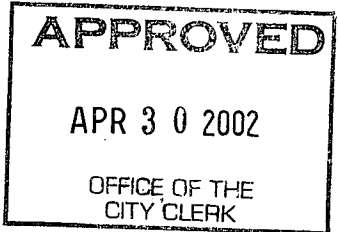




2.8



April 30, 2002

City Council
Sacramento California

Honorable Members in Session:

**SUBJECT: AMENDMENT TO CONTRACT NO. 89-110 WITH PUBLIC
EMPLOYEES RETIREMENT SYSTEM (PERS)**

LOCATION/COUNCIL DISTRICT:

Citywide

RECOMMENDATION:

It is recommended that the City Council adopt the Resolution of Intention to approve a PERS contract amendment to Section 21362.2 (3% @ 50 Full Formula) for local police members only to be effective June 29, 2002.

CONTACT PERSON

TERRENCE L. WOODS, Director of Human Resources

FOR COUNCIL MEETING OF

April 30, 2002 (afternoon)

SUMMARY

In accordance with the arbitrated labor agreement with the Sacramento Police Officers Association (SPOA), the PERS contract shall be amended to provide the improved 3% at 50 retirement formula, effective June 29, 2002.

To accomplish this PERS amendment, the City Council is required to adopt the attached Resolution of Intention, pass for publication an ordinance, and adopt the final ordinance at the May 21, 2002 meeting.

COMMITTEE/COMMISSION ACTION

There was none required for this report.

BACKGROUND INFORMATION

During the 2001-02 labor negotiations with SPOA, the City agreed to amend the PERS contract to provide improved retirement benefits for all police safety personnel. Based on the recent changes in available retirement formulae, the 3% at 50 plan was agreed to for the Police safety contract.

PERS identified the following actuarial valuation impacts for the adoption of the plan amendment:

1) Change in the present Value of Benefits	\$37,207,678
2) Increase in Actuarial Value of Assets	\$0
3) Change in the Unfunded Accrued Liability	\$32,010,941
4) Change in the Total Employer Rate	4.169%

FINANCIAL CONSIDERATIONS

The amendment to the PERS contract implements a portion of the labor contract that was the result of binding arbitration. The funding has been previously approved by Council. The background section includes the PERS identified valuation impacts of providing local police with a 3% at 50 retirement plan. With the contract amendment, the City's Safety Plan employer rate will increase from 0% to 4.169% in Fiscal Year 02-03. This change is anticipated to change the City's cost of the PERS employer rate from \$0 in Fiscal Year 01-02 to approximately \$3 million in Fiscal Year 02-03. The \$3.0 million cost will be included in the City Manager's Fiscal Year 02-03 Proposed Budget.

ENVIRONMENTAL CONSIDERATIONS

There are no applicable environmental concerns.

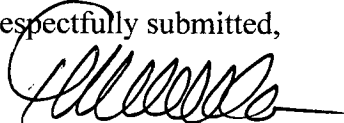
POLICY CONSIDERATIONS

This retirement enhancement is consistent with the City's Strategic Planning goal of recruiting and retaining a qualified diverse work force and the adoption of the Resolution of Intention will be in compliance with the negotiated labor agreement and the personnel resolution.

ESBD CONSIDERATIONS

No goods or services are being purchased under this report.

Respectfully submitted,



TERRENCE L. WOODS
Director of Human Resources

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager



Attachments

APPROVED

APR 30 2002

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2002-222

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**A RESOLUTION OF INTENTION
TO APPROVE AN AMENDMENT TO CONTRACT NO. 89-110
BETWEEN THE BOARD OF ADMINISTRATION OF THE
PUBLIC EMPLOYEES' RETIRMENT SYSTEM AND THE
CITY COUNCIL OF THE CITY OF SACRAMENTO**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to amend said contract; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the changes proposed in said contract; and

WHEREAS, the following is a summary of the proposed amendments to said contract between the City of Sacramento and the Public Employees' Retirement System:

Section 21362.2 (3% @ 50 Full Formula) for all local Police members only

NOW, THEREFORE, BE IT RESOLVED, that the Sacramento City Council, as governing body of the City of Sacramento does hereby give notice of its intention to approve an amendment to the contract between the City of Sacramento and the Board of Administration of the Public Employees Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

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

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 29, 1977, and witnessed January 25, 1977, and as amended effective June 1, 1978, March 17, 1988, December 30, 1989, June 26, 1991, February 21, 1992, May 29, 1996, November 20, 1996, December 19, 1997, July 1, 2000, June 30, 2001 and September 22, 2001 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 16 are hereby stricken from said contract as executed effective September 22, 2001, and hereby replaced by the following paragraphs numbered 1 through 17 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 55 for local fire members and age 50 for local police members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after January 29, 1977 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.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

3. 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).

