

**Approvals:**City Manager PSDept. Head ES

Attorney _____

Finance SV

AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: April 1, 2014

Department: Finance and Administrative Services
Prepared By: Sam Penrod, Human Resources Manager

Subject: *APPROVAL OF AN AMENDED PENSION CONTRACT WITH THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)*

Fiscal Impact: The cost of transitioning the City's pension plan from Great-West Retirement Services (Great-West) to CalPERS, based on actuarial assumptions show a potential cost savings of approximately \$178,000.

Summary: The City currently has a private defined benefit pension plan for non-safety employees, administered through Great-West (Boston, MA), which provides a 2% @ 55 benefit for full-time employees, a 2% @ 62 benefit for new full-time employees hired on and after January 1, 2013, as well as a reciprocity provision. The reciprocity provision allows employees from other public agencies hired in or out of San Clemente to continue to accrue pension service credit without a break in time. In addition, the City has two accounts with CalPERS for current and past safety employees: 1) the Safety Lifeguard Plan of the City of San Clemente (covering full-time Marine Safety staff); and 2) the Safety Plan of the City of San Clemente (covering previously employed police and fire personnel).

Over the last eight years, the City has evaluated and reviewed the pension rates of Great West and CalPERS to determine if it would be cost-effective overall to transition current and retired Miscellaneous (i.e., non-safety) employees to CalPERS. Each time an evaluation was conducted, it was determined not to be cost effective to transition the Miscellaneous group to CalPERS. During this time, the increased cost has averaged around 2% more than the City's current costs associated with Great-West, which equates to an estimated \$320,000 in increased costs.

Since that time, both providers have now established similar assumptions making their rates very competitive and close to one another. Now, the factor that plays a significant role in the evaluation is the investment rate of return, net of expenses. CalPERS expected rate of return is 7.5%, whereas Great-West uses a 7.25% expected rate of return. John Bartel, of Bartel Associates and a recognized pension valuation and actuarial expert in the state, noted that, over time, the City should realize a higher net rate of return being a part of CalPERS.

The City began another valuation process in late 2013, and the results indicated that the cost differential has been eliminated to transition to CalPERS, and based on those rate projections and valuations, it is staff's recommendation it would be cost-effective

to transition to CalPERS. The City also consulted with the City's actuarial consultant, Bartel Associates, and John Bartel has recommended that based on the City's valuation, that now is a favorable time for the City of San Clemente to make the transition to CalPERS.

The recommendation is to move all active Miscellaneous (non-safety) full-time employees and their current accrued pension credit to CalPERS. In addition to this employee group, the City is also recommending that 17 benefited part-time staff positions also be eligible for inclusion into CalPERS. This recommendation is based on the CalPERS 1000 hour threshold, which requires that any employees who work over 1000 hours in a given fiscal year become a CalPERS member, and the City incurs a portion of those employees' pension cost. These 17 employees currently work well over 1000 hours and provide key services, and a reduction in hours would not be beneficial to City services and operations at this time. However, as these positions become vacant the City can review alternate staffing models and can choose to recruit new candidates and not incur a CalPERS cost, as long as the position hours do not exceed 1000 hours. A transition to CalPERS would not include current retirees, beneficiaries, and past employees who have not yet retired. Pension administration for this group of individuals will remain with Great-West.

As mentioned previously, full-time Marine Safety personnel are in a CalPERS administered plan. During the City's review process, CalPERS noted that the City's Safety Lifeguard plan did not accurately include and exclude all intended Marine Safety classifications, and as proposed the amended contract provided by CalPERS clarifies who the Safety Lifeguard plan does and does not cover.

Background: Since 1973 the City has had a defined benefit pension plan. Unlike most cities in California, San Clemente has utilized a private sector company to administer this plan. The City has been with Great-West since 2006, after they acquired the plan from MetLife.

When the City received its most recent actuarial valuation from CalPERS and compared it to Great-West, the figures were reviewed by John Bartel. Bartel's analysis took into account the assumptions that each provider used to calculate their valuation, and they estimated that the cost differential of moving to CalPERS would yield a potential cost savings that approximately was \$178,000.

