

# STAFF REPORT

## City of Lancaster

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Date: October 9, 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) and Public Agency Retirement System (PARS) Plan Amendments**

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### Recommendations:

- a. Adopt **Resolution No. 12-62**, providing for the pickup under Internal Revenue Code Section 414(h)(2) of employee contributions to the California Public Employees' Retirement System (CalPERS).
- b. Adopt **Resolution No. 12-63**, amending and restating the City of Lancaster Public Agency Retirement System (PARS) Retirement Enhancement Plan.

### Fiscal Impact:

There is no fiscal impact for providing for the pickup of employee contributions to CalPERS under Internal Revenue Code Section 414(h)(2). The amendment to the PARS plan will result in a decrease in the PARS rate of 9.6% for a projected savings of nearly \$335,000 in Fiscal Year 2012-2013.

### 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 employee share.

Additionally, Council took action on September 11, 2011 to adopt a Resolution of Intention approving 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.

This action requires certain procedures to be addressed by the City Council. First, Internal Revenue Code Section 414(h)(2) permits the use of pre-tax earnings to fund qualified pension plans if the City Council takes formal action to designate those contributions as “pick up” contributions. Second, an amendment to the current contract between the Public Agency Retirement System (PARS) and City Council is required to clarify that employees eligible under the PARS Tier I plan who retire on or after December 30, 2012 are no longer covered by the PARS Retirement Enhancement Plan. These requirements are met through this action.

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 No. 12-62

Resolution No. 12-63