4. 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:
 - a. **ALL MISCELLANEOUS EMPLOYEES WHO WERE IN EMPLOYMENT PRIOR TO JANUARY 29, 1977; AND**
 - b. **ALL PERSONS WHO ARE PARTICIPANTS (AS THAT TERM IS DEFINED IN THE ACT HEREINAFTER REFERRED TO AND ANY REGULATIONS PROMULGATED THEREUNDER) UNDER THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1973, AS AMENDED.**

5. Assets heretofore accumulated with respect to members in the local retirement system who entered membership in this system on December 30, 1989 have been transferred to the Public Employees' Retirement System and applied against the liability for prior service incurred thereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system has been credited to the individual membership account of each such employee under the Public Employees' Retirement System.

6. This contract shall be a continuation of the fire function of the Pacific Fire Protection District, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract with respect to the fire function shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred December 28, 1991.
 - a. All benefits provided under this contract shall apply to all past service for employees of the Pacific Fire Protection District.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

7. The percentage of final compensation to be provided for local miscellaneous members for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100%, and determined in accordance with Section 21354, subject to the reduction provided therein for service on or after January 29, 1977, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
8. The percentage of final compensation to be provided for local police members who entered membership in this System on or after January 29, 1977 and prior to December 30, 1989 and for those local police members who entered membership after December 30, 1989 for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100% and determined in accordance with Section 21362.2 of said Retirement Law (3% @ age 50 Full).
9. The percentage of final compensation to be provided for local fire members who entered membership in this System on or after January 29, 1977 and prior to December 30, 1989 and for those local fire members who entered membership after December 30, 1989 for each year of credited prior service is 0% and the percentage of final compensation to be provided for each year of credited current service is 100% and determined in accordance with Section 21363.1 (3% @ age 55 Full).
10. The percentage of final compensation to be provided for each year of credited prior and current service for local police members who transferred from the local system and entered membership in this System on December 30, 1989 shall be determined in accordance with Section 21362.2 of said Retirement Law (3% @ 50 Full).
11. The percentage of final compensation to be provided for each year of credited prior and current service for local fire members who transferred from the system and entered membership in this System on December 30, 1989 shall be determined in accordance with Section 21363.1 (3% @ age 55 Full).
12. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).
 - b. Section 21151 (Industrial Disability Retirement For Local Miscellaneous Members).
 - c. Section 21022 (Public Service Credit for Periods of Lay-Off) for local fire members only.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

- d. Section 21335 (3% Cost-of-Living Allowance, limited pursuant to Section 21252.023 (a) for local safety members who transferred from the local system, entered membership in this System on December 30, 1989 and retired after that date. Legislation repealed said Section effective June 30, 1991.
 - e. Section 21037 (Cancellation of Payment for Optional Service Credit Upon Retirement for Industrial Disability) limited pursuant to Section 21038 for local safety members who transferred from the local system and entered membership in this System on December 30, 1989.
 - f. Section 21536 (Local System Service Credit Included in Basic Death Benefit) for local safety members who transferred from the local system and entered membership in this System on December 30, 1989.
 - g. Section 20042 (One-Year Final Compensation).
 - h. Section 21024 (Military Service Credit as Public Service), Statutes of 1976.
 - i. Section 21023.5 (Public Service Credit for Peace Corps or AmeriCorps: VISTA Service) for local miscellaneous members and local fire members only.
13. Public Agency, in accordance with Government Code Section 20834, shall not be considered an "employer" for purposes of the Public Employees' Retirement Law. Contributions of the Public Agency shall be fixed and determined as provided in Government Code Section 20834, and such contributions hereafter made shall be held by the Board as provided in Government Code Section 20834.
14. 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.
15. Public Agency shall also contribute to said Retirement System as follows:
- a. 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.

- b. 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.
16. 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.
 17. 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 ADMINISTRATORS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF SACRAMENTO

BY _____
KENNETH W. MARZIO, CHIEF
ACTUARIAL & EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness/Date

Attest

Clerk

PLEASE DO NOT SIGN "EXHIBIT ONLY"