

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: 4/2/12
Reviewed by: BP

SUBJECT: Ordinance #2012-01 to amend the contract between the City of Albany and the California Public Employees' Retirement System to allow for the "Employee Sharing Cost of Additional Benefits" provision (§20516) and the "Different Level of Benefits" provision (§20475) for local Fire Safety members

FROM: Aaron Walker, Human Resources Manager
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STAFF RECOMMENDATION

Approve Ordinance #2012-01, an ordinance of the Albany City Council authorizing an amendment to the contract between the City of Albany and the Board of Administration of the California Public Employees' Retirement System – Second Reading - Pass to print.

BACKGROUND

The California Public Employees' Retirement System (PERS) permits a covered agency to amend its contract to provide for a Cost Sharing arrangement wherein the employer and a unit of employees may agree to share the costs of any optional benefits.

The City of Albany previously contracted with PERS for its fire safety employees to receive the following optional benefits: One-Year Final Compensation (§20042) and the 3% @55 Full Formula (§21363.1). The costs of these benefits are factored into the employer rate, which is currently paid entirely by the City.

The City and the Albany Fire Fighters' Association (AFFA) recently negotiated changes in the Memorandum of Understanding (MOU) between the City and AFFA, which was approved by City Council on November 7, 2011. These changes include a new provision for cost sharing related to the City's pension costs and a modification in how pensions for future employees are calculated.

DISCUSSION

The cost sharing provision calls for fire safety employees to begin paying a total of 9.0% of wages to the City and PERS in exchange for a salary increase of 3.3% effective on the same day this cost sharing begins. This combination of employee contribution and salary increase has been calculated to save the City 4.5% of fire safety wages. Due to provisions in PERS regulations, the specifics of the cost sharing are that the fire safety

employees will pay 7.0% of wages to PERS and 2.0% of wages to the City, for a total deduction of 9.0%.¹

PERS also permits a covered agency to amend its contract to provide a different level of benefits for employees hired after a certain date. The proposed “second-tier” benefit before the Council is the lower *Three-Year Final Compensation* retirement basis (average of 3 highest consecutive years). This is the basis the City of Albany had in place prior to amending its contract in 1992 to provide for *One-Year Final Compensation* (single highest year). Many other municipal agencies continue to contract for a higher retirement basis, but the City is taking active steps to reduce expenditures.

The two amendments before the Council are scheduled to become effective May 14, 2012. This includes implementing the second-tier benefit for employees hired on or after May 14, 2012, and having current and future employees make contributions to PERS effective May 14, 2012.

SUSTAINABILITY

N/A

FINANCIAL IMPACT

As mentioned above, the Cost Sharing provision and salary increase for fire safety members has been calculated to save the City 4.5% of the employees’ wages and associated costs, which equals approximately \$107,000 for fiscal year 2012-13. The cost savings for the second-tier retirement basis will depend upon what positions are hired in the future. The employer rate under this second-tier plan currently is 20.308% of wages, as opposed to the current employer rate under the first-tier plan of 21.252%.

Attachments:

1. Ordinance #2012-01
2. PERS contract pages

¹ The maximum employee contribution allowed under this Cost Sharing provision is 7.08% through March 27, 2026. That amount is reduced to 2.443% thereafter. These amounts are separate from and in addition to the 9.0% member contribution, currently paid by the employer.