City of Culver City, California
Agenda Item Report

Meeting Date: 02/13/12	Item Number: A-2
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 3% at 55 Formula and Three-Year Final Compensation for New Local Police Safety Members in the Police Officers' Association (POA) and Police Management Group (PMG); 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 (02/08/12); Culver City Police Officers' Association and Police Management Group (02/08/12)	
Department Approval: Serena Wright (02/08/12)	City Attorney Approval: Carol Schwab (by H. Baker) (02/13/12)
Chief Financial Officer Approval: Jeff Muir (02/08/12)	City Manager Approval: John M. Nachbar (02/09/12)

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 3% at 55 Formula and Three-Year Final Compensation for New Local Police Members in the Police Officers' Association and Police Management Group (PMG); and (2) introduce an Ordinance authorizing said contract amendment.

BACKGROUND:

The City Council recently approved labor agreements with the POA and PMG. In accordance with both 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 shall be required to pay the entire 9% PERS employee contribution rate, and final pension compensation shall be based on the 3% at 55 formula and highest average full-time monthly pay rate for a 3-year period.

DISCUSSION:

Both labor agreements provide for implementation of PERS Section 20475 (Different Level of Benefits), Section 21363.1 (3% @ 55 Full Formula) and Section 20037 (Three-Year Final Compensation). PERS does not make a distinction between the

POA and PMG bargaining units and, instead, categorizes both groups as "Local Police Safety Plan." Upon adoption of the contract amendment, PERS will establish a separate, second-tier coverage group in the Local Police Safety Plan that will apply to all new hires represented by POA and PMG.

The City must comply with specific PERS contract amendment procedures and timelines. Before you tonight is the first reading of the 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 Police Safety 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 final Ordinance.

Assuming the Resolution of Intention is adopted this evening, consideration of adoption of the Ordinance will be placed on the March 12, 2012 City Council agenda. Should the City Council adopt the Ordinance, it would become effective on April 10, 2012, and the contract amendment would become effective April 23, 2012, in compliance with PERS requirements.

FISCAL ANALYSIS:

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. Resolution of Intention including Exhibit Amendment to Contract
2. Actuarial Valuation in accordance with Government Code Section 7507
3. Proposed Ordinance

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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 Three-Year Final Compensation for New Local Fire Safety Members in the Police Officers' Association (POA) and Police Management Group (PMG); and,

2. Introduce an Ordinance authorizing said Contract Amendment.