

STAFF REPORT

City of Lancaster

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09/11/12
MVB

Date: September 11, 2012

To: Mayor Parris and City Council Members

From: Beverly Glode, Human Resources & Risk Management Director
Mark V. Bozigian, City Manager

Subject: California Public Employees' Retirement System (CalPERS)
Resolution of Intention

Recommendation:

- a. Adopt **Resolution of Intention** to approve an amendment to the contract between the City Council of the City of Lancaster and the Board of Administration of the California Public Employees' Retirement System.
- b. Introduce **Ordinance No. 982**, authorizing an amendment to the contract between the City Council of the City of Lancaster and the Board of Administration of the California Public Employees' Retirement System.

Fiscal Impact:

The financial impact of the conversion of the City's current 2.7% retirement plan which is a combined CalPERS 2.0% and PARS 0.7% plan to a single CalPERS 2.7% plan increases the annual CalPERS employer rate by 6.687% and employee rate by 1%. This is offset by a decrease in the PARS rate of 9.6% for a projected savings of nearly \$335,000 in Fiscal Year 2012-2013. The cost of the recommended plan is based on rates provided by CalPERS.

Background:

As part of the City's Meet and Confer process, agreements were reached between the City and its employees for a new three year benefit package. These agreements were approved by the City Council at its meeting of June 26, 2012. The agreements require the City to contract with CalPERS for the 2.7% at age 55 benefit option to replace the current 2.0% at age 55 benefit option and .7% PARS supplement. In exchange, employees agreed to pay a portion of the City's cost for providing that benefit starting in January 2013 with a salary deduction of 2.5% and increasing in January 2014 to 3.5% and in July 2014 to a full 4% deduction. (This change does not increase the retirement benefit for employees but it does require employees to pay a portion of their pension costs.)

Employees hired on or after July 1, 2012 will be enrolled in the CalPERS 2% at age 60 benefit option, with employees paying the full employer share.

This action requires certain procedures to be addressed by the City Council to amend the current contract between the CalPERS Board and City Council; these requirements are met through the recommended actions.

The Public Employees' Retirement Law is very specific on the time between City Council action on the Resolution of Intention and any readings of the Ordinance. Based upon CalPERS' schedule, the second reading of the Ordinance cannot take place prior to the October 9, 2012 City Council meeting.

Staff recommends that the City Council take the above recommended action to be in compliance with the Employee/City Memorandums of Understanding that were effective July 1, 2012.

Attachments:

Resolution of Intention
Ordinance No. 982