

CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

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August 3, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Resolutions for Paying and Reporting the Value of the Employer Paid Member Contributions to the California Public Employees' Retirement System; Resolutions for Paying and Reporting the Value of the Employer Paid Member Contributions with Time-In-Grade Exception; and Resolution for Employer Pick-Up (Citywide)

DISCUSSION

On June 18, 2002, the City Council approved the amendments and extensions to the Memoranda of Understanding (MOU) with the Long Beach City Employees' International Association of Machinists and Aerospace Workers (IAM), the Long Beach City Prosecutors' Association, the Long Beach Association of Engineering Employees, the Long Beach Association of Confidential Employees, and the Long Beach City Attorneys' Association. These MOU provide that effective on or about October 1, 2004, employees will begin paying 1 percent of the employee member's 8 percent contribution rate. This also pertains to unrepresented miscellaneous employees.

On April 20, 2004, the City Council approved the Memorandum of Understanding with the Long Beach Management Association (LBMA). This MOU provides that effective on or about October 1, 2004, non-safety management employees represented by the LBMA will begin paying 1 percent of the employee member contribution rate. This also pertains to unrepresented management employees. For each safety management bargaining unit member, employees will begin paying 2 percent of the employee member contribution rate. However, implementation of this LBMA MOU provision is contingent upon similar provisions being applied to members of the other safety employee organizations. Therefore, the City's contribution will remain at 9 percent unless negotiations with the other safety employee organizations are concluded and similar provisions are agreed upon.

The LBMA MOU also provides that each new bargaining unit member hired by the City after October 1, 2004, will pay 5 percent of the employee member contribution rate. This is known as Time-In-Grade Exception. Commencing upon the date of hire of a new bargaining unit member, the respective contribution level described above will remain in effect for a five-year period in accordance with the provisions of California Code of Regulations, Title 2, Section 569 (or any successor regulation thereto). Commencing in

the sixth year of employment, the percentage paid by the employee shall be based on the same terms that apply to those employees in this bargaining unit hired prior to October 1, 2004. The City Manager has indicated that these changes should also apply to unrepresented management employees of the City.

Employees can pay their own member contributions from base salary and defer state and federal taxes on the member contributions. This is called Employer Pick-up (EPU). Federal and state taxes on the amount of the employee contributions are postponed until distribution either through retirement allowance or a lump sum payment (refund).

In order for the City to make changes to implement the employee pick-up of the 1 percent contribution, exercise the provision of the time-in-grade exception and provide EPU for its employees, it is necessary for the City Council to adopt the attached Resolutions as prepared by the City Attorney.

This matter was reviewed by Deputy City Attorney Christina Checél on June 25, 2004 and Budget Management Officer David Wodynski on July 13, 2004.

TIMING CONSIDERATIONS

City Council action is requested on August 3, 2004, to ensure that these Resolutions are received by CalPERS for processing consistent with the effective dates of the various MOU.

FISCAL IMPACT

The miscellaneous employees assuming 1 percent of the employee contribution will represent an annual estimated savings or cost avoidance of \$860,000 to the General and related funds, and to all other City funds an estimated savings of \$1,100,000 for a total estimated savings of \$1,960,000. For the time-in-grade exception for new managers hired after October 1, 2004, the amount of savings is indeterminate because it is based on how many new managers are hired, but the savings achieved will accrue during the first five years of employment.

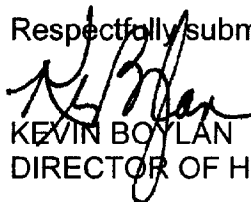
IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Adopt the Resolutions to pay and report the value of the Employer Paid Member Contributions to the California Public Employees' Retirement System for the various employee organizations and unrepresented miscellaneous employees; and

HONORABLE MAYOR AND CITY COUNCIL
August 3, 2004
Page 3

2. Adopt the Resolutions for paying and reporting the value of the Employer Paid Member Contributions with time-in-grade exception for unrepresented management employees and those represented by the Long Beach Management Association; and
3. Adopt Resolution for Employer Pick-Up.

Respectfully submitted,



KEVIN BOYLAN
DIRECTOR OF HUMAN RESOURCES

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Attachments

APPROVED:


GERALD R. MILLER
CITY MANAGER