



MEMORANDUM

TO: CITY COUNCIL

FROM: DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: ADOPTION OF AN ORDINANCE TO APPROVE AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF ARROYO GRANDE

DATE: NOVEMBER 14, 2017

SUMMARY OF ACTION:

Amend the City's contract with the California Public Employee's Retirement System (CalPERS) to reflect additional employee cost sharing by members of the Arroyo Grande Police Officers' Association

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

The retirement contract amendment will have an estimated \$20,000 in savings to the City for future annual costs as the employees will be picking up a portion of the "employer share" of their retirement cost.

Approximately 10 hours of staff time is required to implement this action.

RECOMMENDATION:

It is recommended the City Council adopt an Ordinance of the City Council of the City of Arroyo Grande to approve an amendment to the California Public Employee's Retirement System Contract regarding cost sharing by members of the Arroyo Grande Police Officers' Association.

BACKGROUND:

The attached Ordinance was introduced, without modification, at the City Council Meeting on October 10, 2017. The Ordinance and contract change will implement Government Code Section 20516 (Employees Sharing Additional Cost) for local police members of the Arroyo Grande Police Officers' Association that are designated as "classic" employees by CalPERS. The City contracts with CalPERS to provide retirement benefits to employees. The retiree benefits are based on the number of years of service, the employee earnings, and the benefit provision of the contract.

CITY COUNCIL

ADOPTION OF AN ORDINANCE TO APPROVE AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF ARROYO GRANDE

NOVEMBER 14, 2017

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In the most recent contract negotiations with the Arroyo Grande Police Officers' Association, the membership agreed to participate in additional cost sharing for their CalPERS retirement benefit. Members currently pay an "employee contribution" as well as a share of the "employer contribution" (2.0% for classic employees and 0.5% for newer employees). The classic local police members will pick up an additional 1.0% of the "employer contribution" This agreement for cost sharing is contained in the Memorandum of Understanding (MOU) which was approved by the City Council on July 25, 2017.

ANALYSIS OF ISSUES:

This current contract change for cost sharing went into effect in July and the City has been withholding the agreed upon contributions from employee paychecks, however, they cannot be reported to CalPERS until a contract amendment has been executed. The contributions are processed in accordance with IRC 414(h)(2).

CalPERS requires that the City Council adopt a Resolution of Intention and introduce the Ordinance for the contract amendment, which occurred on October 10, 2017. The Ordinance is now before the Council for adoption. The contract amendment is scheduled to go into effect on December 15, 2017, which is the first day of the new payroll period following the December 14, 2017 effective date of the Ordinance.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Adopt the Ordinance;
2. Modify and re-introduce the Ordinance; or
3. Do not approve staff's recommendation and provide direction to staff.

ADVANTAGES:

By amending the contract with CalPERS, local police members will be contributing more to their retirement costs and the contributions will be made on a pre-tax basis.

DISADVANTAGES:

There are no disadvantages to the Arroyo Grande Police Officers' Association sharing in the cost of the Employer CalPERS contribution.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ORDINANCE NO.

AN ORDINANCE THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE DOES ORDAIN AS FOLLOWS:

SECTION 1: That an amendment to the contract between the City Council of the City of Arroyo Grande and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.

SECTION 2: The Mayor of the City of Arroyo Grande is hereby authorized, empowered, and directed to execute said amendment for and on behalf of said Agency.

SECTION 3: This Ordinance shall take effect thirty (30) days after the date of its adoption, and

SECTION 4: A summary of this Ordinance shall be published in a newspaper published and circulated in the City of Arroyo Grande at least five (5) days prior to the City Council meeting at which the proposed Ordinance is to be adopted. A certified copy of the full text of the proposed Ordinance shall be posted in the office of the City Clerk. Within fifteen (15) days after adoption of the Ordinance, the summary with the names of those City Council members voting for and against the Ordinance shall be published again, and the City Clerk shall post a certified copy of the full text of such adopted Ordinance.

On motion of Council Member _____, seconded by Council Member _____, and on the following roll call vote to wit:

AYES:
NOES:
ABSENT:

the foregoing Ordinance was adopted this _____ day of _____, 2017.

**ORDINANCE NO.
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JIM HILL, MAYOR

ATTEST:

KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

JAMES A. BERGMAN, CITY MANAGER

APPROVED AS TO FORM:

HEATHER WHITHAM, CITY ATTORNEY



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 Arroyo Grande



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 July 10, 1964, and witnessed June 16, 1964, and as amended effective September 16, 1966, May 24, 1973, July 4, 1980, June 24, 1988, February 12, 1999, October 15, 1999, September 28, 2000, January 4, 2002, July 2, 2004, December 31, 2004, June 30, 2006, June 27, 2008, June 26, 2009, December 9, 2011, December 21, 2012 and December 2, 2016 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 19 are hereby stricken from said contract as executed effective December 2, 2016, and hereby replaced by the following paragraphs numbered 1 through 19 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 classic local miscellaneous members, age 62 for new local miscellaneous members, age 50 for classic local police members entering membership in the police classification on or prior to December 9, 2011, age 55 for classic local fire members and for those classic local police members entering membership for the first time in the police classification after December 9, 2011 and age 57 for new local safety members.

