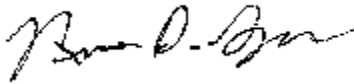


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Administrative Services Director
Richard Spitler, City Manager
DATE: March 20, 2012
SUBJECT: Ordinance Approving Amendment to Contract with CalPERS to Implement Second Tier Retirement Benefits for New Miscellaneous and Public Safety Members.

APPROVAL FOR FORWARDING:



Richard D. Spitler, City Manager

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2 **ISSUE:**
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4 Consideration of adopting an ordinance to amend the existing contract with CalPERS to
5 change the benefit formula for new employees so that Miscellaneous Employees will have a
6 2% @ 60 Modified formula (based upon the last three year average final compensation) and
7 Local Safety Employees will have a 2% @ 55 Modified Formula (based upon the last three
8 year average final compensation).
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10 **RECOMMENDATION:**
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12 Staff recommends that the City Council adopt the attached ordinance to amend the
13 contract between the City of Calistoga and CalPERS and to authorize the Mayor to
14 execute the attached contract amendment following final approval of the ordinance.
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16 **BACKGROUND:**
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18 On February 21, 2012 the City Council adopted a resolution of intent and introduced an
19 ordinance (and waived the first reading) to implement a two-tiered plan for new employees.

20 This consists of new benefit formula changes such that Miscellaneous Employees will have
21 a 2% @ 60 Modified formula (based upon the last three year average final compensation);
22 and Local Safety Employees will have a 2% @ 55 Modified Formula (based upon the last
23 three year average final compensation). It is anticipated that this will go into effect May 1,
24 2012. This is in accordance with the MOU's with the Calistoga Professional Firefighters'
25 Association, Calistoga Public Employees Association and Unrepresented Employees as
26 well as the imposed contract for the Calistoga Police Officers Association.

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28 The staff report for the February 21, 2012 meeting presented in detail the potential financial
29 impact to the City of adopting the proposed contract amendment with PERS. While these
30 changes do not bring immediate positive financial impact, over time it will significantly
31 reduce City contributions to this pension fund.

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33 **FISCAL IMPACT:**

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35 1. Local Miscellaneous members

36 It is estimated by CalPERS the City of Calistoga will realize savings of 11.367% (current
37 rate FY 11-12 is 19.10% - estimated rate 7.733%) on the employer side for any new
38 employee hired after May 1, 2012 for local miscellaneous employees according to
39 Section 2 Risk Pool actuarial valuation report dated February 2, 2011 for the new second
40 tier plan. Using the Local Miscellaneous payroll from our most recent CalPERS valuation
41 (\$3.15M), that is an ultimate savings of approximately \$358,060 per year once transition
42 is fully implemented.

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44 2. Local Safety members

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46 It is estimated by CalPERS the City of Calistoga will realize savings of 16.989% (current
47 rate FY 11-12 is 32.190% - estimated rate 15.201%) on the employer side for any new
48 employee hired after May 1, 2012 for local safety employees as stated in the February 2,
49 2011 CalPERS Section 2 Risk Pool actuarial valuation report. Using the Local Safety
50 payroll from our most recent CalPERS valuation (\$1.37M), that is an ultimate savings of
51 approximately \$232,749 per year once transition is fully implemented.

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54 **ATTACHMENTS**

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56 1. Ordinance 2012-680 / Exhibit A- Amendment to Contract
57 2. Resolution No. 2012-011 of Intention to Approve an Amendment to Contract
58 3. Actuarial Report for Pooled Plans for new second tier plan for Local Safety dated
59 February 2, 2011
60 4. Actuarial Report for Pooled Plans for new second tier plan for Local Miscellaneous
61 dated February 2, 2011
62 5. CalPERS Letter dated January 23, 2012 Re: Contract Amendment