City of Culver City, California

Agenda Item Report

Meeting Date: 10/10/11	Item Number: A-1
CITY COUNCIL AGENDA ITEM: (1) Adoption of a Resolution of Intention to Approve 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) and Culver City Employees' Association (CCEA)); and (2) Introduction of an Ordinance Authorizing said Contract Amendment.	
Contact Person/Dept.: Serena Wright	Phone Number: 310-253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Dates:
Public Notification: (E-Mail) Agenda and Meetings – City Council (10/05/11); Culver City Management Group (10/05/11); Culver City Employees' Association (10/05/11)	
Department Approval: Serena Wright (10/04/11)	City Attorney Approval: Carol A. Schwab (by H. Baker) (10/05/11)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (10/05/11)	City Manager Approval: John M. Nachbar (10/05/11)

RECOMMENDATION:

Staff recommends that the City Council: (1) adopt a Resolution of Intention to Approve 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) and Culver City Employees' Association (CCEA)); and (2) introduce an Ordinance authorizing said contract amendment.

BACKGROUND:

The City Council recently adopted two (2) Memoranda of Understanding (MOU's) and the Executive Compensation Plan:

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

In accordance with both MOU's and the Executive Compensation Plan, 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:

Both MOU's and the Executive Compensation Plan 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 and CCEA bargaining units, and instead categorizes both 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 and CCEA.

The City must comply with specific PERS contract amendment procedures and timelines. Before you tonight is the first reading of the proposed Ordinance, and adoption of the Resolution of Intention declaring City Council's intent to amend the PERS contract to implement a second tier of benefits for Local Miscellaneous Plan Members. Upon adoption of the Resolution of Intention, pursuant to Government Code Section 20471, the City must wait at least twenty (20) days to adopt the Ordinance.

Assuming the Resolution of Intention is adopted this evening, consideration of adoption of the Ordinance will be placed on the November 7, 2011 City Council agenda. Should City Council adopt the Ordinance, it would become effective on 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 Fiscal Year 2011/2012) due to this amendment. However, 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. Resolution of Intention including Exhibit Amendment to Contract
2. Actuarial Valuation in accordance with Government Code Section 7507
3. Proposed Ordinance

MOTION:

That the City Council:

1. Adopt a Resolution of Intention to Approve 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) and Culver City Employees' Association (CCEA) and those employees covered by the Executive Compensation Plan; and,

2. Introduce an Ordinance authorizing said contract amendment.