

Re: New 2% @ 60 Full Formula and Three-Year Final Compensation Second Tier within a Non-pooled Plan (Section 20475: Different Level of Benefits Provided for New Employees)

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, 2010 annual valuation and is good until June 30, 2013. Note, however, that your rate after June 30, 2013 could change substantially. If your agency has not taken action to amend its contract by June 30, 2013, **you must contact the Retirement Contract Services Unit for an updated cost analysis.**

If the employee contribution rate changes, that change would take place immediately. There will be no immediate employer contribution rate impact from this amendment. Ultimately, though, 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 4.2% and the decrease in the employee contribution rate would be 1%.

The employer rate reduction will occur gradually, beginning on July 1, 2014, if there are second tier employees hired on or before June 30, 2012. For fiscal years 2014/2015 and beyond, the projected annual amount of rate reduction you can expect from introducing a second tier is approximately equal to the ratio of your second tier annual payroll to your total plan annual payroll two and a half years earlier. For example if 1/10 of your Miscellaneous Plan members were in second tier on June 30, 2012 and the ultimate expected normal cost decrease was 4.2%, the cumulative rate reduction you can expect by the 2014/2015 fiscal year would be $1/10 \times 4.2\% = 0.42\%$.

To initiate an amendment to the contract, please follow the Contract Amendment Request process on MyCalPERS with our Retirement Contract Services 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).

A handwritten signature in black ink that reads "David Du Bois".

DAVID DU BOIS, FSA
Senior Pension Actuary, CalPERS



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

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

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 January 1, 1957, and witnessed December 3, 1956, and as amended effective July 14, 1965, January 14, 1973, January 1, 1975, September 5, 1976, July 10, 1977, October 15, 1978, April 29, 1979, February 27, 1983, July 1, 1984, June 29, 1986, April 18, 1998, August 23, 1998, April 18, 1999, August 19, 2001, April 28, 2002, May 25, 2003, January 4, 2004, June 17, 2011 and December 17, 2011 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 December 17, 2011, 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 entering membership in the miscellaneous classification on or prior to the effective date of this amendment to contract and age 60 for local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract; age 50 for local police members entering membership in the police classification on or prior to June 17, 2011 and those local fire members entering membership in the fire classification on or prior to December 17, 2011; age 55 for local police members entering membership for the first time in the police classification after June 17, 2011 and those local fire members entering membership in the fire classification after December 17, 2011.
2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1957 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. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.

- (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.
 - (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.
 - (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.
 - (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.
4. 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).
5. 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:

NO ADDITIONAL EXCLUSIONS

6. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after April 28, 2002 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service prior to December 31, 1974, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).

7. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after April 28, 2002 and not entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract shall be determined in accordance with Section 21354.5 of said Retirement Law, subject to the reduction provided therein for service prior to December 31, 1974, termination of Social Security, for members whose service has been included in Federal Social Security (2.7% at age 55 Full and Modified).
8. The percentage of final compensation to be provided for each year of credited current service as a local miscellaneous member entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract shall be determined in accordance with Section 21353 of said Retirement Law (2% at age 60 Full).
9. The percentage of final compensation to be provided for each year of credited prior and current service as a local police member entering membership in the police classification on or prior to June 17, 2011 and local fire members entering membership in the fire classification on or prior to December 17, 2011 shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
10. The percentage of final compensation to be provided for each year of credited current service as a local police member entering membership for the first time in the police classification after June 17, 2011 and local fire members entering membership for the first time in the fire classification after December 17, 2011 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. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance).
 - b. Section 21024 (Military Service Credit as Public Service).
 - c. Section 20042 (One-Year Final Compensation) for local safety members and for those local miscellaneous members entering membership on or prior to the effective date of this amendment to contract.
 - d. Section 20965 (Credit for Unused Sick Leave) for local fire members only.
 - e. Section 21574 (Fourth Level of 1959 Survivor Benefits).

- f. Section 20475 (Different Level of Benefits). Section 21363.1 (3% @ 55 Full formula) is applicable to local police members entering membership for the first time in the police classification after June 17, 2011.

Section 21363.1 (3% @ 55 Full formula) is applicable to local fire members entering membership for the first time in the fire classification after December 17, 2011.

Section 21353 (2% @ 60 Full formula) and Section 20037 (Three-Year Final Compensation) are applicable to local miscellaneous members entering membership for the first time in the miscellaneous classification after the effective date of this amendment to contract.

- 12. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on September 5, 1976. 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 miscellaneous members and local safety 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 PALM SPRINGS

BY _____
KAREN DE FRANK, CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk