



## *City Council Staff Report*

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DATE: November 16, 2011

LEGISLATIVE

SUBJECT: SECOND READING AND ADOPTION OF PROPOSED ORDINANCE NO. 1801, AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS

FROM: David H. Ready, City Manager

BY: Office of the City Clerk

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### SUMMARY:

The City Council will consider adoption of Proposed Ordinance No. 1801.

### RECOMMENDATION:

Waive further reading and adopt Ordinance No. 1801, "AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS."

### STAFF ANALYSIS:

On October 19, 2011, Proposed Ordinance No. 1801 was introduced for first reading, "AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS."

AYES: Councilmember Foat, Councilmember Hutcheson, Councilmember Mills, Mayor Pro Tem Weigel, and Mayor Pougnet.

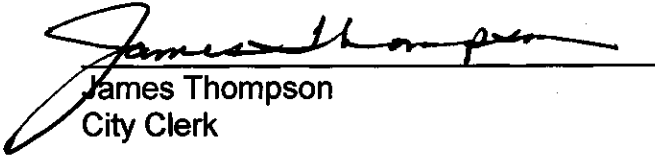
NOES: None.

ABSENT: None.

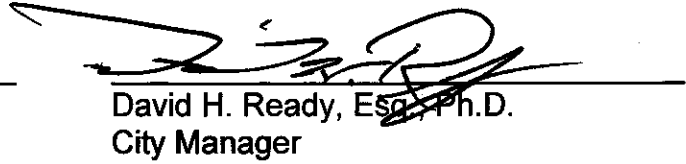
ABSTAIN: None.

Item No. **3.A.**

This report provides for the City Council to waive further reading and adopt the ordinance. The ordinance shall be effective 30-days from adoption.



James Thompson  
City Clerk



David H. Ready, Esq., Ph.D.  
City Manager

/kdh  
Attachment: Ordinance No. 1801  
October 19, 2011, Staff Report

PROPOSED ORDINANCE NO. 1801

AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA, AUTHORIZING AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS. (A0037)

THE CITY COUNCIL OF THE CITY OF PALM SPRINGS HEREBY ORDAINS:

SECTION 1. An amendment to the contract between the City Council of the City of Palm Springs and the Board of Administration of the California Public Employees' Retirement System is hereby authorized and approved, a copy of said amendment being attached hereto, marked Exhibit A, and by such reference made a part hereof as though herein set out in full, as on file in the office of the City Clerk.

SECTION 2. The City Manager of the City of Palm Springs is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City Council and the City of Palm Springs.

SECTION 3. The Mayor shall sign and the City Clerk shall certify to the passage and adoption of this Ordinance and shall cause the same, or the summary thereof, to be published and posted pursuant to the provisions of law and this Ordinance shall take effect thirty (30) days after adoption.

PASSED, APPROVED, AND ADOPTED BY THE PALM SPRINGS CITY COUNCIL THIS \_\_\_ DAY OF \_\_\_\_\_, 2011.

\_\_\_\_\_  
STEPHEN P. POUQUET, MAYOR

ATTEST:

\_\_\_\_\_  
JAMES THOMPSON, CITY CLERK

**CERTIFICATION**

**STATE OF CALIFORNIA )  
COUNTY OF RIVERSIDE ) ss.  
CITY OF PALM SPRINGS)**

I, JAMES THOMPSON, City Clerk of the City of Palm Springs, California, do hereby certify that Ordinance No. 1801 was introduced at a regular meeting of the Palm Springs City Council on the 19<sup>th</sup> day of October, 2011, and adopted at a regular meeting of the City Council held on the \_\_\_ day of \_\_\_\_\_, 2011 by the following vote:

**AYES:  
NOES:  
ABSENT:  
ABSTAIN:**

\_\_\_\_\_  
**JAMES THOMPSON, CITY CLERK  
City of Palm Springs, California**



California  
Public Employees' Retirement System

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**AMENDMENT TO CONTRACT**

Between the  
Board of Administration  
California Public Employees' Retirement System  
and the  
City Council  
City of Palm Springs

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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 1, 1957, and witnessed December 3, 1956, and as amended effective July 14, 1965, January 14, 1973, January 1, 1975, September 5, 1976, July 10, 1977, October 15, 1978, April 29, 1979, February 27, 1983, July 1, 1984, June 29, 1986, April 18, 1998, August 23, 1998, April 18, 1999, August 19, 2001, April 28, 2002, May 25, 2003, January 4, 2004 and June 17, 2011 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective June 17, 2011, and hereby replaced by the following paragraphs numbered 1 through 15 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 50 for local police members entering membership in the police classification on or prior to June 17, 2011 and for those local fire members entering membership in the fire classification on or prior to the effective date of this amendment to contract and age 55 for local police members entering membership for the first time in the police classification after June 17, 2011 and those local fire members entering membership in the fire classification after the effective date of this amendment to contract.

2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1957 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. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
  - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
  
  - (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.
  
  - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
  
  - (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.

