



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
[www. CityofSacramento.org](http://www.CityofSacramento.org)

Consent
 March 17, 2009

Honorable Mayor and
 Members of the City Council

Title: Amendment to the Public Employees' Retirement System Contract No. 89-110

Location/Council District: City-wide

Recommendation: Adopt a resolution: 1) amending contract No. 89-110 between the City of Sacramento and the Board of Administration California Public Employees' Retirement System (PERS) to provide Section 20434 Fire Safety Plan for Fire Prevention Officers, Section 21574.5 Indexed Level of 1959 Survivor Benefits, and Section 21548 Pre-Retirement Option 2W Death Benefit for police members.

Contact: Geri Hamby, Human Resources Director

Presenters: N/A

Department: Human Resources

Division: Administration

Organization No: 08001011

Description/Analysis

Issue: Pursuant to the labor agreement with Sacramento Area Firefighters Local 522 adopted by Council April 29, 2008, Fire Prevention Officers shall be added to the City PERS fire safety plan. Pursuant to agreement with the Sacramento Police Officers Association (SPOA), the City agreed to participate in the optional benefit plans of Indexed Level of 1959 Survivor Benefits and the Pre-Retirement Option 2W Death Benefit.

Currently the Fire Prevention Officer series is covered by the Miscellaneous Retirement Plan. The plan is 2% @ 55. This amendment would provide for Fire Prevention Officers coverage under the fire safety plan which is 3% @ 55.

The 1959 Survivor Benefit program provides an additional allowance to the survivors of members who die prior to retirement. The benefit is only available to employees not covered by Social Security. This benefit is payable in addition to other applicable death benefits such as the Basic Death Benefit, but would be reduced by the Special Death Benefit if payable.

The Pre-Retirement Option 2W Death Benefit provides that the spouse or domestic partner 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 the death and elected the Optional Settlement 2, the highest monthly allowance a member can leave a spouse.

Pursuant to PERS regulations, the ordinance to authorize the contract amendment must be adopted by the governing body at least 20 days after the date the resolution was passed. Staff will request Council adopt an ordinance at the April 7, 2009 meeting to execute the contract amendment effective May 9, 2009.

Policy Considerations: Adoption of the resolution to amend the PERS contract fulfills the City's legal obligation to add Fire Prevention Officers to the fire safety retirement plan. It also fulfills the City's commitment to the SPOA to participate in the 1959 Survivor Benefit and Option 2W Death Benefit programs.

Environmental Considerations: Under the California Environmental Quality Act (CEQA) guidelines, continuing administrative activities do not constitute a project and are therefore exempt from review.

Sustainability Considerations: Not Applicable

Rationale for Recommendation: The City Council adopted the Labor Agreement reached with Local 522, effective April 29, 2008. Adoption of the resolution to amend the contract with PERS meets the City's legal obligation to "as soon as practicable" amend the contract in accordance with the June 28, 2007 letter of understanding between the City and Local 522. The amendments to the contract for police members meet the City's commitment to participate in the 1959 Survivor Benefit and Pre-Retirement Option 2W Death Benefit programs. Each amendment is consistent with City Council goals for maintaining a highly qualified and dedicated workforce which provides superior customer service to the citizens of the City.

Financial Considerations: The actuarial valuation for the adoption of the amendment is as follows for the Miscellaneous Plan:

- 1) Change in Present Value of Benefits \$ (2,233,557)
- 2) Change in Accrued Liability \$ (956,687)
- 3) Change in the Total Employer Rate 0.017%

The actuarial valuation for the adoption of the amendment is as follows for the Fire Plan:

- 1) Change in Present Value of Benefits \$ 4,219,688
- 2) Change in the Accrued Liability \$ 1,408,257
- 3) Change in the Total Employer Rate (0.014)%

The actuarial valuation for the adoption of the amendment is as follows for the Police Plan:

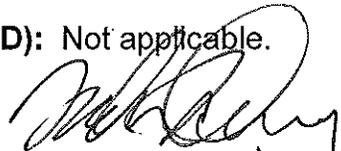
- 1) Change in Present Value of Benefits \$ 832,226
- 2) Change in Accrued Liability \$541,974
- 3) Change in the Total Employer Rate .078%

Per letter of understanding with the SPOA, members will pay both the employer and employee contribution of the 1959 Survivor Benefit Program. The employer cost to initially join the 1959 Survivor Benefit Program is the the pool's annual employer normal cost for a period of five years. Normal costs for fiscal year 2009 are \$4.70 per member, per month for the employer and \$2.00 per member per month for the employee. Assuming each eligible member elects to participate, the cost will be \$32,634 annually.

Per letter of understanding with the SPOA, members will also pay the cost of funding the Pre-Retirement Option 2W Death Benefit which is .03% of payroll for police members.

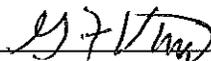
Emerging Small Business Development (ESBD): Not applicable.

Respectfully Submitted by:



Geri Hamby
Human Resources Director

Approved by:



Gus Vina
Assistant City Manager

Recommendation Approved:



Ray Kerridge
City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration California Public Employee's Retirement System and the City Council, City of Sacramento

BACKGROUND

- A. Pursuant to labor agreement with the Sacramento Area Firefighters Local 522 adopted by Council April 29, 2008, Fire Prevention Officers shall be added to the City PERS fire safety plan.
- B. Pursuant to agreement with the Sacramento Police Officers Association, the City agreed to participate in the optional benefits plans of Indexed Level of 1959 Survivor Benefits and the Pre-Retirement Optional 2W Death Benefit.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. WHEREAS, the Public Employee's 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
- Section 2. WHEREAS, one of the steps in the procedure 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
- Section 3. WHEREAS, the following is a statement of the proposed change:
 - To provide Section 20434 (Any officers or employees of a fire department employed to perform duties of firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as "Local Fire Fighters"); Section 21574.5 (Indexed Level of 1959 Survivor Benefits) and Section 21548 (Pre-Retirement Option 2W Death Benefit) for local police members only.
- Section 4. NOW, THEREFORE LET IT BE RESOLVED that the governing body of the above agency 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.



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, June 29, 2002, November 26, 2005 and April 29, 2006 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 April 29, 2006, 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.

SECTION "EXHIBIT C"

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 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 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 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 for those local police members who entered membership after December 30, 1989 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 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 for those local fire members who entered membership after December 30, 1989 for each year of credited current service is 100% and determined in accordance with Section 21363.1 of said Retirement Law (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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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 local 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).
 - i. Section 21023.5 (Public Service Credit for Peace Corps, AmeriCorps VISTA, or AmeriCorps Service) for local miscellaneous members and local fire members only.
 - j. Section 20965 (Credit for Unused Sick Leave).

- k. Section 20434 ("Local Fire Fighter" shall include any officer or employee of a fire department employed to perform firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as described in Government Code Section 20434).
 - l. Section 21574.5 (Indexed Level of 1959 Survivor Benefits) for local police members only.
 - m. Section 21548 (Pre-Retirement Option 2W Death Benefit) for local police 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 members 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 police 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.
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 _____
LORI MCGARTLAND, CHIEF
EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest: _____

Clerk