

May 10, 2004

City Council
Sacramento, California

CONTINUED
FROM 5-18-04
TO 5-25-04

Honorable Members in Session:

**SUBJECT: ORDINANCE AMENDING CONTRACT NO. 89-110 WITH
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

LOCATION & COUNCIL DISTRICT: Citywide

RECOMMENDATION

It is recommended that the City Council approve the PERS contract amendments by adopting the Ordinance. This report seeks approval of a PERS contract amendment to Section 21574.5, Indexed Level 1959 Survivor Benefit Program and Section 21548, Pre-Retirement Optional Settlement 2 Death Benefit, for safety members only to be effective June 26, 2004.

CONTACT PERSON

Terrence L. Woods, Director of Human Resources - 808-7243

FOR THE COUNCIL MEETING OF: May 18, 2004 (Afternoon)

SUMMARY

In accordance with the arbitrated labor agreement with the Sacramento Police Officers Association (SPOA) and with the Sacramento Firefighters, the PERS contract shall be amended to provide the benefits of Indexed Level 1959 Survivor Benefit Program and the Pre-Retirement Optional Settlement 2 Death Benefit to safety employees, effective June 26, 2004.

To accomplish this PERS amendment, the City Council adopted the Resolution of Intention, passed for publication an Ordinance at its April 29, 2004 meeting. The final Ordinance is to be adopted at the May 18, 2004 meeting.

COMMITTEE/COMMISSION ACTION

There was none required for this report.

BACKGROUND INFORMATION

During the 2001-02 labor negotiations with SPOA and Local 522, the City agreed to amend the PERS contract to provide improved retirement benefits for all police and fire safety personnel.

The 1959 Survivor Program is an independent benefit program from the retirement program that provides an additional allowance to the survivor(s) of a member if he/she dies prior to retirement. This benefit is only available to groups of employees not covered by Social Security. The benefit is payable in addition to all the pre-retirement death benefits (Basic Death, Pre-retirement Optional 2 settlement) payable from the retirement program except the special death benefit. The 1959 survivor benefit is reduced dollar for dollar by the amount of the special death benefit payable.

The Pre-Retirement Settlement 2 Death Benefit provides that the spouse of a deceased member, who was eligible to retire for service at the time of death, may elect to receive this benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse.

FINANCIAL CONSIDERATIONS

The amendment to the PERS contract implements a portion of the labor contract that was the result of binding arbitration for SPOA and negotiations for Local 522. SPOA and Local 522 have both agreed that the amendments to the contract will be a no cost to the City of Sacramento. The actuarial cost of the Pre-Retirement Settlement 2 Death Benefit amendment including accrued liability is \$513,000 or .04% and the cost of the 59 Survivor benefit is \$37,000 annually. The members have agreed to pay both the member contribution and the city contribution which is estimated at \$128,500 annually.

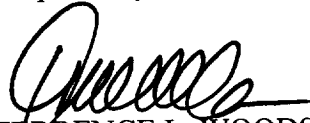
POLICY CONSIDERATIONS

These retirement enhancements are consistent with the City's Strategic Planning goal of recruiting and retaining a qualified diverse work force and the adoption of the Ordinance will be in compliance with the negotiated labor agreement and the Unrepresented Personnel Resolution.

ESBD CONSIDERATIONS

No goods or services are being purchased under this report.

Respectfully submitted,



TERRENCE L. WOODS
Director of Human Resources

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

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ORDINANCE NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**AN ORDINANCE AUTHORIZING AN AMENDMENT TO
CONTRACT NO. 89-110 BETWEEN THE CITY COUNCIL
OF THE CITY OF SACRAMENTO AND THE BOARD
OF ADMINISTRATION OF THE CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT SYSTEM**

SECTION 1.

That an amendment to the contract between the City Council of the City of Sacramento and the Board of Administration, California Public Employees' Retirement System is hereby authorized, 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.

SECTION 2.

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

SECTION 3.

THIS ORDINANCE SHALL TAKE EFFECT ON JUNE 22, 2004 OR THIRTY (30) DAYS AFTER THE DATE OF ITS ADOPTION, WHICHEVER IS LATER.

MAYOR

CITY CLERK

FOR CITY CLERK USE ONLY

ORDINANCE NO. _____

DATE ADOPTED: _____



EXHIBIT "A"

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

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

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 29, 1977, and witnessed January 25, 1977, and as amended effective June 1, 1978, March 17, 1988, December 30, 1989, June 26, 1991, February 21, 1992, May 29, 1996, November 20, 1996, December 19, 1997, July 1, 2000, June 30, 2001, September 22, 2001 and June 29, 2002 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

A. Paragraphs 1 through 17 are hereby stricken from said contract as executed effective June 29, 2002, and hereby replaced by the following paragraphs numbered 1 through 17 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, age 55 for local fire members and age 50 for local police members.

