



## AGENDA REPORT

**Meeting Date:** July 3, 2012

**Item Number:** D-1

**To:** Honorable Mayor & City Council

**From:** Scott G. Miller, Chief Financial Officer & Director, Administrative Services

**Subject:** **A RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS TO PROVIDE A SECOND TIER OF RETIREMENT BENEFITS TO APPLICABLE SAFETY EMPLOYEES; AND**

**AN ORDINANCE OF THE CITY BEVERLY HILLS AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY OF BEVERLY HILLS AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**Attachment(s):**

1. Savings Projections – 10 Year Implementation
2. Savings Projections – 20 Year Implementation
3. CalPERS Cost Disclosure Valuation Report
4. Resolution
5. Ordinance with Amendment to CalPERS Contract

---

### **RECOMMENDATION**

Staff recommends adopting the Resolution of Intention to approve an amendment to the contract between the California Public Employees' Retirement System and the City Council of the City of Beverly Hills regarding the implementation of a second tier of retirement benefits for Safety employees.

### **INTRODUCTION**

The Police Officers Association, Police Management Association, and Fire Association agreed to a changed pension benefit for new safety employees hired on or after July 1, 2012. This second tier retirement program is in line with the City Council's goal of controlling employee related costs and ensuring long-term fiscal sustainability.

## **DISCUSSION**

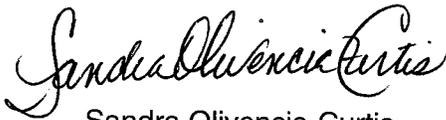
As a result of successful employment negotiations, representatives of the Police Officers Association, Police Management Association, and Fire Association agreed to employment terms and conditions outlined in their Memorandum of Understandings MOU(s). The attached resolution reflects the appropriate terms and conditions associated with the proposed change to the pension plan for new safety employees.

The new second-tier pension benefit changes the pension program from the current 3% at 50 for current safety employees to 3% at 55 for new hires. Additionally, the pension calculation for retiring employees hired on or after July 1, 2012 will now be based on a 3 year average of salary rather than the highest year's compensation.

By adopting the Resolution of Intent the City Council will enable staff to continue its process to implement the contractual changes.

## **FISCAL IMPACT**

The actuarially determined savings of this contract amendment is a reduction of 3.2% in the employer pension rate for Safety employees. This long term future savings will be realized gradually as employees working under the existing benefit formula retire and new employees working under the new benefit formula are hired.



---

Sandra Olivencia-Curtis  
Assistant Director, Administrative  
Services – Human Resources



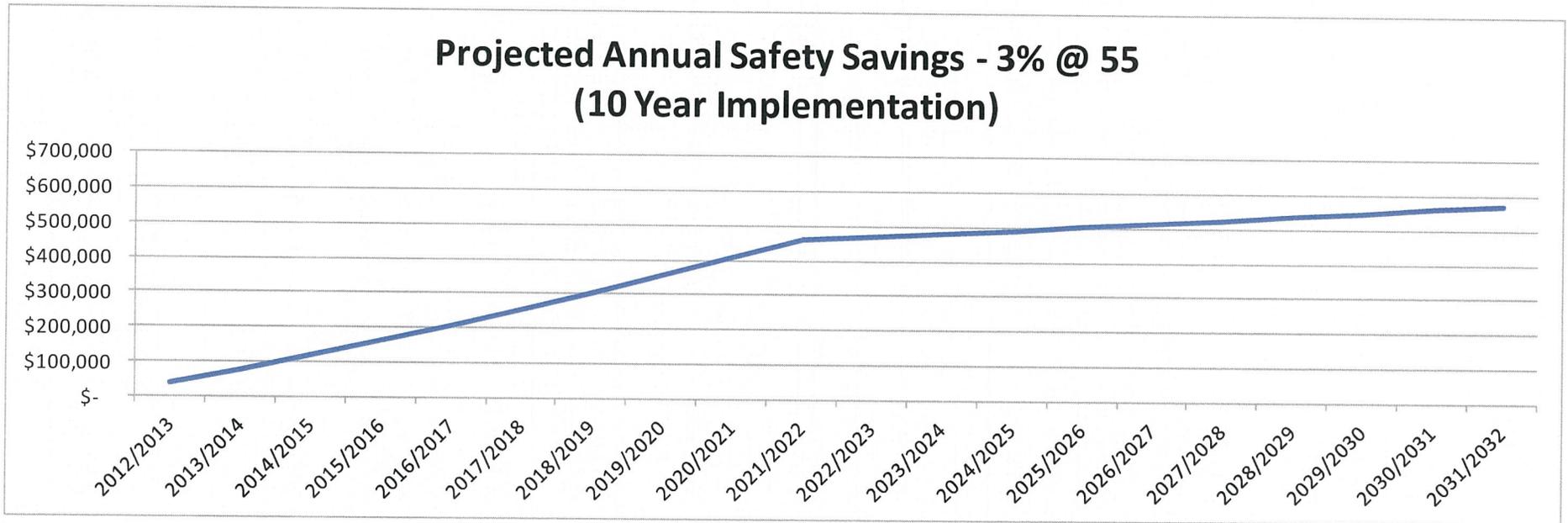
---

Scott G. Miller  
CFO / Director, Administrative  
Services

# **Attachment 1**

## Savings Projections – 10 Year Implementation

This chart projects the 20 years savings if 100% of the safety employees are enrolled in the second tier pension benefit within **10 years**.



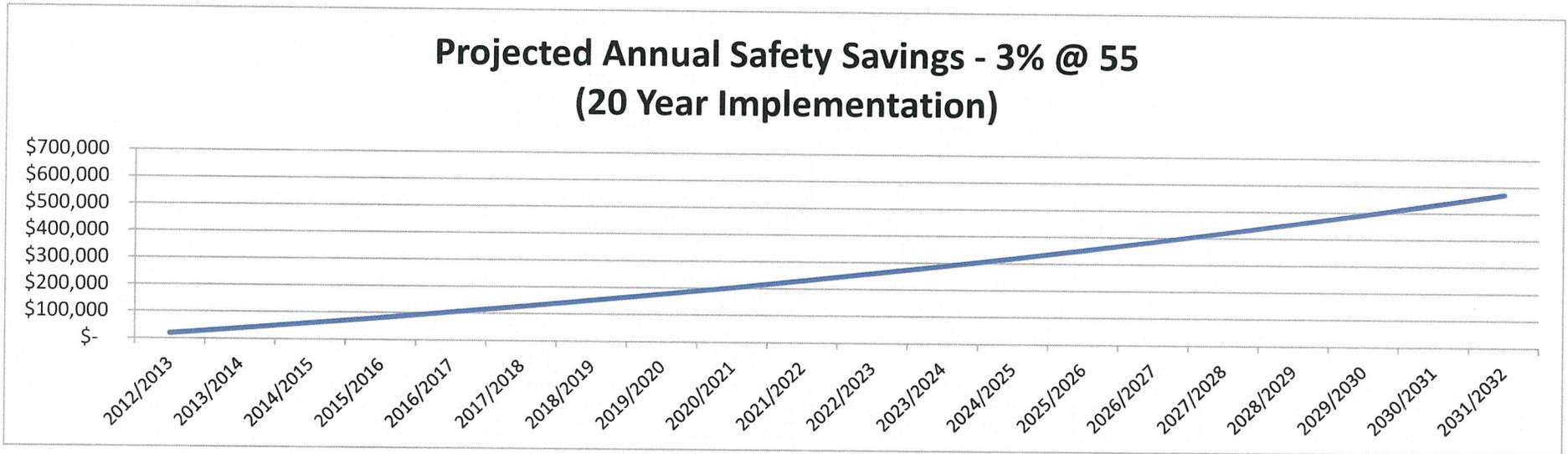
The projected 20 years savings is \$7,565,000, with an average annual savings of \$378,000. The detailed savings projections by year are listed below:

| Year 1    | Year 2    | Year 3    | Year 4    | Year 5    | Year 6    | Year 7    | Year 8    | Year 9    | Year 10   |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| \$37,799  | \$77,262  | \$118,442 | \$161,397 | \$206,185 | \$252,866 | \$301,500 | \$352,152 | \$404,887 | \$459,772 |
| Year 11   | Year 12   | Year 13   | Year 14   | Year 15   | Year 16   | Year 17   | Year 18   | Year 19   | Year 20   |
| \$469,886 | \$480,224 | \$490,789 | \$501,586 | \$512,621 | \$523,899 | \$535,425 | \$547,204 | \$559,242 | \$571,546 |

# **Attachment 2**

## Savings Projections – 20 Year Implementation

This chart projects the 20 years savings if 100% of the safety employees are enrolled in the second tier pension benefit within **20 years**.



The projected 20 years savings is \$5,257,000, with an average annual savings of \$263,000. The detailed savings projections by year are listed below:

| Year 1    | Year 2    | Year 3    | Year 4    | Year 5    | Year 6    | Year 7    | Year 8    | Year 9    | Year 10   |
|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| \$18,900  | \$38,631  | \$59,221  | \$80,699  | \$103,093 | \$126,433 | \$150,750 | \$176,076 | \$202,443 | \$229,886 |
| Year 11   | Year 12   | Year 13   | Year 14   | Year 15   | Year 16   | Year 17   | Year 18   | Year 19   | Year 20   |
| \$258,438 | \$288,134 | \$319,013 | \$351,110 | \$384,466 | \$419,119 | \$455,111 | \$492,484 | \$531,280 | \$571,546 |

# **Attachment 3**



California Public Employees' Retirement System  
Actuarial Office  
P.O. Box 942709  
Sacramento, CA 95812-1494  
TTY: (877) 249-7442  
(888) 225-7377 phone • (916) 795-2744 fax  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

May 25, 2012  
CALPERS ID: 5284239652  
Employer Name: CITY OF BEVERLY HILLS  
Rate Plan: SAFETY PLAN

Re: New 3%@55 with Three-Year Final Compensation Second Tier within a Non-pooled Plan (Section 20475: Different Level of Benefits Provided for New Employees; Section 21363.1: 3%@55 Formula and Section 20037: Three-Year Final Compensation)

Dear Requestor:

As requested, employer contribution rate information on your proposed second tier follows.

**If you are aware of others interested in this information (i.e. payroll staff, county court employees, port districts, etc.), please inform them.**

The information is based on the June 30, 2010 annual valuation and is good until June 30, 2013. Note, however, that your rate after June 30, 2013 could change substantially. If your agency has not taken action to amend its contract by June 30, 2013, **you must contact the Retirement Contract Services Unit for an updated cost analysis.**

**If the employer contribution rate changes, that change would take place immediately.** There will be no immediate employer contribution rate impact from this amendment. Ultimately, though, your employer normal cost will decrease. If the mix of active member entry ages were the same for both the current continuing first tier employees and the new second tier employees, the decrease in the employer rate would be 3.2%.

The employer rate reduction will occur gradually, beginning on July 1, 2014, if there are second tier employees hired on or before June 30, 2012. For fiscal years 2014/2015 and beyond, the projected annual amount of rate reduction you can expect from introducing a second tier is approximately equal to the ratio of your second tier annual payroll to your total plan annual payroll two and a half years earlier. For example if 1/10 of your Safety Plan members were in second tier on June 30, 2012 and the ultimate expected normal cost decrease was 3.2%, the cumulative rate reduction you can expect by the 2014/2015 fiscal year would be  $1/10 \times 3.2\% = 0.32\%$ .

