

OFFICE OF
LABOR RELATIONS

CITY OF SACRAMENTO
CALIFORNIA

921 10TH STREET
ROOM 601
SACRAMENTO, CA
95814-2711

November 20, 2001

PH 916-264-5424
FAX 916-264-8110

City Council
Sacramento, CA

Honorable Members In Session:

SUBJECT: City Charter Amendment and Ballot Measure Relating to Retirement

LOCATION/COUNCIL DISTRICT:

City-wide

RECOMMENDATION:

It is recommended that the City Council approve the attached resolution and ballot measure to permit the enhancement of retirement benefits for active and retired members of the Sacramento City Employees Retirement System (SCERS) and concurrent enhancement of health and welfare benefits for retired members of the California Public Employees Retirement System (PERS). The attached resolution will allow the City of Sacramento to consolidate the charter amendment and ballot measure with the primary municipal election to be held on March 5, 2002. The text of the proposed charter amendment is attached to the proposed resolution. If this proposed resolution is approved, a portion of the enhanced benefits would be available effective January 1, 2002, with the remainder available if approved by the voters in the March, 2002 primary ballot. It is further recommended that the City Council authorize the use of contingency funding pending approval of the ballot measure.

CONTACT PERSON:

Dee Contreras, Director of Labor Relations, 264-5424

FOR COUNCIL MEETING OF:

November 27, 2001 (Afternoon)

SUMMARY:

In 1989, the voters approved a ballot measure authorizing active SCERS Safety employees to transfer to PERS, and authorized other administrative SCERS-related changes to the City Charter. Since then, no changes have been made to the SCERS retirement benefit.

During the 2000/2001 labor negotiations, PERS retirement benefits were enhanced to the 2% at age 55 formula and established the single year of an employee's highest compensation as the basis for the retirement annuity calculation.

As part of the settlement in the 2000/2001 labor negotiations, the City and all recognized employee organizations agreed to defer negotiations regarding the enhancement of SCERS retirement benefits and PERS retiree health and welfare benefits to a separate process. That process commenced in the Spring, 2001, and involved representatives of the City and all recognized employee organizations negotiating these issues at a series of combined sessions. The City and the recognized employee organizations have reached agreement. The agreement involves matters requiring an amendment of the City Charter that must be approved by the voters.

COMMITTEE/COMMISSION ACTION:

None

BACKGROUND INFORMATION:

If the attached resolution and ballot measure are approved by the City Council, the following proposed changes to the City Charter would be submitted to a vote of the voters:

1. Increase the SCERS formula for active employees to one-year highest final compensation.
2. Allow the City to access the excess funding in the SCERS Plan in priority order as follows:
 - A. To fund retiree health insurance contributions as defined in the Collective Bargaining Agreements.
 - B. To recover City administrative costs related to retirement.
 - C. To recover retirement-related benefits, including City-paid retirement contributions and retiree insurance contributions, for all City employees.

- D. After retention of a prudent reserve equal to the greater of the annual payment to retirees and beneficiaries or the actual annual income, to authorize the City Council use of up to one-half of excess funds for any appropriate public purpose.
3. Authorize the City Council to adopt future PERS Plan improvements for active SCERS employees, with exceptions.
4. Authorize City pick-up of any portion of employee contribution to SCERS.

In addition, the agreement with the recognized employee organizations also requires modification to the Collective Bargaining Agreements. These will be accomplished by letters of understanding and are as follows:

1. For all bargaining units except the Fire Department Unit, effective January 2002, the City will add the available dental benefit to retiree health insurance and the City shall increase the total contribution for retiree health and welfare to \$225 per month. Upon approval of the SCERS ballot measure in March 2002, effective April 2002, the City shall increase the retiree health and welfare contribution by \$50 to \$275 per month or the lowest cost City plan, whichever is less. If the retiree has enrolled dependents in health insurance, the City shall provide \$75 toward dependent health insurance.
2. Employees retiring with ten (10) or more full years of service shall receive fifty percent (50%) of the City retiree insurance benefit; fifteen (15) years shall receive seventy-five percent (75%); and twenty (20) years of service shall receive one hundred percent (100%).