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ORDINANCE NO. _____

DATE ADOPTED: _____

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PLEASE DO NOT SIGN "EXHIBIT ONLY"

2. Public Agency shall participate in the Public Employees' Retirement System from and after January 29, 1977 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 member; (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 MISCELLANEOUS EMPLOYEES WHO WERE IN EMPLOYMENT PRIOR TO JANUARY 29, 1977; AND**
 - b. **ALL PERSONS WHO ARE PARTICIPANTS (AS THAT TERM IS DEFINED IN THE ACT HEREINAFTER REFERRED TO AND ANY REGULATIONS PROMULGATED THEREUNDER) UNDER THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1973, AS AMENDED.**
5. Assets heretofore accumulated with respect to members in the local retirement system who entered membership in this system on December 30, 1989 have been transferred to the Public Employees' Retirement System and applied against the liability for prior service incurred thereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system has been credited to the individual membership account of each such employee under the Public Employees' Retirement System.

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6. This contract shall be a continuation of the fire function of the Pacific Fire Protection District, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract with respect to the fire function shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred December 28, 1991.
 - a. All benefits provided under this contract shall apply to all past service for former employees of the Pacific Fire Protection District.
7. The percentage of final compensation to be provided for local miscellaneous members for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100%, and determined in accordance with Section 21354, subject to the reduction provided therein for service on or after January 29, 1977, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
8. The percentage of final compensation to be provided for local police members who entered membership in this System on or after January 29, 1977 and prior to December 30, 1989 and for those local police members who entered membership after December 30, 1989 for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100% and determined in accordance with Section 21362.2 of said Retirement Law (3% @ age 50 Full).
9. The percentage of final compensation to be provided for local fire members who entered membership in this System on or after January 29, 1977 and prior to December 30, 1989 and for those local fire members who entered membership after December 30, 1989 for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100% and determined in accordance with Section 21363.1 (3% @ age 55 Full).
10. The percentage of final compensation to be provided for each year of credited prior and current service for local police members who transferred from the local system and entered membership in this System on December 30, 1989 shall be determined in accordance with Section 21362.2 of said Retirement Law (3% @ 50 Full).

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PLEASE DO NOT SIGN "EXHIBIT ONE"

11. The percentage of final compensation to be provided for each year of credited prior and current service for local fire members who transferred from the system and entered membership in this system on December 30, 1989 shall be determined in accordance with Section 21363.1 (3% @ age 55 Full).
12. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).
 - b. Section 21151 (Industrial Disability Retirement For Local Miscellaneous Members).
 - c. Section 21022 (Public Service Credit for Periods of Lay-Off) for local fire members only.
 - d. Section 21335 (3% Cost-of-Living Allowance, limited pursuant to Section 21252.023 (a) for local safety members who transferred from the local system, entered membership in this System on December 30, 1989 and retired after that date. Legislation repealed said Section effective June 30, 1991.
 - e. Section 21037 (Cancellation of Payment for Optional Service Credit Upon Retirement for Industrial Disability) limited pursuant to Section 21038 for local safety members who transferred from the local system and entered membership in this System on December 30, 1989.
 - f. Section 21536 (Local System Service Credit Included in Basic Death Benefit) for local safety members who transferred from the local system and entered membership in this System on December 30, 1989.
 - g. Section 20042 (One-Year Final Compensation).
 - h. Section 21024 (Military Service Credit as Public Service), Statutes of 1976.
 - i. Section 21023.5 (Public Service Credit for Peace Corps, AmeriCorps VISTA, or AmeriCorps Service) for local miscellaneous members and local fire members only.

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DATE ADOPTED: _____

PLEASE DO NOT SIGN "EXHIBIT C"

- j. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit) for local safety members only.
- k. Section 21574.5 (Indexed Level of 1959 Survivor Benefits) for local safety members only.
- 13. Public Agency, in accordance with Government Code Section 20834, shall not be considered an "employer" for purposes of the Public Employees' Retirement Law. Contributions of the Public Agency shall be fixed and determined as provided in Government Code Section 20834, and such contributions hereafter made shall be held by the Board as provided in Government Code Section 20834.
- 14. 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 of said Retirement System.
- 15. 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 21574.5 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 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.
- 16. 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.

FOR CITY CLERK USE ONLY

ORDINANCE NO. _____

DATE ADOPTED: _____

17. 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 SACRAMENTO

BY _____
KENNETH W. MARZION, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest

Clerk

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ORDINANCE NO. _____

DATE ADOPTED: _____