

**DATE:** March 25, 2008

**TO:** Mayor and City Council

**FROM:** Human Resources Director

**SUBJECT:** Adoption of Resolution of Intention to Approve an Amendment to the City's California Public Employees Retirement System (PERS) Contract for Miscellaneous, Police and Fire to Add Two Years of Additional Service Credit Provision

### **RECOMMENDATION**

That Council adopts the attached Resolution of Intention to approve an Amendment to the City's Contract with the California Public Employees' Retirement System (PERS) adding a provision to the Contract allowing the City to offer two additional years of service credit to Miscellaneous, Police, and Fire employees at the City's discretion.

### **BACKGROUND**

Like many municipalities in California, the City of Hayward is facing serious financial shortfalls. The Staff and Council have been exploring many avenues and approaches to mitigate projected gaps between revenue and expenditures.

One tool to manage employment costs is the inducement of early retirement for employees in specifically identified classifications. In order for the City to consider making such a program available to employees, it must be a provision of the City's existing Contract with PERS. Currently, the City's Contract with PERS does not contain such a provision. The attached Resolution authorizes Staff to work with PERS to include such a provision in the existing Contract.

### **DISCUSSION**

In order for PERS members to be eligible to receive a regular retirement payout, they must be at least 50 years of age<sup>1</sup> and must have a minimum of five years of service credit in the PERS system. The amount of the payout is then determined by a combination of age, length of service, and salary level.

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<sup>1</sup> Although non-sworn employees may retire at age 50, they will only receive the full benefit of their retirement formula if they retire at age 55.

Offering this will benefit both the City and the employees. Employees eligible and electing to participate will receive an additional two years of service credit, which will increase their retirement annuity. The offering of this benefit will reduce the need for mandatory layoffs, transfers or demotions if enacted.

Adding this provision to our Contract will allow the City to implement such a retirement enhancement. Once this provision is added to the City's Contract, the City will have the option of offering it to all classifications or to specific job classifications within specific organizational units (departments/divisions). Final implementation will require Council approval. However, adding this provision does not mandate its use. There is no obligation to ever implement this provision.

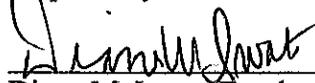
### **FISCAL IMPACT**

There is no cost to either the City or the employees to amend the PERS Contract to add this provision. Costs associated with implementing the provisions of the Amendment are based on which classifications are offered and who takes advantage of the benefit and will be addressed when or if this item is brought back before Council for implementation.

### **NEXT STEPS**

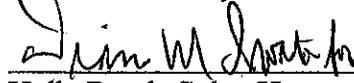
If the attached Resolution of Intention is approved, the Council will need to adopt a final ordinance at a future meeting to amend the PERS Contract. Staff anticipates this will occur at the April 22<sup>nd</sup> Council Meeting. The effective date of the final ordinance would be 30 days from the date of adoption. The effective date of the PERS Contract Amendment would be the day following the effective date of the ordinance. Staff will bring back to Council the enabling Resolution to implement the provisions of the Contract Amendment in May.

Prepared by:



\_\_\_\_\_  
Diane M. Iwata, Employee Benefits Administrator

Recommended by:



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Holly Brock-Cohn, Human Resources Director

Approved by:



\_\_\_\_\_  
Gregory T. Jones, City Manager

Attachment: Attachment A  
Draft Resolution (1)



**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 Hayward



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 October 1, 1950, and witnessed August 7, 1950, and as amended effective January 16, 1952, January 1, 1956, April 1, 1959, January 1, 1960, November 1, 1962, April 1, 1965, December 1, 1969, July 1, 1973, July 16, 1973, June 1, 1978, April 23, 1979, January 12, 1981, March 9, 1981, July 11, 1986, October 10, 1988, June 21, 1991, June 19, 1992, March 8, 1996, January 1, 2001, April 1, 2001, July 1, 2001 and August 26, 2002 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 12 are hereby stricken from said contract as executed effective August 26, 2002, 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 ONLY"

2. Public Agency shall participate in the Public Employees' Retirement System from and after October 1, 1950 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:
  - a. **PERSONS EMPLOYED AFTER JANUARY 16, 1952 AS CROSSING GUARDS; AND**
  - b. **PERSONS EMPLOYED AFTER JANUARY 30, 1959 AS PART-TIME LIFEGUARDS AND PART-TIME LIBRARY AIDES.**
5. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after August 26, 2002 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, and prior to December 30, 1980, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).

PLEASE DO NOT SIGN "EXHIBIT ONE"

6. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after August 26, 2002 shall be determined in accordance with Section 21354.4 of said Retirement Law, subject to the reduction provided therein for service on and after January 1, 1956, the effective date of Social Security coverage, and prior to December 30, 1980, termination of Social Security, for members whose service has been included in Federal Social Security (2.5% at age 55 Full and Modified).
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).
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 safety members only.
  - b. Sections 21624 and 21626 (Post-Retirement Survivor Allowance) for local safety members only.
  - c. Section 20042 (One-Year Final Compensation).
  - d. Section 21635 (Post-Retirement Survivor Allowance to Continue After Remarriage) for local safety members only.
  - e. Section 21024 (Military Service Credit as Public Service).
  - f. Section 21027 (Military Service Credit for Retired Persons).
  - g. Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).
  - h. Section 21022 (Public Service Credit for Periods of Lay-Off) for local miscellaneous members only.
  - i. Section 21574 (Fourth Level of 1959 Survivor Benefits) for local miscellaneous members only.
  - j. Section 20903 (Two Years Additional Service Credit).

PLEASE DO NOT SIGN "EXHIBIT C"

9. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on June 1, 1978. 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 safety 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 miscellaneous 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 HAYWARD

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

BY \_\_\_\_\_  
PRESIDING OFFICER

\_\_\_\_\_  
Witness Date

Attest

\_\_\_\_\_  
Clerk



ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward