



DATE: February 4, 2009

TO: Honorable Mayor and City Councilmembers

FROM: Human Resources Department

SUBJECT: **INTRODUCTION OF AN ORDINANCE AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY COUNCIL OF THE CITY OF OCEANSIDE AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM TO PROVIDE 2.7 PERCENT AT 55 RETIREMENT OPTION TO MISCELLANEOUS EMPLOYEES, AND ADOPTION OF A RESOLUTION OF INTENTION TO APPROVE THE AMENDMENT TO THE CONTRACT**

### **SYNOPSIS**

Staff recommends that the City Council introduce the ordinance authorizing an amendment to the contract between the City Council of the City of Oceanside and the Board of Administration of the California Public Employees' Retirement System to provide 2.7 percent at 55 retirement option to miscellaneous (non-safety) employees, and adopt the attached Resolution of Intention to amend the contract between the City Council of the City of Oceanside and the California Public Employees' Retirement System.

### **BACKGROUND**

The City Council previously agreed, through existing collective bargaining agreements and the Unrepresented Compensation Plan, to provide a 2.7 percent at 55 retirement option for Miscellaneous Employees. In order to implement this benefit, the City must amend its contract with the California Public Employees' Retirement System (PERS). The California Public Employees' Retirement System requires that the City Council adopt a Resolution of Intention to amend the contract and provide information relating to the cost of the benefit. The California Public Employees' Retirement System also requires that the City introduce and adopt an ordinance authorizing an amendment to the contract between the City Council and the Board of Administration of the California Public Employees' Retirement System.

## **ANALYSIS**

In order to implement the 2.7 percent at 55 retirement option for Miscellaneous employees, it is required that the City adopt a resolution and adopt an ordinance to amend the contract between the City Council of the City of Oceanside and the Board of Administration of the California Public Employees' Retirement System

## **FISCAL IMPACT**

The costs associated with this plan amendment over a twenty-year period are:

1. Change in the present value of benefits:	\$25,034,475
2. Change in the unfunded accrued liability:	\$16,144,843
3. Total change in the employer rate:	6.2 percent

1. The change in the present value of benefits \$25,034,475 is defined as the projected amount the City will be charged, over a twenty-year period, to convert from our present retirement formula (2 percent at 55) to this plan amendment (2.7 percent at 55).
2. The change in the unfunded accrued liability is based on a charge against the City's current assets with CalPERS, which reduces existing assets over a period of twenty years by \$16,144,843.
3. The change in the employer rate is 6.2 percent. The employer rate will change from 9 percent to 15.2 percent. The employee rate will change from 7 percent to 8 percent.

In anticipation of the adoption of this ordinance and in accordance with our collective bargaining unit agreements, the City has commenced pre-funding the additional cost of the enhanced retirement. In Fiscal Year 2007/2008, employees contributed \$437,000 and in Fiscal Year 2008/2009 it is estimated that employees will have contributed \$575,000. Commencing in Fiscal Year 2009/2010 when this ordinance will be in effect, the employees would have contributed approximately \$1,200,000 to offset the additional cost. The estimated additional cost to the City is approximately \$250,000 per year for a twenty-year period for a total cost to the City of approximately \$5,000,000. The additional balance will be paid by the employees.

This cost analysis is provided based on CalPERS valuation and is subject to change if additional CalPERS plan provisions change or major changes occur in the City's work force.

**COMMISSION OR COMMITTEE REPORT**

Does not apply.

**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

**RECOMMENDATION**

Staff recommends that the City Council introduce the ordinance authorizing an amendment to the contract between the City Council of the City of Oceanside and the Board of Administration of the California Public Employees' Retirement System to provide 2.7 percent at 55 retirement option to miscellaneous (non safety) employees and adopt the attached Resolution of Intention to amend the contract between the City Council of the City of Oceanside and the California Public Employees' Retirement System.

PREPARED BY:

  
\_\_\_\_\_  
Brian J. Kammerer  
Human Resources Director

SUBMITTED BY:

  
\_\_\_\_\_  
Peter A. Weiss  
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager

Teri Ferro, Financial Services Director

  
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ORDINANCE NO. \_\_\_\_\_

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

The City Council of the City of Oceanside DOES ORDAIN as follows:

SECTION 1. That an amendment to the contract between the City Council of the City of Oceanside 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 Oceanside is hereby authorized, empowered, and directed to execute said amendment for and on behalf of said Agency.

SECTION 3. This Ordinance shall take effect 30 days after the date of its adoption. Within 15 days of adoption, the City Clerk shall publish this ordinance in a newspaper of general circulation, pursuant to state statute.

INTRODUCED at a regular meeting of the City Council of the City of Oceanside, California held on the 11th, day of February, 2009 and, thereafter,

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Oceanside, California held on the \_\_\_\_ day of \_\_\_\_, 2009, by the following vote:

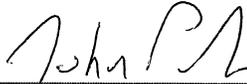
AYES:  
NAYS:  
ABSENT:  
ABSTENTION:

ATTEST:

\_\_\_\_\_  
CITY CLERK

\_\_\_\_\_  
MAYOR OF THE CITY OF OCEANSIDE

APPROVED AS TO FORM:

  
\_\_\_\_\_  
CITY ATTORNEY

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL CITY OF OCEANSIDE

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 subject themselves and their employees to amendments to said law; and

WHEREAS, one of the steps in the procedure 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 change proposed in said contract and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21354.5 (2.7% @ 55 Full AND Modified formula) for local miscellaneous members and Section 20434 (any officers or employees of a fire department employed to perform duties of firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as "Local Fire Fighters") for local fire members.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Oceanside does hereby give notice of intention to approve an amendment to the contract between the City of Oceanside and the Board of Administration of the Public Employees'

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Retirement System, a copy of said amendment being attached hereto as an "Exhibit" and by this reference made a part hereof.

PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2009, by the following vote:

AYES:

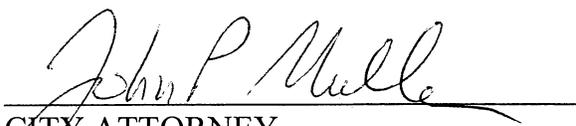
NAYS:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
MAYOR, CITY OF OCEANSIDE

ATTEST:  
  
\_\_\_\_\_  
CITY CLERK

APPROVED AS TO FORM:  
  
  
\_\_\_\_\_  
CITY ATTORNEY



**EXHIBIT**

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 Oceanside

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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, 1955, and witnessed September 8, 1954, and as amended effective July 1, 1959, July 1, 1963, January 1, 1966, February 16, 1970, October 1, 1973, July 1, 1974, November 30, 1975, December 31, 1976, September 17, 1978, July 1, 1979, January 6, 1980, March 2, 1980, July 6, 1980, August 31, 1980, March 15, 1981, December 29, 1985, January 8, 1989, December 21, 1991, July 25, 1992, July 22, 1995, February 11, 1996, June 30, 1996, May 3, 1998, June 24, 2001 and July 20, 2003 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 13 are hereby stricken from said contract as executed effective July 20, 2003, and hereby replaced by the following paragraphs numbered 1 through 14 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 and age 50 for local safety members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1955 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. 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. Ocean Beach Lifeguards (included as local safety members);
  - d. 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. **THE FOLLOWING SEASONAL EMPLOYEES OF THE RECREATION DEPARTMENT WHO ENTERED EMPLOYMENT AFTER DECEMBER 31, 1965:  
LIFEGUARDS  
SWIMMING POOL CASHIERS  
SWIMMING COACH  
PLAYGROUND SUPERVISORS AND PLAYGROUND LEADERS  
TENNIS SUPERVISORS  
PIER TRAM DRIVERS  
BEACH ACTIVITY SUPERVISORS  
BEACH MAINTENANCE PERSONS  
AFTER SCHOOL PLAYGROUND DIRECTORS; AND**
  - b. **THE FOLLOWING PERSONS WHO ENTERED EMPLOYMENT AFTER DECEMBER 31, 1965:  
LIBRARY PAGES  
SCHOOL CROSSING GUARDS**

5. This contract shall be a continuation of the contract of the Oceanside Small Craft Harbor District, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred July 1, 1995.
  - a. All benefits provided under this contract shall apply to all past service for former employees of the Oceanside Small Craft Harbor District.
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 the effective date of this amendment to contract shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1960, the effective date of Social Security coverage, and prior to December 31, 1978, 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 the effective date of this amendment to contract shall be determined in accordance with Section 21354.5 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1960, the effective date of Social Security coverage, and prior to December 31, 1978, 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 safety member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
9. Public Agency elected and elects to be subject to the following optional provisions:
  - a. Section 21573 (Third Level of 1959 Survivor Benefits) for local miscellaneous members, local fire members and local police members only.

- b. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.
- c. Section 21222.2 (One-Time 5% Increase - 1971). Legislation repealed said Section effective January 1, 1980.
- d. Section 20042 (One-Year Final Compensation).
- e. Section 21024 (Military Service Credit as Public Service).
- f. Section 21325 (One-Time 3% to 15% Increase For Local Miscellaneous Members and Local Safety Members Who Retired or Died Prior to January 1, 1974). Legislation repealed said Section effective January 1, 2002.
- g. Section 21326 (One-Time 1% to 7% Increase For Local Miscellaneous Members and Local Safety Members Who Retired or Died Prior to July 1, 1974). Legislation repealed said Section effective January 1, 2002.
- h. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance).
- i. Section 21427 (Improved Nonindustrial Disability Allowance) for local fire members only.
- j. Section 20965 (Credit for Unused Sick Leave).
- k. Section 20423 ("Local Safety Member" shall include Harbor or Port Police Officers as described in Government Code Section 20423).
- l. Section 20421 ("Local Safety Member" shall include ocean beach lifeguards of a city as described in Government Code Section 20421).
- m. Section 20434 ("Local Fire Fighter" shall include any officer or employee of a fire department employed to perform firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as described in Government Code Section 20434).

10. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on December 31, 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.
11. 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.
12. 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 21573 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, local fire members and local police members.
  - b. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574.5 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 ocean beach lifeguards.
  - c. 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.
  - d. 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.

13. 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.
  
14. 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 OCEANSIDE

BY \_\_\_\_\_  
LORI MCGARTLAND, CHIEF  
EMPLOYER SERVICES DIVISION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

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

Attest:

\_\_\_\_\_  
Clerk