



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: MAY 4, 2010

ITEM NUMBER:

**SUBJECT:** ORDINANCE AUTHORIZING AMENDMENT TO THE CONTRACT BETWEEN CALPERS AND THE CITY OF COSTA MESA - 3%@50 FORMULA (SAFETY-FIRE PLAN)

**DATE:** APRIL 22, 2010

**FROM:** ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES DIVISION

**PRESENTATION BY:** DEBRA YASUI, HUMAN RESOURCES ADMINISTRATOR

**FOR FURTHER INFORMATION CONTACT:** DEBRA YASUI AT (714) 754-5052  
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## **RECOMMENDATION:**

- 1) Give second reading to and adopt Ordinance No. 10-4 (Attachment I), which authorizes the amendment to the contract between the Board of Administration of the California Public Employees' Retirement System and the City Council of the City of Costa Mesa to implement the 3%@50 retirement formula for eligible Safety-Fire employees.

## **BACKGROUND:**

Presently, the City of Costa Mesa has three separate retirement plans with the California Public Employees' Retirement System (CalPERS): a 3% @ 50 plan for Sworn Police personnel, a 3% @ 55 plan for Sworn Fire Personnel and a 2.5% @ 55 plan for Miscellaneous employees.

At the Special Meeting of the City Council on August 11, 2009, the City Council approved the Memorandum of Understanding (MOU) with the Costa Mesa Firefighters Association (CMFA) that extended their agreement through June 30, 2013. In this MOU, the City agreed to amend the CalPERS Safety Plan to provide Government Code 21362.2 (3%@50) retirement benefits for eligible Safety-Fire employees.

At the City Council meeting on April 6, 2010, the City Council adopted Resolution No. 10-24. This is a Resolution of Intention to approve an amendment to the CalPERS contract for the Safety-Fire group. In addition, a first reading was given to the attached Ordinance, and the required "Certification of Compliance with Government Code Section 7507" and "Certification of Governing Body's Action" were authorized. As required by Government Code Section 7507, Richard Santos, Senior Pension Actuary of CalPERS, was also present at the meeting to address questions related to future costs of this contract amendment.

## **ANALYSIS:**

This CalPERS contract amendment was a key provision of the negotiated agreement between the City and the CMFA that was approved by the City Council on August 11, 2009. The parties to this agreement considered a wide variety of issues in the context of good faith negotiations in accordance with Government Code Section 3500 et seq. (Meyers-Milias-Brown Act).

CalPERS requires that clearly defined procedures be followed for contract amendments. The following guidelines provided by CalPERS are necessary in order to complete the amendment process. The next steps subsequent to this City Council meeting will be:

- If adopted, the Ordinance may take effect no less than 30 days later. The effective date of the Ordinance will be June 3, 2010.
- The effective date of the contract amendment must be the first day of a payroll period and may not be earlier than the day after the effective date of the Ordinance. Therefore, the earliest possible effective date of the contract amendment would be June 6, 2010, the first day of the payroll period.

Employees who retire after June 6, 2010, will be eligible for the 3%@50 factor in their retirement calculations. This amendment will not affect any retirees or former employees of the City of Costa Mesa.

## **ALTERNATIVES CONSIDERED:**

The Memorandum of Understanding (MOU) was adopted by the City Council, and it represents the successful conclusion of the legal process. As such, no alternatives are being considered.

## **FISCAL REVIEW:**

As summarized in the City Council agenda report of April 6, 2010, the CalPERS contract amendment cost analysis/actuarial study indicates that this enhancement will lead to an increase in the 2010/2011 employer contribution rate of 6.549% (from 26.242% to 32.791%). The employee rate for this amendment would remain unchanged at 9%. The budget impact of this rate increase for 2010/2011 is an increase in the Fire Department – Retirement Account of \$694,171. This increase is offset by the reduction in total personnel from 96 to 84, a savings of approximately \$1.8 million. The total net savings for 2010/2011 is approximately \$1.1 million.

According to CalPERS, the change in the Plan's Present Value of the Benefits is \$5,251,094, from \$144.6 million to \$149.8 million. Also, the change in the Plan's Accrued Liability to provide this benefit is \$4,936,806, from \$119.7 million to \$124.6 million.

**LEGAL REVIEW:**

Legal has reviewed the documents and approved them as to form.

**CONCLUSION:**

Staff recommends that the City Council give second reading to and adopt Ordinance No.10-4 which authorizes the amendment to the contract between the Board of Administration of CalPERS and the City Council of the City of Costa Mesa to implement the 3%@50 retirement formula for eligible Fire Safety employees.

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Human Resources Administrator/Risk

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STEPHEN N. MANDOKI  
Director of Administrative Services

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COLLEEN O'DONOGHUE  
Assistant Finance Director

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KIMBERLY HALL BARLOW  
City Attorney

DISTRIBUTION: City Manager  
City Attorney  
City Clerk  
Assistant Finance Director  
Budget and Research Manager

ATTACHMENTS: I [Ordinance No.10-4 with Exhibit Amendment to Contract](#)