The City has also agreed to review the retiree insurance contribution annually. The recognized employee organizations agreed that they will undertake ongoing cost containment efforts for health and other insurances commencing with the adoption of the increased co-payments in January, 2002.

The Sacramento Area Fire Fighters, Local 522, reserved the right to arbitrate the contribution rate for retiree insurance.

FINANCIAL CONSIDERATIONS:

The March 5, 2002 vote is a primary municipal election and will include the ballot measure for consideration by City voters at no additional cost to the City.

The current approved budget includes a \$25 per month increase in the retiree health and welfare contribution. The additional \$25 per month increase (for a total of \$50 per month) in the retiree health and welfare contribution effective January, 2002, totals \$300,000. Funding of the additional \$25 per month increase is proposed from contingency reserves of the various funds based on the number of retirees in each fund.

ENVIRONMENTAL CONSIDERATIONS:

Not applicable

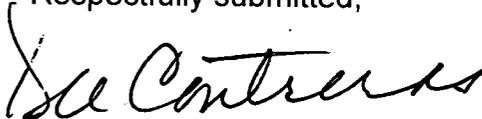
POLICY CONSIDERATIONS:

Approval of the attached resolution and ballot measure will affirm City support for both active SCERS employees by enhancing their retirement benefits, and retirees of both SCERS and PERS by enhancing retiree insurance contributions. Such action is consistent with the City Council's approval of labor agreements with all recognized employee organizations earlier this year.

MBE/WBE EFFORTS:

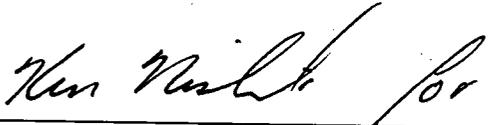
Not applicable.

Respectfully submitted,



Dee Contreras
Director of Labor Relations

RECOMMENDATION APPROVED:



Robert P. Thomas
City Manager

Attachments

APPROVED

NOV 27 2001

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2001-780

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**RESOLUTION AMENDING THE 2001/2002 APPROVED BUDGET
FOR RETIREE HEALTH AND WELFARE CONTRIBUTIONS**

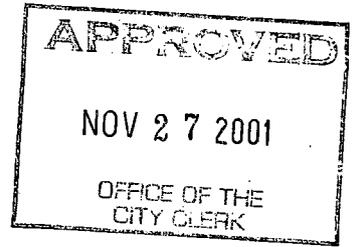
BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The 2001-2002 Amended Budget for retiree health and welfare contributions (xxx-750-7080-4123) is increased by \$300,000.
2. Funding of this increase is from Contingency Reserve (xxx-710-7012-4999) from the various funds based on number of retirees in each City fund.

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____



RESOLUTION NO. 2001-781

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION PROPOSING A CITY CHARTER AMENDMENT AT THE CITY OF SACRAMENTO PRIMARY MUNICIPAL ELECTION ON MARCH 5, 2002; REQUESTING THAT THE COUNTY OF SACRAMENTO PROVIDE THE PLACEMENT OF SAID MEASURE ON THE BALLOT; AND DIRECTING THE CITY CLERK TO PUBLISH SAID PROPOSED AMENDMENT AND TAKE SUCH OTHER ACTION AS REQUIRED BY LAW

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1.

That it is the intention of the Council of the City of Sacramento to submit, and it does hereby submit on its own motion to the qualified electors of the City of Sacramento at the Primary Municipal Election, to be held on March 5, 2002, the proposed amendment to the Charter of the City of Sacramento as set forth in Exhibit "A" attached hereto and incorporated herein by reference.

SECTION 2.

