

REPORT

To the Honorable Mayor and City Council
From the City Manager

November 13, 2006

Subject

Contract amendment between the City of Redwood City and the California Public Employees Retirement System (CalPERS) to provide Fourth Level of 1959 Survivor Benefits for members of the International Association of Fire Fighters Local 2400.

Recommendation

1. The City Council adopt a Resolution of Intention to amend the contract with CalPERS to provide Government Code, Section 21574 – Fourth Level of 1959 Survivor Benefits for members of the International Association of Fire Fighters Local 2400.
2. The City Council Introduce the Ordinance approving and authorizing the contract amendment with CalPERS to provide Government Code, Section 21574 – Fourth Level of 1959 Survivor Benefits for members of International Association of Fire Fighters Local 2400 effective January 22, 2007.
3. The City Council direct staff to return to Council with the appropriate budget adjustment for Fiscal Year 06/07.

Background

During the most recent negotiations with the International Association of Fire Fighters Local 2400 the City agreed to provide, Government Section 21574 – Fourth Level of 1959 Survivor Benefit.

The 1959 Survivor Benefit is available to CalPERS members who are not covered by Social Security under their current public agency employer. The 1959 Survivor Benefit is structured to provide a monthly cash benefit to the families of CalPERS members who become deceased prior to retirement.

Currently the International Association of Fire Fighters Local 2400 members are eligible for the Third Level of 1959 Survivor Benefit. As Social Security benefit levels have increased over the years, additional benefit levels have been added to the CalPERS 1959 Survivor Benefit program. In 1984 legislation passed that created a Third Level Benefit while establishing a risk pool consisting of all local public agency employers who elected to provide the Third Level benefit. In 1993, legislation was passed to add a Fourth Level Benefit. The monthly benefit amount is determined by the number of eligible dependents at the time of death. Please refer to the chart on page 2 to determine the amount payable under each level.

<u>Benefit Level</u>	<u>One Survivor</u>	<u>Two Survivors</u>	<u>Three or More Survivors</u>
1 st Level	\$180	\$360	\$430
2 nd Level	\$225	\$450	\$538
3 rd Level	\$350	\$700	\$840
4 th Level	\$950	\$1900	\$2280

Monthly benefits provided by all levels of the 1959 Survivor Benefit are fixed. There will be no cost of living adjustment applied to these monthly payments.

Alternative

Staff cannot recommend an alternative, as Council has already agreed to provide this benefit by approving the labor contract with the aforementioned bargaining unit. This action implements Council's previous decision by amending the City's existing contract with CalPERS.

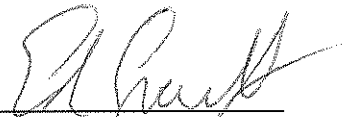
Fiscal Impact

The cost to provide Government Code, Section 21574 – Fourth Level of 1959 Survivor Benefit the first year is \$54,420, which will be included in the Fiscal Year 06/07 mid-year budget amendment. When a group contracts for the Fourth Level, the cost to the agency is the unfunded liability plus five years of normal cost. The five-year normal cost requirement is necessary to prevent inequitable depletion of the pool's current surplus by agencies who have not yet contributed to the surplus.

After the first year the cost will be \$5.10 per month per covered employee or approximately \$3,733 per year.



Robert Bell
Director, Human Resources



Ed Everett
City Manager

Attachments

- 1.) Resolution
- 2.) Ordinance
- 3.) Amendment to Contract

RESOLUTION NO. _____

**RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO
CONTRACT BETWEEN THE CITY OF REDWOOD CITY AND THE
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and set forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 21574- Fourth Level of 1959 Survivor Benefits for International Association of Fire Fighters Local 2400 members effective January 22, 2007.

**NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
REDWOOD CITY THAT:**

1. That the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between said public agency and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part thereof.

2. That this Resolution will be effective upon adoption.

* * *

ORDINANCE NO. _____

ORDINANCE APPROVING AND AUTHORIZING EXECUTION OF THE AMENDMENT TO THE CONTRACT WITH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF REDWOOD CITY TO PROVIDE GOVERNMENT CODE SECTIONS 21574- FOURTH LEVEL OF 1959 SURVIVOR BENEFITS FOR INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS LOCAL 2400 MEMBERS EFFECTIVE JANUARY 22, 2007.

