City of Culver City, California

Agenda Item Report

Meeting Date: 11/07/11	Item Number: C-5
CITY COUNCIL AGENDA ITEM: Adoption of an Ordinance Authorizing a Contract Amendment between the Public Employees' Retirement System (PERS) and the City of Culver City to Implement 2% at 60 and Three-Year Final Compensation for New Hires in the Local Miscellaneous Plan (Culver City Management Group (CCMG), Executive Compensation Plan (ECP), and Culver City Employees' Association (CCEA).	
Contact Person/Dept.: Serena Wright	Phone Number: 310-253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Dates:
Public Notification: (E-Mail) Agenda and Meetings – City Council (11/03/11); Culver City Management Group (11/02/11); Culver City Employees' Association (11/02/11)	
Department Approval: Serena Wright (10/31/11)	City Attorney Approval: Carol Schwab (by H. Baker) (11/02/11)
Chief Financial Officer Approval: Jeff Muir (11/02/11)	City Manager Approval: John M. Nachbar (11/03/11)

RECOMMENDATION:

Staff recommends that the City Council adopt an ordinance authorizing a contract amendment between the Public Employees' Retirement System (PERS) and the City of Culver City to Implement 2% at 60 and Three-Year Final Compensation for New Hires in the Local Miscellaneous Plan (Culver City Management Group (CCMG), Executive Compensation Plan (ECP), and Culver City Employees' Association (CCEA)).

BACKGROUND:

The City Council recently adopted three (3) Memoranda of Understanding (MOU's):

- May 23, 2011: Culver City Management Group (CCMG);
- June 13, 2011: Executive Compensation Plan (ECP); and
- July 25, 2011: Culver City Employees' Association (CCEA).

In accordance with the labor agreements, the City will create a second tier retirement formula for all new employees hired after approval of the PERS contract amendment. These employees will participate in the PERS 2% @ 60 pension plan and shall be required to pay the entire 7% PERS employee contribution rate. Final pension compensation shall be based on the highest average full-time monthly pay rate for a 3-year period.

DISCUSSION:

The MOU's provide for implementation of PERS Section 20475 (Different Level of Benefits), Section 21353 (2% @ 60 Modified Formula) and Section 20037 (Three-Year Final Compensation). PERS does not make a distinction between the CCMG, ECP and CCEA bargaining units, and instead categorizes the groups as "Local Miscellaneous Plan." Upon adoption of the contract amendment, PERS will establish a separate, second-tier coverage group in the Local Miscellaneous Plan that will apply to all new hires represented by CCMG, ECP and CCEA.

On October 10, 2011, the City Council adopted Resolution No. 2011-R083 which declared the City Council's intention to amend the City's PERS Contract to implement a second tier of benefits to new hires in the Local Miscellaneous Group. Upon adoption of the Resolution of Intention, and pursuant to Government Code Section 20471, the City must wait at least twenty (20) days to adopt the final Ordinance. The proposed ordinance was introduced for first reading on October 10, 2011, and is before you tonight for adoption. Assuming adoption this evening, the ordinance would become effective December 6, 2011, and the contract amendment would become effective December 19, 2011, in compliance with PERS requirements.

FISCAL ANALYSIS:

Employer Contribution Rate
According to the PERS Actuarial Office, there will be no immediate impact to the City's employer contribution rate (15.080% for FY 2011/2012) due to this amendment. Over time the employer contribution rate will decrease as the number of new second tier employees increases. PERS estimates that if the mix between continuing first tier and the new second tier employees was equal, the decrease in the employer rate would be 2.7%. It will likely take ten to fifteen years to reach this point. Therefore, as discussed when the MOU's were presented for approval, the savings from implementing this second tier will be recognized over the long term.

Employee Contribution Rate
Second tier employees will pay the full 7% employee contribution.

ATTACHMENTS:

1. Proposed Ordinance including Exhibit Amendment to Contract

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MOTION:

That the City Council:

Adopt an ordinance authorizing a contract amendment between the Public Employees' Retirement System (PERS) and the City of Culver City to Implement 2% at 60 and Three-Year Final Compensation for New Hires in the Local Miscellaneous Plan (Culver City Management Group (CCMG), Executive Compensation Plan (ECP), and Culver City Employees' Association (CCEA).