That the measure to be placed on the Primary Municipal Election ballot for March 5, 2002, by the Registrar of Voters of the County of Sacramento shall be in the following words and figures:

MEASURE

Relating to City Charter Revision

Shall the provisions of the Charter of the City of Sacramento that govern the Sacramento City Employees Retirement System be amended to change the definition of "final compensation" from a three year average to a single highest paid year formula; to allow employer payment of required employee contributions; to allow the City Council to change the age and years of service formula by ordinance; to allow the City Council to appropriate "Excess Funding" in the system to other specified municipal public purposes; and to allow the City Council to enact ordinances to clarify or implement these amendments?

YES _____ NO _____

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

SECTION 3.

The City Clerk is hereby authorized and directed to certify to the due adoption of this resolution and to transmit a copy thereof so certified to the Board of Supervisors of the County of Sacramento and to file a copy thereof so certified with the Registrar of Voters of the County of Sacramento.

SECTION 4.

The City Clerk shall proceed to publish, give notice and take such other action necessary and consistent with this resolution, and in the manner provided by law for submitting this charter amendment to the electors.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

EXHIBIT "A"

CHARTER AMENDMENT
PROVISIONS

Section 1. Section 402 is added to the Sacramento City Charter, to read as follows:

Section 402 Definition of Final Compensation. The provisions of this section shall apply only to employees of the City of Sacramento who are active members of the Sacramento City Employees Retirement System as of April 6, 2002. For all purposes associated with Article XVII of this Charter and Title 2, Chapter 2.124 of the Sacramento City Code, the term "final compensation" shall mean the compensation paid to an employee during the twelve highest paid consecutive months of employment. The City Council shall enact by ordinance amendments to the provisions of the Sacramento City Code, Title 2, Chapter 2.124 to implement or clarify the provisions of this section.

Section 2. Section 403 is added to the Sacramento City Charter, to read as follows:

Section 403 Employer payment or pick up of employee contributions. Notwithstanding any other provision of Article XVII of this Charter or of Title 2, Chapter 2.124 of the Sacramento City Code, the City Council may by ordinance, resolution or motion provide for payment of required employee contributions to the Sacramento City Employees Retirement System by the city through an employer pick up plan or through any other legally appropriate mechanism. The City Council shall enact by ordinance amendments to the provisions of the Sacramento City Code, Title 2, Chapter 2.124 to implement or clarify the provisions of this section.

Section 3. Section 404 is added to the Sacramento City Charter, to read as follows:

Section 404 Amendments to P.E.R.S. contract age and years of service formula for miscellaneous P.E.R.S. members: amendments to corresponding provisions of the Sacramento City Employees Retirement System. The provisions of this section shall apply only to employees of the City of Sacramento who are active members of the Sacramento City Employees Retirement System as of the date that the City Council takes the action specified herein to change the Sacramento City Employees Retirement System age and service formula; provided, however, that this section shall not apply to employees who are active members of the Equal Shares Plan under former (1976) Charter sections 302, et seq. as of said date. Notwithstanding any other provision of Article XVII of this Charter or of Title 2, Chapter 2.124 of the Sacramento City Code, if the City Council adopts amendments to the contract between the City of Sacramento and the Board of Administration of the Public Employees Retirement System providing for benefits for city miscellaneous employees, which amendments have the effect of improving the age and years of service formula under said contract, the City Council may by ordinance adopt the same age and years of service formula for active members of the Sacramento City Employees Retirement System. The City Council shall enact by ordinance amendments to the provisions of the Sacramento City Code, Title 2, Chapter 2.124 to implement or clarify the provisions of this section.

Section 4. Section 405 is added to the Sacramento City Charter, to read as follows:

Section 405 Excess funding.

(a) The actuary for the system shall annually conduct an actuarial valuation to determine as of June 30 of each fiscal year, commencing June 30, 2002, whether Excess Funding exists in the system. For purposes of this section, "Excess Funding" means assets of the system in excess of the liabilities of the system. In conducting the actuarial valuation, the actuary shall employ the procedures set forth in section 384 of this Charter, together with any applicable rules, resolutions, regulations or policies established, adopted or published by the board. The assets of the system shall be determined in conformity with prudent accounting and actuarial principles generally accepted in the United States of

America. The actuary may combine the analysis required hereunder with any other report which it prepares for or on behalf of the board. In preparing the valuation the actuary may utilize such other reports that the actuary has issued with respect to the liabilities or assets of the system.