To initiate an amendment to the contract, please follow the Contract Amendment Request process on MyCalPERS with our Retirement Contract Services Unit, indicating your wish to contract for Section 20475 (Different Level of Benefits) and identifying the group(s) to which the benefit reduction applies.

In sections 20463 (b) and (c), the California Public Employees' Retirement Law requires the governing body of a public agency within five days of receipt of the contract amendment cost analysis, to provide each employee organization with a copy of the analysis. If this cost analysis was requested by an employee organization, the employee organization is also required within five days of receipt of the analysis, to provide a copy of the analysis to the public agency.

If you have questions, please call (888) CalPERS (225-7377).

A handwritten signature in cursive script that reads "Kung-Pei Hwang".

KUNG-PEI HWANG, ASA, MAAA  
Senior Pension Actuary, CalPERS

# **Attachment 4**

**RESOLUTION OF INTENTION  
TO APPROVE AN AMENDMENT TO CONTRACT  
BETWEEN THE  
BOARD OF ADMINISTRATION  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
AND THE  
CITY COUNCIL  
CITY OF BEVERLY HILLS**

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 sets 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 20475 (Different Level of Benefits).  
Section 21363.1 (3% @ 55 Full formula) and Section 20037  
(Three-Year Final Compensation) are applicable to local  
safety members entering membership for the first time in  
the safety classification after the effective date of this  
amendment to contract.

NOW, THEREFORE, BE IT RESOLVED 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 hereof.

By: \_\_\_\_\_  
Presiding Officer

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date adopted and approved

City signatures continue for Resolution of Intention CalPERS

ATTEST:

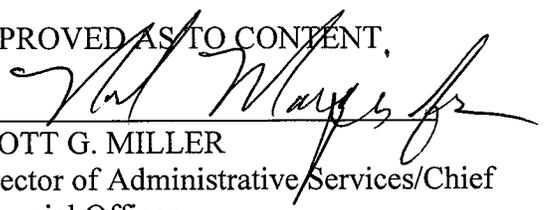
\_\_\_\_\_ (SEAL)

BYRON POPE  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT,

  
\_\_\_\_\_  
SCOTT G. MILLER  
Director of Administrative Services/Chief  
Financial Officer

# **Attachment 5**

ORDINANCE NO. 12-O-\_\_\_\_\_

AN ORDINANCE OF THE CITY OF BEVERLY HILLS AUTHORIZING  
AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY OF  
BEVERLY HILLS AND THE BOARD OF ADMINISTRATION OF THE  
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

WHEREAS, the City of Beverly Hills contracts with the California Public Employees' Retirement System (CalPERS) to provide retirement plans for eligible employees; and

WHEREAS, as a contracting agency, the City may amend its contract(s) to provide various optional benefits offered by CalPERS.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS DOES HEREBY ORDAIN AS FOLLOWS:

SECTION 1. That an amendment to the contract between the City of Beverly Hills and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto as Exhibit A, and by such reference made a part hereof as though herein set out in full.

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

SECTION 3. Any provision of the Beverly Hills Municipal Code or appendices thereto inconsistent with the provisions of this Ordinance, to the extent of such inconsistencies and no further, are hereby repealed or modified to that extent necessary to affect the provisions of this Ordinance.

SECTION 4. Severability. If any section, subsection, subdivision, paragraph, sentence, clause, or phrase in this Ordinance, or any part thereof, is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any

part thereof. The City Council hereby declares that it would have passed each section, subsection, subdivision, paragraph, sentence, clause, or phrase thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases be declared unconstitutional, or invalid, or ineffective.

SECTION 5. Publication. The City Clerk shall cause this Ordinance to be published at least once in a newspaper of general circulation published and circulated in the City within fifteen (15) days after its passage, in accordance with Section 36933 of the Government Code shall attest and certify to the adoption of this Ordinance, and shall cause this Ordinance and the City Clerk's certification, together with proof of publication, to be entered in the Book of Ordinances of the Council of this City.

