



CITY COUNCIL AGENDA REPORT

MEETING DATE: JANUARY 18, 2011

ITEM NUMBER: V-1

SUBJECT: AMENDMENT TO THE CONTRACT BETWEEN CALPERS AND THE CITY OF COSTA MESA TO INCLUDE PROVISIONS PURSUANT TO GOVERNMENT CODE 20516 "COST SHARING" (LOCAL SAFETY AND MISCELLANEOUS PLANS)

DATE: JANUARY 11, 2011

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES DIVISION

PRESENTATION BY: DEBRA YASUI, HUMAN RESOURCES ADMINISTRATOR
BOBBY YOUNG, BUDGET AND RESEARCH OFFICER

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

- 1) Adopt a Resolution of Intention (Attachment I) to approve an Amendment to the Contract between the Board of Administration of the California Public Employees' Retirement System (CalPERS) and the City Council of the City of Costa Mesa (Exhibit) in order to implement Government Code Section 20516 "Cost Sharing" for Local Safety and Local Miscellaneous employees.
- 2) Introduce, give first reading to be read by title only to, and waive further reading of Ordinance No. ____ (Attachment II), which authorizes the amendment to the CalPERS contract to implement Government Code Section 20516 "Cost Sharing" for Local Safety and Local Miscellaneous employees.
- 3) Authorize the City Clerk to execute required CalPERS certifications:
 - a. Certification of Governing Body's Action – PERS-CON-12 (Attachment III).
 - b. Certification of Employee Election PERS-CON-15 (Attachment IV).
 - c. Certification of Compliance with Government Code Section 20516 for Local Safety and Miscellaneous (Attachment V).

BACKGROUND:

Presently, the City of Costa Mesa contracts for three retirement plans with CalPERS: a 3% @ 50 plan for Sworn Police employees, a 3% @ 50 plan for Sworn Fire employees and a 2.5% @ 55 plan for Miscellaneous employees.

At the City Council Meeting on October 12, 2010, the City Council approved a Side Letter of Agreement (LOA) that amended certain portions of the 2007-2013

Memorandum of Understanding (MOU) between the Costa Mesa Firefighters Association and the City. Specifically, the LOA called for the employees covered by the agreement to contribute 5% of the employee's PERSable earnings towards their employee retirement contribution, commencing October 24, 2010, and continuing through 26 consecutive pay periods.

At the Special Meeting of the City Council Meeting on October 26, 2010, the City Council adopted Side Letter of Agreements (LOAs) with the Costa Mesa City Employees Association (CMCEA), the Costa Mesa Police Management Association (CMPMA), the Costa Mesa Police Association (CMPA) and Costa Mesa Fire Management Association (CMFMA); and a Resolution for Unrepresented Employees (Executive and Confidential). These LOAs and Resolution also called for increases in employee contributions towards retirement. Specifically, the CMCEA agreed to an additional employee contribution of 4% PERSable earnings towards the employee portion of retirement for 52 pay periods (total of 7.52%). The CMPMA and CMPA agreed to employee contributions totaling 5% PERSable earnings for 104 pay periods. The CMFMA also agreed to employee contributions of 5% PERSable earnings towards the employee retirement contribution commencing October 24, 2010. This would occur for a minimum of 26 consecutive pay periods and continue for up to 104 pay periods. The Unrepresented Executive and Confidential Employees would be subject to the same cost sharing as CMCEA members.

On October 28, 2010, City staff submitted a request to CalPERS to initiate the contract amendment process. CalPERS confirmed that actuarial valuations will not be required. On December 16, 2010, the City received the contract amendment packet.

ANALYSIS:

This CalPERS contract amendment was a key provision of the negotiated agreements between the City and the CMFA, CMCEA, CMPA, CMPMA and CMFMA that were approved by the City Council on October 12 and October 26, 2010. The parties to these agreements 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 are guidelines provided by CalPERS in order to complete the contract amendment process:

- First, a Resolution of Intention must be approved by the City Council, and a first reading of the Ordinance authorizing an amendment to the contract must occur. In addition, authorization for the City Clerk to provide "Certification of Governing Body's Action" and "Certification of Compliance with Government Code Section 20516" are required.
- Government Code Section 20474 requires a secret ballot election by the employees affected whenever the contract is amended to provide a benefit which changes the employees' rate of contribution. This election must be held for each contract group prior to the adoption of the final Ordinance.

- A final reading of the Ordinance and a City Council vote on adoption must occur at least twenty (20) days after the adoption of the Resolution of Intention (February 15, 2011 City Council Meeting). The City Attorney recommends that an Urgency Ordinance be acted on concurrently. If the Urgency Ordinance is adopted, it may take effect as early as the day following adoption, February 16, 2011. If the regular Ordinance is adopted, it may take effect no less than 30 days later. In this case, the effective date of the regular Ordinance will be March 18, 2011.
- 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 (or Urgency Ordinance). Therefore, the earliest possible effective date of the contract amendment would be February 27, 2011, the first day of a payroll period.

ALTERNATIVES CONSIDERED:

The LOAs were adopted by the City Council and represent the successful conclusion of the legal process. As such, no alternatives are being considered.

FISCAL REVIEW:

The implementation of the LOA articles with CMCEA, CMFA, CMPMA, CMPA, CMFMA, and the Resolution affecting the Unrepresented Executive and Confidential groups will provide an annual total cost savings to the City of approximately \$3.6 million. Implementing this resolution will provide a savings of approximately \$1,167,000 in the 2010-2011 fiscal year. It is estimated that for the two (2) fiscal years following the cost sharing contract amendment, the City will achieve a cost savings of approximately \$6.0 million.

LEGAL REVIEW:

The City Attorney's Office has reviewed the attached documents and, where appropriate, approved them as to form.

CONCLUSION:

In order to amend the CalPERS contract, the following must occur: adoption of the "Resolution of Intention to Approve an 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"; introduction and first reading of the Ordinance authorizing the amendment to the contract to implement Government Code Section 20516 "Cost Sharing"; and authorization given to the City Clerk to execute required CalPERS certifications. The amendment must be completed in order to obtain the cost savings agreed to through the side letters with the various employee groups.

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City Attorney
City Clerk
Assistant Finance Director
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ATTACHMENTS: I [Resolution of Intention and Exhibit Amendment to Contract](#)
II [Ordinance No.](#)
III [Certification of Governing Body's Action \(PERS-CON-12\)](#)
IV [Certification of Employee Election \(PERS-CON-15\)](#)
V [Certification of Compliance with Government Code Section 20516 for Local Safety and Miscellaneous](#)