THE COUNCIL OF REDWOOD CITY DOES ORDAIN AS FOLLOWS:

The Board of Administration, California Public Employees' Retirement System and the City of Redwood City, having entered into a contract effective July 1, 1941, and witnessed July 11, 1941, and as amended effective July 1, 1954, August 1, 1959, January 1, 1967, April 1, 1969, July 1, 1971, September 1, 1971, September 28, 1973, December 1, 1975, November 1, 1976, July 1, 1979, February 1, 1980, March 13, 1989, August 23, 1990, February 13, 1992, January 14, 1993, June 22, 1998, October 14, 1999, November 21, 2001, May 6, 2002 and June 28, 2004 and July 10, 2006, hereby agree to amend the contract as follows:

SECTION 1. That paragraphs 1 through 13 of the contract between the City Council of the City of Redwood City and the Board of Administration, California Public Employees' Retirement System, as executed effective July 10, 2006, are hereby replaced by paragraphs numbered 1 through 13 inclusive as set forth in the attached Exhibit "A", Amendment to Contract, and by such reference made a part hereof as though herein set out in full.

SECTION 2. The Mayor of the City of Redwood City is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City Council of the City of Redwood City.

SECTION 3. This Ordinance shall be effective thirty (30) days from the date of its adoption, and prior to the expiration of five (5) days from the passage thereof shall be published at least once in the redwood city daily news, a newspaper of general circulation published and circulated in the County of San Mateo, and thenceforth and thereafter the same shall be in full force and effect.

* * *




EXHIBIT

California
Public Employees' Retirement System



AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Redwood City



The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective July 1, 1941, and witnessed July 11, 1941, and as amended effective July 1, 1954, August 1, 1959, January 1, 1967, April 1, 1969, July 1, 1971, September 1, 1971, September 28, 1973, December 1, 1975, November 1, 1976, July 1, 1979, February 1, 1980, March 13, 1989, August 23, 1990, February 13, 1992, January 14, 1993, June 22, 1998, October 14, 1999, November 21, 2001, May 6, 2002, July 14, 2003, June 28, 2004 and July 10, 2006 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 13 are hereby stricken from said contract as executed effective July 10, 2006, and hereby replaced by the following paragraphs numbered 1 through 13 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members and age 50 for local safety members.

PLEASE DO NOT SIGN "EXHIBIT ONE"

2. Public Agency shall participate in the Public Employees' Retirement System from and after July 1, 1941 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
3. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Local Fire Fighters (herein referred to as local safety members);
 - b. Local Police Officers (herein referred to as local safety members);
 - c. Employees other than local safety members (herein referred to as local miscellaneous members).
4. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

NO ADDITIONAL EXCLUSIONS

5. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment before and not on or after July 10, 2006 shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
6. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member in employment on or after July 10, 2006 shall be determined in accordance with Section 21354.5 of said Retirement Law (2.7% at age 55 Full).
7. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).

PLEASE DO NOT SIGN "EXHIBIT ONLY"

8. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21573 (Third Level of 1959 Survivor Benefits) for local miscellaneous members and local police members only.
 - b. Sections 21624 and 21626 (Post-Retirement Survivor Allowance) for local safety members only.
 - c. Section 20425 ("Local Police Officer" shall include employees of a police department who were employed to perform identification or communication duties on August 4, 1972 and who elected to be local safety members).
 - d. Section 21222.1 (One-Time 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.
 - e. Section 21222.2 (One-Time 5% Increase - 1971). Legislation repealed said Section effective January 1, 1980.
 - f. Section 21325 (One-Time 3% to 15% Increase For Local Miscellaneous Members and Local Safety Members Who Retired or Died Prior to January 1, 1974). Legislation repealed said Section effective January 1, 2002.
 - g. Section 21326 (One-Time 1% to 7% Increase For Local Miscellaneous Members and Local Safety Members Who Retired or Died Prior to July 1, 1974). Legislation repealed said Section effective January 1, 2002.
 - h. Section 21317 (One-Time 15% Increase for Certain Local Safety Members Who Retired for Service Retirement). Legislation repealed said Section effective January 1, 2002.
 - i. Section 21319 (One-Time 15% Increase for Local Miscellaneous Members Who Retired or Died Prior to July 1, 1971). Legislation repealed said Section effective January 1, 2002.
 - j. Section 20042 (One-Year Final Compensation).
 - k. Section 20903 (Two Years Additional Service Credit).
 - l. Section 20965 (Credit for Unused Sick Leave) for local fire members only.

PLEASE DO NOT SIGN "EXHIBIT ONLY"

- m. Section 21024 (Military Service Credit as Public Service), Statutes of 1974.
 - n. Section 20434 ("Local Fire Fighter" shall include any officer or employee of a fire department employed to perform firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as described in Government Code Section 20434).
 - o. Section 21548 (Pre-Retirement Optional Settlement 2 Death Benefit) for local fire members only.
 - p. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local fire members only.
9. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on February 1, 1980. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
10. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.
11. Public Agency shall also contribute to said Retirement System as follows:
- a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21573 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members and local police members.
 - b. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local fire members.

- c. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - d. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
12. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.
13. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF REDWOOD CITY

BY _____
LORI MCGARTLAND, CHIEF
EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest: _____

Clerk

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