

**City of Culver City, California
Agenda Item Report**

Meeting Date: 03/26/12		Item Number: <u>A-1</u>	
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 Section 20475, Different Level of Benefits, for Newly Hired Safety Plan Members in the Police Officers' Association (POA), Police Management Group (PMG), Firefighters' Association (FFA) and Fire Management (FMG)			
Contact Person/Dept.: Serena Wright		Phone Number: 310-253-5640	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Dates:	
Public Notification: (E-Mail) Agenda and Meetings – City Council (03/21/12); Police Officers' Association (POA), Police Management Group (PMG), Firefighters' Association (FFA), and Fire Management Group (FMG) (03/21/12)			
Department Approval: Serena Wright (03/21/12)		City Attorney Approval: Carol Schwab (by H. Baker) (03/21/12)	
Chief Financial Officer Approval: Jeff Muir (03/21/12)		City Manager Approval: John M. Nachbar (03/21/12)	
<u>RECOMMENDATION:</u> 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 Section 20475, Different Level of Benefits, for newly hired safety plan members in the Police Officers' Association, Police Management Group (PMG), Firefighters' Association (FFA) and the Fire Management Group (FMG). <u>BACKGROUND:</u> The City Council recently approved labor agreements with the POA, PMG, FFA and FMG. In accordance with the labor agreements, the City will create a second tier retirement formula for all Police and Fire Safety members hired after the effective date of the PERS contract amendment. The proposed ordinance was introduced for first reading on February 13, 2012 and presented to the City Council on March 12, 2012 where it was unanimously approved for adoption on the consent calendar. In order to satisfy the legal requirements of CalPERS, staff is re-presenting this item as an Action Item and recommends the City Council re-adopt the proposed ordinance this evening.			

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DISCUSSION:

The labor agreements provide for implementation of the following second-tier benefits for newly hired safety members represented by POA, PMG, FFA and FMG:

Police Officers' Association and Police Management Association

PERS Section 20475, Different Level of Benefits: Section 21363.1, 3% @ 55 Full Formula, and Section 20037, Three-Year Final Compensation.

Firefighters' Association and Fire Management Association

PERS Section 20475, Different Level of Benefits: Section 20037, Three-Year Final Compensation.

The City must comply with specific PERS contract amendment procedures and timelines. On February 13, 2012, the City Council adopted Resolutions of Intention Nos. 2012-R019 and 2012-R020, declaring the City Council's intent to amend the PERS Contract to implement a second tier of benefits for newly hired safety members in POA, PMG, FFA and FMG. Upon adoption of the Resolutions 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 February 13, 2012, and is before you tonight for adoption. Assuming adoption this evening, the ordinance would become effective April 25, 2012, and the contract amendment would become effective April 26, 2012, in compliance with PERS requirements.

FISCAL ANALYSIS:

- **Firefighters' Association and Fire Management Group**

Employer Contribution Rate

There will be no immediate change in the Employer Contribution Rate as a result of the second tier being implemented. CalPERS estimates that the long-term effect of the second tier (when all active employees are second tier) will be a 0.3% reduction in the Employer Contribution Rate. The rate for Fiscal Year 2011/2012 is 32.506% for Safety Employees. The long-term rate reduction is small because the only change is moving from single highest year to highest three years' compensation. There is no change to the pension formula (3% at 55) for FF or FMG.

Employee Contribution Rate

Second tier employees will pay the full 9% employee contribution. There will be limited immediate savings from this change until a significant level of turnover occurs.

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- **Police Officers' Association and Police Management Group**

Employer Contribution Rate

There will be no immediate change in the Employer Contribution Rate as a result of the second tier being implemented. CalPERS estimates that the long-term effect of the second tier (when all active employees are second tier) will be a 2.0% reduction in the Employer Contribution Rate. The rate for Fiscal Year 2011/2012 is 32.506% for Safety Employees. Based on the current year rate, the long-term reduction in the Employer Contribution Rate for POA and PMG employees is approximately 6%. It will take many years to achieve this.

Employee Contribution Rate

Second tier employees will pay the full 9% employee contribution. There will be limited immediate savings from this change until a significant level of turnover occurs.

ATTACHMENTS:

1. Proposed Ordinance including Exhibit Amendment to Contract

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 Section 20475, Different Level of Benefits for newly hired Safety Plan Members in the Police Officers' Association (POA), Police Management Group (PMG), Firefighters' Association (FFA), and the Fire Management Group (FMG).