(2.4)

OFFICE OF
LABOR RELATIONS

CITY OF SACRAMENTO
CALIFORNIA

921 10TH STREET
ROOM 601
SACRAMENTO, CA
95814-2711

PH 916-264-5424
FAX 916-264-8110

April 11, 2001

Law and Legislation Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Letter of Opposition to Senate Bill 90 - Local Safety Members Benefit Limit Increase under Public Employees Retirement System (PERS)

LOCATION AND COUNCIL DISTRICT: All

RECOMMENDATION:

It is recommended that the Law and Legislation Committee oppose the bill and approve the attached letter to be sent to the bill's author, Senator Dunn.

CONTACT PERSONS: Dee Contreras, Director of Labor Relations (264-5424)
Yvonne Berdan, Retirement Officer (264-5665)

FOR COMMITTEE MEETING OF: April 17, 2001

SUMMARY

This report provides an overview of Senate Bill 90, which would increase the benefit limit for local safety members who retire on or after January 1, 2002, from 85% to 90% of final compensation. Staff is opposed to this bill because it creates a mandatory increase in retirement benefits for safety employees without providing the City the opportunity to address the matter through negotiations.

BACKGROUND

In 1999, the Legislature enacted SB 800, which increased the maximum benefit received by safety members from 75% to 85% of final compensation. Although the City opposed the bill, it was enacted and became effective January 1, 2000. The proposed legislation, SB 90, would raise the cap further from 85% to 90%. Specifically, the bill provides that "for local safety members who retire on or after January 1, 2002, and with respect to all local safety service rendered to a contracting agency that is subject to [specified sections of PERS], the benefit limit shall be 90 percent of final compensation." Staff recommends that the City oppose SB 90 for the same reasons cited in opposition to the prior legislation.

The City of Sacramento, along with other local jurisdictions, is required by the Meyers-Milias-Brown Act to negotiate wages, and terms and conditions of employment for those employees who are represented by a recognized employee organization. However, SB 90 would result in a mandatory increase in retirement benefits for safety employees without affording the City the essential opportunity to negotiate the level and type of retirement plan it will offer.

Despite language in the bill to the contrary, this bill would impose upon the City a state-mandated cost. In fact, the increase to 85% under the prior legislation is currently being challenged as a mandated cost. Although it is impossible at this juncture to calculate with precision the cost of SB 90, it will certainly have an impact on the City's budget since it would currently constitute a non-reimbursable mandate.

The League of California Cities is opposing SB 90 on two grounds. First, as already pointed out, the bill would impose a non-reimbursable mandate on local agencies, thereby increasing retirement benefit costs. Second, the League notes that SB 90 sends a message that is contradictory to other recently enacted legislation. In 1999, new legislation gave local safety officers the option of bargaining the 3% at 50 and 55 retirement plans with their local agencies. The philosophy behind this plan was to encourage local safety officers to retire early. According to the League, there are currently 100 agencies that have either amended or are amending their contracts to reflect those plans. In contrast, SB 90 encourages public safety officers to delay retirement until their benefit reaches 90% of their final compensation. However, SB 90 does not permit a local agency to negotiate this retirement cap.

The League emphasizes that the Legislature should leave to each individual local agency the question of whether public safety officers should retire early or stay on the job longer than planned. In fact, the League would change its position from "opposed" to "neutral" if this mandate were made an option to be bargained at the local level.

FINANCIAL CONSIDERATIONS

Implementation of this bill would likely result in significant but currently undetermined and non-reimbursable costs to the City in the form of increased retirement benefit payments.

ENVIRONMENTAL CONSIDERATIONS

There are no environmental considerations associated with this report.

POLICY CONSIDERATIONS

This bill runs counter to the City's policy, pursuant to the Meyers-Milias-Brown Act, to negotiate wages, and terms and conditions of employment for employees represented by a recognized employee organization. As such, it would alter the balance so crucial to successful labor-management relations.

ESBD CONSIDERATIONS

There are no ESBD considerations associated with this report.

Respectfully submitted,

Dee Contreras
Director of Labor Relations

RECOMMENDATION APPROVED:

Betty Masuoka
Assistant City Manager

DRAFT

Senator Joseph Dunn
State of California
State Capitol
Sacramento, California 95814

SUBJECT: Opposition to Senate Bill 90

Dear Senator Dunn:

The City of Sacramento respectfully opposes Senate Bill 90, as currently drafted, for the reasons outlined below. In 1999, the Legislature enacted SB 800, which increased the maximum benefit received by safety members from 75% to 85% of final compensation. Although the City opposed the bill, it was enacted and became effective January 1, 2000. The proposed legislation, SB 90, would raise the cap further from 85% to 90%.

The City of Sacramento, along with other local jurisdictions, is required by the Meyers-Milias-Brown Act to negotiate wages, and terms and conditions of employment for those employees who are represented by a recognized employee organization. However, SB 90 would result in a mandatory increase in retirement benefits for safety employees without affording the City the essential opportunity to negotiate the level and type of retirement plan it will offer.

Despite language in the bill to the contrary, this bill would impose upon the City a state-mandated cost. In fact, the increase to 85% under the prior legislation is currently being challenged as a mandated cost. Although it is impossible at this juncture to calculate with precision the cost of SB 90, it will certainly have an impact on the City's budget since it would currently constitute a non-reimbursable mandate.

The League of California Cities is opposing SB 90 on two grounds, with which the City concurs. First, as already pointed out, the bill would impose a non-reimbursable mandate on local agencies, thereby increasing retirement benefit costs. Second, the League notes that SB 90 sends a message that is contradictory to other recently enacted legislation. In 1999, new legislation gave local safety officers the option of bargaining the 3% at 50 and 55 retirement plans with their local agencies. The philosophy behind this plan was to encourage local safety officers to retire early. According to the League, there are currently 100 agencies that have either amended or are amending their contracts to reflect those plans. In contrast, SB 90 encourages public safety officers to delay retirement until their benefit reaches 90% of their final compensation. However, SB 90 does not permit a local

DRAFT

agency to negotiate this retirement cap.

The League makes a cogent point that the Legislature should leave to each individual local agency the question of whether public safety officers should retire early or stay on the job longer than planned. In fact, the League would change its position from "opposed" to "neutral" if this mandate were made an option to be bargained at the local level.

The City does not object to the creation of an array of additional benefits and options that are available to PERS contracting agencies. Such options allow the unions to pursue plan improvements while at the same time allowing the City and the unions to determine the best use of available dollars for the enhancement of employees' total compensation. The needs and desires of employers vary, and an effort to compel them all to fit the same mold is ultimately detrimental to the collective bargaining process.

Steve Cohn,

Chairperson, Law and Legislation Committee