



STAFF REPORT

Date: May 12, 2015
To: City Council
From: Bryan Montgomery, City Manager
Paul Abelson, Finance Director 

SUBJECT: Resolution Declaring the City's intent to Amend its current contract with the California Public Employees Retirement System (CalPERS) to include a Defined Benefit Plan for Public Safety Employees.

Background and Summary

At the April 14, 2015 City Council Meeting, the Council adopted a resolution to discontinue contracting with Contra Costa County for the sworn personnel of the Oakley Police Department. Effective May 6, 2015, the sworn personnel will all be City employees.

Over the past year or so, a comprehensive Police Services Study has been conducted to evaluate the feasibility of modifying how police services are delivered in Oakley. While a defined contribution plan (401k-type plan) was analyzed early on in the Study, several months back it became apparent that a defined benefit plan, as is offered by CalPERS, was the most cost-effective and most attractive plan for existing deputies and for most future recruits. It is true that potential recruits already retired from a CalPERS police agency would not be as interested in un-retiring and re-joining CalPERS, but this is a very small segment of the overall retirement pool (mostly those officers over 50 years old).

The cost difference between the options analyzed for a defined contribution plan and the 2.7% at 57 CalPERS public safety defined benefit plan is substantial. In fact, the CalPERS plan would be approximately \$380,000 less expensive per year than the defined contribution plan. The CalPERS option also provides the best scenario to attract the Sheriff's Deputies that are currently assigned to Oakley, and will best allow us to compete for other police officers of varying ages.

Employees that would participate in the CalPERS defined benefit plan will be subject to the terms and conditions of the Public Employees Pension Reform Act of 2013 (PEPRA). PEPRA brought a number of changes to the pension plans,

including provisions that reduced the benefit and have made the plans much more self-sustaining – particularly compared to pre-PEPRA plans. Along with reduced benefits, the CalPERS investment estimates have become much more conservative and the employee is required to pay half of the on-going cost of the plan (this requirement cannot be negotiated lower by a collective bargaining agreement).

The attached resolution is only the first of a few actions that will be required in the future to amend the contract with CalPERS for these public safety employees; however, the resolution helps provide some assurance to potential employees that are currently considering whether to apply or not to become a member of the newly-formed Oakley Police Department. The resolution is also consistent with previous discussions and direction provided by the City Council.

Fiscal Impact

The defined benefit plan is estimated to be \$380,000 less expensive per year than a “comparable” defined contribution plan.

Recommendation

Adopt a resolution declaring the City’s intent to amend its current contract with the California Public Employees Retirement System (CalPERS) to include the 2.7% at 57 defined benefit plan for public safety employees.

Attachment

1. Resolution

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY DECLARING THE CITY'S INTENT TO AMEND ITS CURRENT CONTRACT WITH THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS) TO INCLUDE A DEFINED BENEFIT PLAN FOR PUBLIC SAFETY EMPLOYEES

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System (PERS) by the execution of a contract, and sets forth the procedure by which said public agencies such as the City of Oakley 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 Oakley City Council of a resolution giving notice of its intention to approve an amendment to said contract; and

WHEREAS, the City of Oakley currently has a contract with PERS for all "miscellaneous" City employees; however, not for sworn public safety employees because the City has heretofore not employed any; and

WHEREAS, the City of Oakley will begin employing public safety employees as part of the transition away from its police services contract with Contra Costa County; and

WHEREAS, a proposed amendment to the City's contract with PERS would include sworn public safety personnel as employees covered by the 2.7% at 57 PERS public safety defined benefit plan.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Oakley does hereby give notice of its intention to approve an amendment to the contract between the City of Oakley and the Public Employees' Retirement System that will include a defined benefit plan for Oakley's public safety employees.

The foregoing resolution was passed and adopted at a regular meeting of the City Council of the City of Oakley held on the 12th day of May, 2015, by Councilmember _____, who moved its adoption, which motion being duly seconded by Councilmember _____, was upon voice vote carried and the resolution adopted by the following vote:

AYES:
NOES:
ABSTENTIONS:
ABSENT:

APPROVED:

Doug Hardcastle, Mayor

ATTEST:

Libby Vreonis, City Clerk

Date