If the City was to transition to CalPERS, current costs that the City incurs in conjunction with administering the Great-West plan would significantly be reduced. These costs include a \$50,000 Great-West administrative fee and a \$30,000 cost to Wurts and Associates who act as a pension investment advisor. These reduced costs are in addition to the potential cost savings of \$178,000.

If the City transitions to CalPERS it would not include prior employees, or retirees and their beneficiaries, as they would remain in the Great-West plan. Pursuant to the amendment to the contract, it would also not include members of the governing board and lifeguards identified in Section 5 of the amendment. For all of those individuals no change would occur in their current benefits. The City would maintain pension

need to obtain a new actuarial valuation, but the City anticipates a significantly reduced cost for these services. This would result in a portion of the City's current pension assets remaining in the Great-West plan.

Great-West has been very responsive to the City's needs over the years, and the recommended change is not reflective of the service level provided by Great-West. Rather this recommendation includes the following **pros** to the City:

1. Align itself with the California public sector "standard" for retirement providers;
2. Put the City of San Clemente in a more competitive position for recruiting and retaining of public sector staff, as CalPERS is the most recognized stakeholder in the public sector as a primary pension provider in the state;
3. The City will benefit from a company that has \$284 Billion in assets and has created economies of scale regarding pension administration and annual valuation preparation costs: two functions that currently have a cost associated to the City under the Great-West plan;
4. Provide additional benefits and services to City employees (e.g., on-line pension resources, local offices, retirement seminars, extensive customer service);
5. Phase out the City's role of being in the pension administration business. Existing retirees and prior employees who have accrued City service will continue with Great-West, but over time City staff who have day-to-day responsibilities to administer the Great-West plan will be able to re-allocate their time to other tasks;
6. Align with the leading California pension provider that specializes in California pension law and procedures;
7. Transfer fiduciary and liability responsibility from the City to CalPERS. While certain current City staff have the financial expertise to manage the City's \$48 million pension investment portfolio, it is an assumption that should not be relied upon for future needs; and
8. Eliminate the need to pay for third-party plan asset managers, who advise the City on asset allocation and financial strategies.

A transition to CalPERS from Great-West also comes with a few **cons**. These include:

1. A loss of flexibility, as contract amendments to the plan must go through the formal CalPERS process rather than through the City's administrative process;
2. The addition of pension-eligible staff, since any employee working 1,000 hours or more in a given year automatically becomes eligible for pension benefits. This impact is being closely monitored by management, and part-time staff will have their hours reviewed so they do not exceed the required threshold;

3. The loss of determining pension plan asset allocations and financial strategies, since asset allocation is solely at the discretion of CalPERS and their investment committee. (Note: While this is noted as a “con”, the flip side is that CalPERS has a professional investment staff, with specific expertise in public sector pensions.); and
4. A loss of administrative oversight, since employees will have to deal directly with CalPERS and abide by their administrative process and procedures. (Some may actually view this as a “pro” rather than a “con”.)

If the City Council approves staff’s recommendation, then CalPERS requires two votes to occur with affected employees. The first vote is of active employees in the existing Great-West pension plan, and two-thirds (66.667%) of those voting must vote in favor of the move. A second vote is of active employees and the 17 part-time employees the City is proposing to add, and a simple majority (50%+1) of those voting must vote in favor of the move. These elections would be conducted by the Office of the City Clerk. CalPERS provides the ballot template that would be used in the voting. If one of the two votes does not pass, the City will not transition to CalPERS.

A proposed timeline for adoption and implementation of a new contract is noted below.

April 1, 2014	Council adopts Resolution of Intention to join CalPERS and introduces first reading of ordinance
April 2, 2014	Employee election process can begin
April 17, 2014	Employee election ends
May 6, 2014	Second reading of ordinance
June 6, 2014	Ordinance becomes effective
June 9, 2014	Effective date of contract (first day of payroll after the effective date of the ordinance)

A change to CalPERS also requires the City to engage in the meet and confer process with the San Clemente City Employees Association (SCCEA). City representatives have met with SCCEA, Confidential and Management groups to communicate and address any questions. On March 19, 2014 representatives from CalPERS conducted a number of employee presentations and provided a question and answer forum.