(b) The actuary shall present the valuation report to the board at a regular board meeting within 120 days following the end of the fiscal year for which the report was prepared. The board shall, based upon the report and any other information presented to the board in connection with the report, make determinations as to whether Excess Funding exists in the system, and if so the amount of the Excess Funding. The board's determinations shall be set forth in a resolution adopted by the board. The board shall have sole and exclusive jurisdiction to make these determinations, and the board's decision shall be final.

(c) If the board determines that there is Excess Funding in the system, subject to the limitations specified herein the City Council may by resolution direct the City Treasurer to transfer some or all of the Excess Funding to the city general fund. The City Council may by resolution appropriate the Excess Funding for the following limited purposes, in the following priority order:

(1) To fund retiree health insurance contributions that would otherwise be paid by the city, pursuant to collective bargaining agreements between the city and its several bargaining units, and pursuant to resolutions theretofore adopted by the City Council.

(2) To the extent that Excess Funding remains after funding the contributions specified in subsection (c)(1) above, to recover all usual, normal and reasonable costs of administering the retirement system incurred or paid by the city including but not limited to the costs of services provided pursuant to section 393 of this Charter, services related to retirement payroll processing, insurance benefits and administration, benefit planning, actuarial services, disability medical examinations, hearing representation and review costs.

(3) To the extent that Excess Funding remains after funding the contributions and costs specified in subsections (c)(1) and (2) above, to reimburse the city for its payment of retirement-related benefits for all city employees, including but not limited to any city-paid employee retirement contributions pick-up plans or other similar programs.

(4) To the extent that Excess Funding remains after funding the contributions, costs and reimbursements specified in subsections (c)(1), (2) and (3) above, and after retention of a reasonable and prudent reserve equal to the greater of the annual payment required to retirees and beneficiaries or the actual annual income of the system for the fiscal year covered by the valuation report, to use up to fifty percent (50%) of the remaining Excess Funding to fund any project which has a public purpose. For purposes of this section, the "actual annual income of the system" shall mean the interest and income on the assets of the system.

The City Council shall enact by ordinance amendments to the provisions of the Sacramento City Code, Title 2, Chapter 2.124 to implement or clarify the provisions of this section.

Section 5. Section 393 of the Sacramento City Charter is amended to read as follows:

"Subject to the provisions of section 405 of this Charter, all usual, normal and reasonable costs of administering the retirement system, including actuarial fees and costs, shall be borne by the city. When an agreement is entered into by the board with professional financial advisors, such as investment counsel, trust companies, or trust department of banks in regard to the management and investment of the funds in the system, any fee stipulated in such agreement to be paid to such financial advisors shall not be considered a cost of administration but shall be considered as a charge against the assets of the retirement system to apportioned among the fund of funds of the retirement system as determined by the

board. In addition, any other ordinary costs incurred in regard to the management and investment of the funds in the system, including, but not limited to, brokers' fees, attorneys' fees, insurance, taxes, and property management fees, shall not be considered a cost of administration but shall be considered as a charge against the assets of the retirement system to be apportioned among the fund or funds of the retirement system as determined by the board."

Section 6. Section 386 of the Sacramento City Charter is amended to read as follows:

"Subject to the provisions of section 405 of this Charter, as nearly as practicable, the accounting system for the retirement system shall conform to generally accepted accounting principles. The board shall cause the funds of the retirement system to be accounted for according to membership in, and funds contributed to, each plan in the system. Accumulated contributions of members shall be accounted for according to individual members' accounts. In accounting for contributions under this plan and the "equal shares retirement plan" created by former (1976) Charter section 302, the city's contributions for safety members and for miscellaneous members shall be accounted separately by group. The accounting system shall account separately for accumulated contributions of all retired and deceased members held for payment of annuities to or on account of such members and city contributions held for payment of pensions to or on account of such members."