SECTION 6. Effective Date. This ordinance shall go into effect and be in full force and effect at 12:01 a.m. on the thirty-first (31st) day after its passage.

Adopted:  
Effective:

\_\_\_\_\_  
WILLIAM W. BRIEN, MD  
Mayor

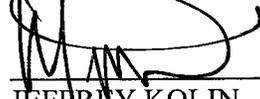
ATTEST:

\_\_\_\_\_  
(SEAL)  
BYRON POPE  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
LAURENCE S. WIENER  
City Attorney

APPROVED AS TO CONTENT:

 for JK  
\_\_\_\_\_  
JEFFREY KOLIN  
City Manager

  
\_\_\_\_\_  
SCOTT G. MILLER  
Director of Administrative Services/  
Chief Financial Officer

**EXHIBIT A**



**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 Beverly Hills

---

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 1, 1941, and as amended effective March 1, 1946, February 1, 1948, September 1, 1953, January 1, 1956, October 1, 1958, August 1, 1959, October 18, 1969, September 7, 1973, July 5, 1975, August 6, 1977, October 21, 1978, January 9, 1982, December 25, 1982, January 2, 1988, July 9, 1994, July 5, 1997, December 11, 1998, May 19, 2001, January 8, 2005, April 30, 2005, October 7, 2005 and December 19, 2009 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective December 19, 2009, and hereby replaced by the following paragraphs numbered 1 through 16 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, age 50 for local safety members entering membership in the safety classification on or prior to the effective date of this amendment to contract and age 55 for local safety members entering membership for the first time in the safety classification after the effective date of this amendment to contract.

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. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
  - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
  - (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.
  - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
  - (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.
  - (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.
  - (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.
  - (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.

4. 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).
5. 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**

6. Prior to January 1, 1975, those members who were hired by Public Agency on a temporary and/or seasonal basis not to exceed 6 months were excluded from PERS membership by contract. Government Code Section 20336 superseded this contract provision by providing that any such temporary and/or seasonal employees are excluded from PERS membership subsequent to January 1, 1975. Legislation repealed and replaced said Section with Government Code Section 20305 effective July 1, 1994.
7. 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 January 8, 2005 shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
8. 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 January 8, 2005 shall be determined in accordance with Section 21354.4 of said Retirement Law (2.5% at age 55 Full).
9. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member entering membership in the safety classification on or prior to the effective date of this amendment to contract shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
10. The percentage of final compensation to be provided for each year of credited current service as a local safety member entering membership for the first time in the safety classification after the effective date of this amendment to contract shall be determined in accordance with Section 21363.1 of said Retirement Law (3% at age 55 Full).

11. Public Agency elected and elects to be subject to the following optional provisions:
  - a. Sections 21624 and 21626 (Post-Retirement Survivor Allowance) for local safety members only.
  - b. Section 21024 (Military Service Credit as Public Service).
  - c. Section 20042 (One-Year Final Compensation) for local miscellaneous members and for safety members entering membership on or prior to the effective date of this amendment to contract.
  - d. Section 21574 (Fourth Level of 1959 Survivor Benefits).
  - e. Section 21548 (Pre-Retirement Option 2W Death Benefit) for local miscellaneous members only.
  - f. Section 20903 (Two Years Additional Service Credit) for local miscellaneous members only.
  - g. Section 20475 (Different Level of Benefits). Section 21363.1 (3% @ 55 Full formula) and Section 20037 (Three-Year Final Compensation) are applicable to local safety members entering membership for the first time in the safety classification after the effective date of this amendment to contract.
12. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on January 2, 1988. 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.
13. 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.
14. 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 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 and local safety members.

- b. 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.
  - c. 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.
15. 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.
16. 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 BEVERLY HILLS

BY \_\_\_\_\_  
KAREN DE FRANK, CHIEF  
CUSTOMER ACCOUNT SERVICES DIVISION  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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

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

Attest:

\_\_\_\_\_  
Clerk