Recommended

Action:

Staff recommends that the City Council take action as follows:

1. Adopt a Resolution entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, 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 SAN CLEMENTE.
2. Introduce an Ordinance entitled AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AUTHORIZING AMENDMENT TO THE CONTRACT BETWEEN THE CITY COUNCIL OF THE

CITY OF SAN CLEMENTE AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

- Attachments:**
1. CalPERS Valuation
 2. Proposed Resolution
 3. Proposed Ordinance

Notification: San Clemente City Employees Association

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

**New Agency
Actuarial Valuation**
As of August 31, 2013

**For the
MISCELLANEOUS PLAN
of the
CITY OF SAN CLEMENTE**



CalPERS

California Public Employees' Retirement System

P.O. Box 942709

Sacramento, CA 94229-2709

(916) 795-3420

CALPERS ACTUARIAL VALUATION
MISCELLANEOUS PLAN OF THE CITY OF SAN CLEMENTE

Actuarial Certification: To the best of my knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the funded condition of the MISCELLANEOUS PLAN OF THE CITY OF SAN CLEMENTE. This valuation is based on the employee data and asset information provided by the agency, and the benefits provided under this contract with CalPERS. It is my opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan.



KERRY J. WORGAN, MAAA, FSA, FCIA
Senior Pension Actuary, CalPERS

Purpose of the Report: This actuarial valuation of the MISCELLANEOUS PLAN OF THE CITY OF SAN CLEMENTE of the California Public Employees' Retirement System (CalPERS) was performed by CalPERS' staff actuaries as of the proposed contract date of August 31, 2013 in order to:

- set forth the actuarial assets and funding liabilities of this plan as of August 31, 2013; and,
- establish the actuarially required contribution rates of this plan.

In the event your public agency elects to contract for CalPERS membership, your employees will be entitled to retirement benefits as provided by CalPERS per the Public Employees' Retirement Law. The contract for CalPERS membership will specify that, to the extent, if any, your employees may claim entitlement to additional benefits resulting from prior membership in a different retirement plan, such benefits will be the responsibility of your agency alone, and not of CalPERS.

Use of this report for other purposes, such as for disclosure under Governmental Accounting Standards Board Statement No. 27, is inappropriate.

Numbers in exhibits may not add due to rounding.

Actuarial Cost Estimates in General: What will this pension plan cost? Unfortunately, there is no simple answer. There are two major reasons for the complexity of the answer:

First, all actuarial calculations, including the ones in this report are based on a number of assumptions about the future. There are demographic assumptions about the percentage of employees that will terminate, die, become disabled, and retire in each future year. There are economic assumptions about future salary increases for each active employee, and the assumption with the greatest impact, future asset returns at CalPERS for each year into the future until the last dollar is paid to current members of your plan. While CalPERS has set these assumptions as our best estimate of the real future of your plan, it must be understood that these assumptions are very long term predictors and will surely not be realized each year as we go forward. For example, while the asset earnings at CalPERS have averaged over the assumed return of 7.75% for the past twenty year period ending June 30, 2011 returns for each fiscal year ranged from -24% to +20.7%

Second, the very nature of actuarial funding produces the answer to the question of plan cost as the sum of two separate pieces:

1. The Normal Cost (i.e., the future annual premiums in the absence of surplus or unfunded liability) expressed as a percentage of total active payroll, and
2. The Past Service Cost (i.e., Accrued Liability – representing the current value of the benefit for all credited past service of current members) which is expressed as a lump sum dollar amount.

The cost is the sum of a percent of future pay and a lump sum dollar amount (the sum of an apple and an orange if you will). To communicate the total cost, either the Normal Cost (i.e., future percent of payroll) must be converted to a lump sum dollar amount (in which case the total cost is the present value of benefits), or the Past Service Cost (i.e., the lump sum) must be converted to a percent of payroll (in which case the total cost is expressed as the employer's rate part of which is permanent and part temporary). Converting the Past Service Cost lump sum to a percent of payroll requires a specific amortization period. So, the employer rate can be computed in many different ways depending on how long one will take to pay for it. And as the first bullet point above states; all of these results depend on all assumptions being exactly realized.

Rate Volatility: As is stated above, the actuarial calculations supplied in this communication are based on a number of assumptions about very long term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year to year basis. The year-to-year differences between actual experience and the assumptions are called actuarial gains and losses and serve to lower or raise the employer's rates from one year to the next. Therefore, the rates will inevitably fluctuate, especially due to the ups and downs of investment returns.

