

CITY OF LONG BEACH

DEPARTMENT OF HUMAN RESOURCES

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Long Beach, California 90802

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August 3, 2004

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

SUBJECT: Resolution of Intention and Ordinance to Amend the City's Contract with the Board of Administration of the California Public Employees' Retirement System (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. On April 20, 2004, the City Council approved the Memorandum of Understanding with the Long Beach Management Association. These MOU require that the City's contract with the Board of Administration of the California Public Employees' Retirement System (CalPERS) be amended on or about October 1, 2004, to provide Tier II local miscellaneous employees (those hired on or after October 21, 1989) the same retirement benefits as Tier I local miscellaneous employees, except that the cost-of-living adjustment (COLA) will remain two percent (2%). The Council was recently briefed on this proposed amendment by the Director of Financial Management at the May 4, 2004, Budget Workshop.

The contract will be amended to provide for the following retirement benefits for all Tier II miscellaneous employees:

1. One Year Final Compensation – The final compensation for calculation of the retirement benefits is based upon the employee's average monthly pay rate for the highest 12 consecutive month period.
2. Credit for Unused Sick Leave – Unused accumulated sick leave at the time of retirement may be converted to additional service credit.
3. Military Credit as Public Service – A member may elect to purchase up to four years of service credit for any continuous active military or merchant marine service prior to employment.

Given the City's current budget challenges, the City Manager has met with the impacted employee unions to explore options in an effort to defer the cost of this benefit enhancement. However, labor representatives have been unwilling to discuss alternatives to mitigate the impact of this previously negotiated benefit.

In order for the City Council to implement the agreement to amend the City's contract with the Board of Administration of CalPERS, as provided by the various City Council approved Memoranda of Understanding, it is necessary to adopt a Resolution of Intention and a separate Ordinance to amend the CalPERS contract. CalPERS has prepared a contract amendment, which, if adopted, will effect the summarized changes. The City Attorney has reviewed the proposed contract amendment and has prepared a Resolution of Intention and the Ordinance to amend the City's contract with the Board of Administration of CalPERS.

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

TIMING CONSIDERATIONS

The Resolution of Intention and first reading of the Ordinance is requested on August 3, 2004, to amend the City's contract with the Board of Administration of CalPERS on October 2, 2004. In order to comply with the Government Code Section 7507 requirement to post future annual costs at least two weeks prior to the adoption of the final Ordinance, the second reading must be scheduled for the City Council meeting of August 24, 2004.

FISCAL IMPACT

A recently received valuation from CalPERS revealed that these proposed enhancements represent an annual estimated increase to the General Fund of \$ 679,812 and to all other City funds a cost of \$1,057,885 for a City wide cost of \$1,737,697. These costs will be incorporated in the FY05 proposed budget.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

1. Adopt the attached Resolution of Intention to amend the City's contract with the Board of Administration of CalPERS as prepared by the City Attorney;
2. Declare Ordinance read for the first time and laid over to the City Council meeting of August 24, 2004, for final reading; and


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3. Request the City Clerk to cause the Resolution of Intention, a copy of the proposed contract amendment (attached exhibit), and a copy of this letter to be posted in three public places no later than August 6, 2004.

Respectfully submitted,



KEVIN P. BOYLAN
DIRECTOR OF HUMAN RESOURCES

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Attachments

APPROVED:



GERALD R. MILLER
CITY MANAGER