

City of Garden Grove

INTERDEPARTMENTAL MEMORANDUM

To: Matthew J. Fertal
From: John D.R. Clark
Dept: City Manager
Dept: Human Resources
Subject: RESOLUTION ESTABLISHING PERS TERMS FOR NEW EMPLOYEES REPRESENTED BY THE ORANGE COUNTY EMPLOYEES' ASSOCIATION (OCEA) GARDEN GROVE CHAPTER, OCEA EMPLOYEES' LEAGUE, AND UNREPRESENTED EMPLOYEES AS REQUIRED BY PUBLIC EMPLOYEES' PENSION REFORM ACT (PEPRA)
Date: December 11, 2012

OBJECTIVE

Obtain approval of a Resolution implementing portions of the Public Employees' Pension Reform Act (PEPRA).

BACKGROUND/DISCUSSION

PEPRA, the statewide pension reform act passed by the Legislature and signed into law by the Governor, mandates many changes to public retirement systems in California including the California Public Employees' Retirement System (PERS), of which Garden Grove is a member agency.

Basically, the City is required to transition from its present "2.5@55" formula for Miscellaneous Employees (i.e., not Fire and Police) to a "2@62" formula, and transition from its present "3@50" formula for Safety Employees to one of three formulas ranging from "2@57" to "2.7@57." The City has no discretion in this matter, the statutory language of PEPRA is quite clear that new employees hired after January 1, 2013, will be subject to the new formulas. Note that PEPRA includes a major exception for employees already employed by other PERS agencies or coordinating California retirement plans: these employees, if hired by a new agency, will come in at the hiring agency's "old" PERS formula.

Procedurally, the City Council adopts changes to terms and conditions of employment by Resolution. The attached Resolution covers Miscellaneous Employees and unrepresented Safety Employees (the Police Chief and the Fire Chief). Staff will return at a later date to adopt similar provisions for represented Safety Employees.

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FINANCIAL IMPACT

It is estimated that employees in the "new" formulas will cost the City 5% to 7% less per year than current employees, all other things being equal. However, it will likely take seven or more years before a sufficient proportion of our workforce is in the new formulas to realize substantial savings.

RECOMMENDATION

It is recommended that the City Council:

- Adopt the attached Resolution to establish new terms and conditions of PERS membership for new member employees, as defined by PEPR A, hired on or after January 1, 2013 for the following groups:
 - Employees in classifications represented by the Orange County Employees' Association Garden Grove Chapter;
 - Employees in classifications represented by the Orange County Employees' Association Employees' League Chapter; and
 - Employees in unrepresented classifications otherwise eligible under PEPR A.

John D.R. Clark
JOHN D.R. CLARK
Human Resources Director/City Treasurer

Attachment: Resolution

Recommended for Approval

Matthew Fertal
Matthew Fertal
City Manager

GARDEN GROVE CITY COUNCIL

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, SETTING FORTH TERMS AND CONDITIONS OF CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) BENEFITS IN COMPLIANCE WITH REQUIREMENTS OF THE PUBLIC EMPLOYEES' PENSION REFORM ACT (PEPRA) FOR NEW EMPLOYEES REPRESENTED BY THE ORANGE COUNTY EMPLOYEES' ASSOCIATION (OCEA), GARDEN GROVE CHAPTER; OCEA EMPLOYEES' LEAGUE; AND UNREPRESENTED EMPLOYEES

WHEREAS, the State Legislature passed and the Governor of California signed Assembly Bill 340, the Public Employees' Pension Reform Act of 2013 (PEPRA), which makes a number of changes to the Public Employees' Retirement Law;

WHEREAS, PEPRA requires a public retirement system to modify its retirement plan to comply with PEPRA;

WHEREAS, the California Public Employees Retirement System (PERS) is a public retirement system subject to PEPRA's provisions;

WHEREAS, the City has contracted with PERS to provide retirement benefits for its employees;

WHEREAS, PEPRA mandates that with respect to new members, as defined, who are hired on or after January 1, 2013, that PERS establish new retirement formulas and a single methodology for determining the amount of a new member's retirement for its contracting agencies (PEPRA Mandates);

WHEREAS, the retirement formulas and methodology for calculating retirement compensation that is set forth in City Resolutions and Memoranda of Understandings (MOUs) setting forth the terms and conditions of employment for City employees are different than the PEPRA Mandates;

WHEREAS, PEPRA provides that the PEPRA Mandates supersede the City Resolutions and MOUs with respect to new members and thus, the City has no discretion as to whether to implement the PEPRA Mandates for new members hired on or after January 1, 2013; and

WHEREAS, pursuant to State law, the City Council establishes the compensation, including retirement benefits, for its employees by Ordinance or Resolution.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, DOES RESOLVE:

Section 1. Pursuant to the Public Employees' Pension Reform Act of 2013 (PEPRA) and notwithstanding any provision of any other City Council Resolution or Memorandum of Understanding (MOU) between the City and Orange County Employees' Association (OCEA) Garden Grove Chapter, OCEA Employees' League, and unrepresented employees, any new member employee, as defined by PEPRA, who is hired on or after January 1, 2013, shall be subject to the following retirement benefits:

For Non-Safety Employees

Government Code Section 7522.20 (2% @ 62 retirement formula).

Government Code Section 7522.32 (final compensation rate used to calculate pension benefit is average of member's highest annual pensionable compensation over a consecutive 36 month period).

For Safety Employees

Government Code Section 7522.25 (2% @ 50 retirement formula, maximum benefit of 2.7% @ 57).

Government Code Section 7522.32 (final compensation rate used to calculate pension benefit is average of member's highest annual pensionable compensation over a consecutive 36 month period).

Section 2. This Resolution shall apply to any public safety employees in the International Association of Firefighters, Garden Grove Local 2005, Garden Grove Fire Management Association, Garden Grove Police Association, Garden Grove Police Management Association.

Section 3. The Human Resources Director is directed to effect the necessary changes in City systems and procedures prior to January 1, 2013.