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2. Public Agency shall participate in the Public Employees' Retirement System from and after July 10, 1964 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 attorney 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) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' 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.
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).

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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:
 - a. **EMPLOYEES COMPENSATED ON AN HOURLY BASIS; AND**
 - b. **ELECTED OFFICIALS.**
6. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local miscellaneous member in employment before and not on or after June 27, 2008 shall be determined in accordance with Section 21354 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 55 Modified and Full).
7. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local miscellaneous member in employment on or after June 27, 2008 and not entering membership for the first time in the miscellaneous classification after December 21, 2012 shall be determined in accordance with Section 21354.4 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2.5% at age 55 Modified and Full).
8. The percentage of final compensation to be provided for each year of credited current service as a classic local miscellaneous member entering membership for the first time in the miscellaneous classification after December 21, 2012 shall be determined in accordance with Section 21354 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 55 Modified).
9. The percentage of final compensation to be provided for each year of credited prior and current service as a new local miscellaneous member shall be determined in accordance with Section 7522.20 of said Retirement Law (2% at age 62 Supplemental to Federal Social Security).
10. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local fire member shall be determined in accordance with Section 21363.1 of said Retirement Law subject to the reduction provided therein for Federal Social Security (3% at age 55 Modified).
11. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local police member entering membership in the police classification on or prior to December 9, 2011 shall be determined in accordance with Section 21362.2 of said Retirement Law subject to the reduction provided therein for Federal Social Security (3% at age 50 Modified).

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12. The percentage of final compensation to be provided for each year of credited current service as a classic local police member entering membership for the first time in the police classification after December 9, 2011 shall be determined in accordance with Section 21363.1 of said Retirement Law subject to the reduction provided therein for Federal Social Security (3% at age 55 Modified).
13. The percentage of final compensation to be provided for each year of credited prior and current service as a new local safety member shall be determined in accordance with Section 7522.25(d) of said Retirement Law (2.7% at age 57 Supplemental to Federal Social Security).
14. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.
 - b. Section 20965 (Credit for Unused Sick Leave).
 - c. Section 21024 (Military Service Credit as Public Service).
 - d. Section 21027 (Military Service Credit for Retired Persons).
 - e. Section 20042 (One-Year Final Compensation) for classic local fire members and those classic local police members entering membership on or prior to December 9, 2011 and classic local miscellaneous members entering membership on or prior to December 21, 2012.
 - f. Section 21548 (Pre-Retirement Option 2W Death Benefit) for local miscellaneous members only.
 - g. Section 20903 (Two Years Additional Service Credit) for local miscellaneous members only.
 - h. Section 20475 (Different Level of Benefits). Section 21363.1 (3% @ 55 Modified formula) and Section 20037 (Three-Year Final Compensation) are applicable to classic local police members entering membership for the first time with this agency in the police classification after December 9, 2011.

Section 21354.4 (2% @ 55 Modified formula) and Section 20037 (Three-Year Final Compensation) are applicable to classic local miscellaneous members entering membership for the first time with this agency in the miscellaneous classification after December 21, 2012.

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i. Section 20516 (Employees Sharing Additional Cost):

From and after December 2, 2016, .5% for new local police members in the Arroyo Grande Police Officers Association.

From and after December 2, 2016 and until the effective date of this amendment to contract, 2% for classic local police members in the Arroyo Grande Police Officers Association.

From and after the effective date of this amendment to contract, 3% for classic local police members in the Arroyo Grande Police Officers Association.

The portion of the employer's contribution that the member agrees to contribute from his or her compensation, over and above the member's normal contribution ("Cost Sharing Percentage"), shall not exceed the Employer Normal Cost Rate, as that rate is defined in the CalPERS Actuarial Valuation for the relevant fiscal year. If the Cost Sharing Percentage will exceed the relevant Employer Normal Cost Rate, the Cost Sharing Percentage shall automatically be reduced to an amount equal to, and not to exceed, the Employer Normal Cost Rate for the relevant fiscal year.

15. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on July 4, 1980. 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.
16. 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.
17. 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.

18. 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.
19. 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 ARROYO GRANDE

BY _____
ARNITA PAIGE, CHIEF
PENSION CONTRACTS AND PREFUNDING
PROGRAMS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

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