



Date: November 6, 2006
To: Mayor and City Council
From: Councilwoman Gerrie Schipske *g.schipske*
For: Charter Amendment Committee
Subject: Revise Article XXI of the City Charter Regarding "Normal Earliest Age for Service Retirement"

Discussion

Current City Charter

The current Long Beach City Charter reads as follows at Article XXI.
RETIREMENT SYSTEM:

*Section 2100. PUBLIC EMPLOYEES' RETIREMENT SYSTEM.
(RESTATEMENT AND CONTINUATION BY RENUMBERING PRE-EXISTING
CHARTER SECTION 187.5, ADOPTED NOVEMBER 8, 1949, AND SECTION
187.6, ADOPTED NOVEMBER 2, 1954)*

The City shall participate in the State Employees' Retirement System and it shall be the duty of the City Council to enter into a contract with the Board of Administration thereof, within six (6) months after the effective date of this amendment, making persons in the employ of the City members of said System, except policemen and firemen who are now subject to the provisions of Section 187 of the Charter prior to the effective date of Section 187.1 thereof, all in accordance with the provisions of the "State Employees' Retirement Law," as said Law now exists or as the same may hereafter be amended; provided, however, that where said Law or amendments thereto makes available alternate benefits and other provisions at the election of the City Council, the City Council shall elect as to which benefits and provisions shall apply to employees who become members of the System, subject, nevertheless, to the conditions and limitations contained herein. The City Council may terminate any such contract only under authority granted by ordinance adopted by a majority vote of the qualified electors of the City of Long Beach.

Any such contract shall include the following conditions and limitations:

November 6, 2006

Page 2

(a) The normal earliest age for service retirement shall be sixty-five (65) for miscellaneous employees and fifty-five (55) for firemen and policemen.

(b) Benefits on account of prior service, that is, service rendered to the City prior to the effective date of said contract, shall be allowed only as a percentage of the average salaries specified in said Law. For employees other than firemen and policemen said percentage for each year of prior service shall be one hundred percent (100%) of one-seventieth (1/70th) for retirement at, or over, age sixty-five (65). For firemen and policemen, upon retirement at age fifty-five (55), or higher qualification age, said percentage for each year of prior service shall be one hundred percent (100%) of the fraction of final compensation, as defined in said Law, for each year of service rendered after said effective date as determined for firemen and policemen under said Law, for retirement at age fifty-five (55), or upon qualification for service retirement at a higher age.

If a member retires for service before attaining his normal age for service retirement, said contract shall provide that his prior service pension shall be reduced to that amount which the value of the pension as deferred to said normal age will purchase at the actual age of retirement.

(c) For the purpose of calculating contributions and benefits any amount of an employee's compensation in excess of Four Hundred Sixteen Dollars and Sixty-six cents (\$416.66) per month shall be excluded.

Anything in this Charter to the contrary notwithstanding, the City Council may, without submitting the question to a vote of the qualified electors of the City, levy and collect taxes sufficient to pay all costs and expenses, or any portion thereof, required to be paid by the City to enable it to participate in the State Employees' Retirement System and the limitation of any provision hereof, with reference to the levying and collection of municipal taxes, shall not apply to any such tax authorized by this Section.

All proceedings required by said Law preliminary to such participation and taken prior to the effective date of this amendment are hereby ratified, confirmed and validated.

Sec. 2101. *CHANGES IN RETIREMENT SYSTEM.*

The City shall have the power and the City Council may do and perform any and all acts and take such action as may be necessary to place those employees of the City who now are or hereafter may become members of a coverage group included within the California State Employees' Retirement System under the Old Age and Survivors Insurance provisions of the Social Security Act; to terminate any existing contracts with the State system covering such employees co-incidentally with substitute benefits or equal or greater value becoming effective; and also to provide supplementary benefits for such employees either by contract with the California State Employees' Retirement System supplementing such as are provided by the Old Age and Survivors provisions of the Social Security Act or, in the alternative, to create a City established retirement system which will provide such supplementary benefits for such employees; provided any such system so created shall be upon an actuarially sound basis and, provided further, that at an election held for the purpose among all employees who shall then be included as members of any such coverage group under the California State Employees' Retirement System, the members of which it is proposed to include within either or both such systems, a number thereof shall vote in favor of such plan sufficient to satisfy the requirements of any United States statute providing a method of holding such an election, or in the event there shall be no such statute, then in accordance with any applicable California statute, if any there be, and otherwise as provided by ordinance.

CALPERS RETIREMENT SYSTEM

PERS is a defined benefit retirement plan for employees of the State of California and the participating local agencies. PERS is administered by the PERS Board. The Board has statutory and constitutional power to manage and administer the PERS plan. (California Constitution Article XVI, section 17, subdivision (a); Government Code section 20120). The City of Long Beach is a local agency and public employer. The City has contracted with the Board to include its eligible employees in the PERS retirement plan.

Members of PERS receive a retirement allowance, upon retirement, based on age at retirement, length of service and final compensation. These factors are defined in the Public Employees' Retirement Law (hereinafter referred to as "PERL"). (Gov. Code sections 20000, et seq.) The City, as a local agency contracting with PERS, is subject to the provisions of the PERL (*City of*

Sacramento v. Public Employees' Retirement System (1994) 22 Cal. App. 4th 786, 789.) The statutory formula for determining a member's service retirement allowance provides for application of a percentage figure to the member's final compensation when he retires. The percentage figure applied is based upon the employee's years of service and the employee's age on his date of retirement. Retirement benefits are funded by employer contributions, employee contributions and earnings on the assets. Employee contributions are fixed by statute and PERS sets the employer contributions based on employee compensation and actuarial projections.

Under the current PERS statutes, the minimum service retirement age for most CalPERS members is 50 with five years of CalPERS service credit. Public safety employees become eligible at age 50. The amount of retirement benefit is calculated by a formula that varies from 2.5% to 3.0% times the number of years worked.

CITY OF LONG BEACH RETIREMENT SYSTEM

The City provides a benefit factor (percentage per year of service) used in the calculation of the retirement allowance based on employee's age at retirement. For miscellaneous employees, it increases each completed quarter year of their birthday up to age 63. For safety employees, the benefit factor is 3% beginning at age 50.

Clearly, PERS allows the earliest age for "service retirement" at age 50 instead of age 65 as included in the City's Charter.

POLICY ISSUES

- 1.) Can the City of Long Beach, through its Charter, mandate age sixty-five (65) and age fifty (50) respectively, as the allowable "earliest age for service retirement" for City employees in light of the current PERS statutes?
- 2.) Should the City Council submit to a vote of the qualified electors of the City, changes in language in Article XXI which shall make this provision consistent with the earliest age for service retirement provided by the CALPERS Retirement System?