- (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.
  - (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.
  - (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.
4. 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).
5. 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:

**NO ADDITIONAL EXCLUSIONS**

6. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after April 28, 2002 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service prior to December 31, 1974, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
7. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after April 28, 2002 shall be determined in accordance with Section 21354.5 of said Retirement Law, subject to the reduction provided therein for service prior to December 31, 1974, termination of Social Security, for members whose service has been included in Federal Social Security (2.7% at age 55 Full and Modified).

8. The percentage of final compensation to be provided for each year of credited prior and current service as a local police member entering membership in the police classification on or prior to June 17, 2011 and local fire members entering membership in the fire classification on or prior to the effective date of this amendment to contract shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
9. The percentage of final compensation to be provided for each year of credited current service as a local police member entering membership for the first time in the police classification after June 17, 2011 and local fire members entering membership for the first time in the fire classification after the effective date of this amendment to contract shall be determined in accordance with Section 21363.1 of said Retirement Law (3% at age 55 Full).
10. Public Agency elected and elects to be subject to the following optional provisions:
  - a. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance).
  - b. Section 21024 (Military Service Credit as Public Service).
  - c. Section 20042 (One-Year Final Compensation).
  - d. Section 20965 (Credit for Unused Sick Leave) for local fire members only.
  - e. Section 21574 (Fourth Level of 1959 Survivor Benefits).
  - f. Section 20475 (Different Level of Benefits). Section 21363.1 (3% @ 55 Full formula) is applicable to local police members entering membership for the first time in the police classification after June 17, 2011.  
  
Section 21363.1 (3% @ 55 Full formula) is applicable to local fire members entering membership for the first time in the fire classification after the effective date of this amendment to contract.

11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on September 5, 1976. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
12. 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.
13. 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 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 miscellaneous members and local safety 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.
14. 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.

15. 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 PALM SPRINGS

BY \_\_\_\_\_  
DARRYL WATSON, CHIEF  
CUSTOMER ACCOUNT SERVICES DIVISION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY \_\_\_\_\_  
PRESIDING OFFICER

\_\_\_\_\_  
Witness Date

Attest:

\_\_\_\_\_  
Clerk



## City Council Staff Report

DATE: October 19, 2011 Consent

SUBJECT: AMENDMENT TO THE CONTRACT CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM NEW 3% @ 55 SAFETY FIRE SECOND TIER WITHIN A NON-POOLED PLAN (SECTION 20475: DIFFERENT LEVEL OF BENEFITS PROVIDED FOR NEW EMPLOYEES) – FOR FIRE ONLY

FROM: David H. Ready, City Manager

BY: Human Resources

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### SUMMARY

City Council adopted Resolution No. 23028 on September 21, 2011, which declared its intention to approve an amendment to contract between The Board of Administration of the California Public Employees' Retirement System and The City Council of The City of Palm Springs providing a new 3% @ 55 Safety Fire Second Tier (Section 20475: Different Level of Benefits Provided for New Employees).

### RECOMMENDATION:

1. Waive reading of the full text of the Ordinance and introduce by title only.
2. Introduce on first reading Ordinance No. \_\_\_\_, "AN ORDINANCE OF THE CITY OF PALM SPRINGS, CALIFORNIA AUTHORIZING AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF PALM SPRINGS."

### STAFF ANALYSIS:

The City adopted a new Memorandum of Understanding on September 21, 2011 with the Fire Safety Unit and the Fire Management Unit that provides for a modification of the California Public Employees' Retirement System for a new 3% @ 55 Safety Fire Second Tier. Additionally, the Council adopted Resolution No. 23028, which declared its intention to approve an amendment to contract between The Board of Administration of the California Public Employees' Retirement System and The City Council of the City of Palm Springs providing a new 3% @ 55 Safety Fire Second Tier (Section 20475: Different Level of Benefits Provided for New Employees).

ITEM NO. 21

An Ordinance amending the California Public Employees' Retirement System contract must be certified by City Council to comply with the California Public Employees' Retirement System contract amendment procedures to amend the contract.

Description of Benefit Provisions and Section(s): Section 20475 Different Level of Benefits. Section 21362.2 (3% @ 50 Full Formula) is applicable to only those local safety fire members entering membership on or prior to the effective of this amendment to Contract. Section 21363.1 (3% @ 55 Full Formula) is applicable to local safety fire members entering membership for the first time in the safety classification after the effective date of this amendment to contract. (Coverage group 75101 will be established for this benefit).

Attached is the California Public Employees' Retirement System's Actuarial Valuation for the proposed contract amendment.

#### FISCAL IMPACT

There will be no immediate employer contribution rate impact from this amendment. Ultimately, the employer normal cost will decrease. According to this Actuarial Valuation "if the mix of active member entry ages were the same for both the current continuing first tier employees and the new second tier employees, the ultimate decrease would be 0.9%.

This rate reduction will occur gradually, beginning on July 1, 2013, if there are second tier employees hired on or before June 30, 2011. For fiscal years 2013/2014 and beyond, the projected cumulative of rate reduction expected from introducing a second tier payroll to our total plan payroll two and a half years earlier.

  
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Perry Madison, Director of Human Resources

  
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David H. Ready, City Manager

Attachments: Resolution  
Ordinance  
Amendment to Contract  
California Public Employees' Retirement System's Actuarial Valuation