Plans that have higher asset to payroll ratios produce more volatile employer rates due to investment return. On the following page we have shown your volatility index, a measure of the plan's potential future rate volatility. It should be noted that this ratio increases over time but generally tends to stabilize as the plan matures.

CALPERS ACTUARIAL VALUATION
MISCELLANEOUS PLAN OF THE CITY OF SAN CLEMENTE

Rate Volatility	As of August 31, 2013	
Market Value of Assets	\$	26,906,237
Payroll		13,324,066
Volatility Index		2.0

Employer Contribution Rate: The actuarially required contribution, both in dollars and as a rate of payroll are shown below. These rates will probably continue to be in effect until June 30, 2016, unless the contract is amended, the demographics are significantly different at the actual contract date, or actuarial assumptions are changed. If the actual contract effective date is delayed beyond the proposed effective date of August 31 by more than 90 days, the employer contribution rates shown below are void and new rates must be calculated.

	Estimated Annual Dollar Amount	Percent of Payroll
Payment for Normal Cost	\$ 1,023,022	7.678%
Payment on Amortization Bases	589,075	4.421%
Total (not less than zero)	<u>\$ 1,612,097</u>	12.099%

The employer contribution rates are affected by a number of factors: the demographics of the covered members, the provisions of the contract, the assets of the employer, the member contributions and the actuarial assumptions and methods. The demographics of the members refer not only to the number of the members, but also to each member's age, gender, service, and salary. Actuarial assumptions and methods are used to project the demographics and the assets in to the future. Your future employer contribution rates will differ from the rates provided above whenever gains or losses occur. Gains and losses occur whenever actual experience varies from the actuarial expectations (assumptions). Gains cause the employer contribution rate to decrease; while losses cause the employer contribution rate to increase.

The actuarial methods and assumptions used in determining your rate can be found in Appendix A. A summary of the contract provisions used in determining your rate can be found in Appendix B.

Plan Assets: We have assumed that assets attributable to the active members in the current plan will be transferred to the new plan with CalPERS. For this purpose we have used the results of the GWK valuation at June 30, 2013 where the accrued liabilities for active members (\$35,984,618) represent 61.91% of the total accrued liability (\$58,124,474). Notionally then 61.91% of the total market value of assets of \$43,460,538, (\$26,906,237 at June 30, 2013) would be available for transfer to the new plan. We have used this balance without adjustment for interest or reduction due to payment of benefits as an estimate of the plan assets at August 31, 2013. In addition, as provided by the agency, \$11,469,192 of these assets have been directly credited to Employee Account Balances.

Summary of Results

Shown below are the key valuation results.

General Information	August 31, 2013
Members Included in the Valuation *	
Active Members	181
Transfers	0
Vested Terminations	0
Receiving Payments	0
Total	181
Annual Covered Payroll	\$ 13,324,066
Average Annual Pay	\$ 73,614
Average Attained Age for Actives	47.96
Average Entry Age for Actives	36.94
Total Assets at Market Value	\$ 26,906,237
Retirement Program	
Present Value of Projected Benefits	\$ 48,825,180
Entry Age Normal Accrued Liability	\$ 34,707,998
Actuarial Value of Assets	26,906,237
Unfunded Liability/(Excess Assets)	\$ 7,801,761
Estimated Annual Required Contributions	
Employer Contribution Required (in Dollars)	
Payment for Normal Cost	\$ 1,023,022
Payment on Amortization Bases **	589,075
Total (not less than zero)	\$ 1,612,097
Employer Contribution Required (Percent of Payroll)	
Payment for Normal Cost	7.678%
Payment on the Amortization Bases **	4.421%
Total (not less than zero)	12.099%

* Counts of members included in the valuation are counts of records processed by the valuation. Multiple records may exist for those who have service in more than one coverage group. This does not result in a double counting of liabilities. Counts do not include beneficiaries of 4th or Indexed levels 1959 Survivor Benefit.