Section 7. Section 385 of the Sacramento City Charter is amended to read as follows:

"It shall be the policy of the board to set rates which shall:

- (a) Cause the city to pay the unfunded city costs of the system as of January 1, 1977, based upon an actuarial evaluation as of June 30, 1976, over a period ending on June 30, 2007;
- (b) Cause the city to amortize any increases or decreases in the estimated city costs of the system which occurs after June 30, 1976, over periods of time ending on the latter of June 30, 2007, or ten (10) years after the dates such increases or decreases incurred;
- (c) Cause the city to make such city contributions as may be required to amortize liabilities described in (a) or (b) preceding as a level percentage of total payroll;
- (d) Cause the city to begin to make the city contributions described in Subparagraph (a) beginning on January 1, 1983, and to make contributions beginning on January 1, 1977, such that the city contributions for the six (6) succeeding calendar years will be expected to increase each year uniformly as a percentage of total payroll from the amount actually contributed by the city in fiscal year 1976-77 to that estimated as required under Subparagraph (c) for the calendar year following January 1, 1983, and later; and,
- (e) Cause the city to comply with any applicable federal law relating to minimum funding of this system, notwithstanding any provision in this section to the contrary.

In addition to the duties prescribed in this section, the actuary shall perform the duties specified in section 405 of this Charter."

Section 8. Section 383 of the Sacramento City Charter is amended to read as follows:

"Subject to the provisions of section 405 of this Charter, the board shall have exclusive control of the administration of such fund or funds as may come into the possession of the system, provided that all investments shall be investments permissible by law for investment of trust funds (as provided in section 16040 of the California Probate Code) and shall conform to general investment standards approved by the city council. The board shall adopt general investment standards which the city council shall either approve or disapprove. The board shall employ and obtain advice and services from professional financial advisors, expert in their respective fields, such as investment counsel, trust companies or trust departments of banks, in regard to the management and investment of the funds in the system. Nothing contained in this article shall be construed to prevent the board from administering, managing and investing the funds of the system as a single fund."

Section 9. Section 382 of the Sacramento City Charter is amended to read as follows:

"Subject to the provisions of sections 388 and 391, and in addition to the duties specified in section 405 of this Charter, the board shall have full authority under the Charter and such general ordinances as may be lawfully adopted by the city council to maintain and manage retirement plans of this system, including, but not limited to the adoption of investment standards, the fixing of contribution rates, the administration and investment of funds, the selection of investment advisors, the crediting of interest, any action required of it by the Charter and any action relating to the fiscal management of the system except those matters directly pertaining to claims for benefits and claims for refunds under former (1989) Charter section 436, filed with the retirement system manager.

All references to the "retirement board" or "board" in former (1976) Charter sections 167 to 175.29, inclusive (and ordinances enacted to maintain and implement the retirement plans created by said sections) and former (1976) Charter sections 290 to 367, inclusive (and ordinances enacted to maintain and implement the retirement plans created by said sections) shall mean the Administration, Investment and Fiscal Management Board; provided, however, nothing herein shall divest the Retirement Hearing Commission of the appellate powers granted to it by section 388 of this Charter; and when said commission has jurisdiction by virtue of an appeal having been lawfully taken to the commission, all references to the "retirement board" or "board" in such former Charter sections and ordinances shall mean the Retirement Hearing Commission. It is further provided that nothing herein shall divest the retirement system manager of the powers granted to him or her by section 391 of this Charter; and when said manager has jurisdiction by reason of a claim for benefits having been lawfully filed with him or her, all references to the "retirement board" or "board" in such former (1976) Charter sections and ordinances shall mean the retirement system manager.

The board may adopt rules and regulations consistent with this article to implement and carry out its provisions."