** The payment shown is the amortization of the unfunded liability over 20 years.

Development of Accrued and Unfunded Liabilities for the Retirement Program

1. Present Value of Benefits	
a) Actives, Transfers and Vested Terminated	\$ 48,825,180
b) Receiving Payments	0
c) Total	<u>\$ 48,825,180</u>
2. Present Value of Future Employer Normal Costs	\$ 7,220,353
3. Present Value of Future Employee Contributions	<u>6,896,829</u>
4. Entry Age Normal Accrued Liability [(1c) - (2) - (3)]	\$ 34,707,998
5. Actuarial Value of Assets	
a) Employer Reserves	\$ 15,437,045
b) Active Employee Account Balances	<u>11,469,192</u>
c) Total Valuation Assets	\$ 26,906,237
6. Unfunded Accrued Liability/(Excess Assets) [(4) - (5c)]	\$ 7,801,761

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, 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 SAN CLEMENTE

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 for a local miscellaneous category with Section 21354 (2% @ 55 Modified formula), Section 20042 (One-Year Final Compensation), Section 21024 (Military Service Credit as a Public Service), Section 21536 (Local System Service Credit included in Basic Death Benefit), Section 21622 (\$600 Retired Death Benefit), and Section 20938 (Limit Prior Service to Members Employed on Contract Date) with 100% prior service and a local system transfer.

NOW, THEREFORE, the City Council of the City of San Clemente does hereby resolve as follows:

That the City Council, as the governing body of the City of San Clemente, does hereby give notice of its intention to approve an amendment to the contract between the City of San Clemente 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.

PASSED AND ADOPTED this _____ day of _____, _____.

Mayor of the City of
San Clemente, California

ATTEST:

CITY CLERK of the City of
San Clemente, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) §
CITY OF SAN CLEMENTE)

I, JOANNE BAADE, City Clerk of the City of San Clemente, California, do hereby certify that Resolution No. _____ was adopted at a regular meeting of the City Council of the City of San Clemente held on the _____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of _____, 2014.

CITY CLERK of the City of
San Clemente, California

Approved as to form:

City Attorney



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 San Clemente

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 March 13, 1972, and witnessed February 22, 1972, and as amended effective September 6, 1984, July 14, 1986, May 4, 1987, July 9, 1990, June 30, 1991, December 21, 1991, July 1, 1992, January 1, 1993 and November 8, 2004 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 14 are hereby stricken from said contract as executed effective November 8, 2004, 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 fire members and local police members and age 55 for ocean beach lifeguards.

2. Public Agency shall participate in the Public Employees' Retirement System from and after March 13, 1972 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) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' 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.

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. Ocean Beach Lifeguards (included as local safety members);
 - d. 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:
- a. **MEMBERS OF THE GOVERNING BODY; AND**
 - b. **OCEAN LIFEGUARDS, OCEAN LIFEGUARD SUPERVISORS, LIFEGUARD SUPERVISORS, POOL LIFEGUARDS AND POOL LIFEGUARD/INSTRUCTORS.**
6. Assets heretofore accumulated with respect to members in the local retirement system have been transferred to the Public Employees' Retirement System and applied against the liability for prior service incurred thereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system has been credited to the individual membership account of each such employee under the Public Employees' Retirement System.
7. Benefits paid to pensioners and annuitants under the local system on March 13, 1972 were recalculated as of such date pursuant to Section 20520 of the Government Code to conform to the benefits applicable to persons retiring after March 13, 1972, however, no benefit which would have been payable under the continuation of the local system shall be reduced.
8. Section 21367.51 (Mandated \$500 Retired Death Benefit) shall also apply to persons retired under the City of San Clemente Pension Trust.
9. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 55 Modified).
10. The percentage of final compensation to be provided for each year of credited prior and current service as a local police member and local fire member shall be determined in accordance with Section 21362 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 50 Modified).

11. The percentage of final compensation to be provided for each year of credited prior and current service as a ocean beach lifeguard shall be determined in accordance with Section 21363.1 of said Retirement Law subject to the reduction provided therein for Federal Social Security (3% at age 55 Modified).
12. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21536 (Local System Service Credit Included in Basic Death Benefit).
 - b. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance) for local safety members.
 - c. Section 20042 (One-Year Final Compensation).
 - d. Section 21024 (Military Service Credit as Public Service) for local miscellaneous members.
 - e. Section 20938 (Limit Prior Service to Members Employed on Contract Date) for local miscellaneous members.
 - f. Section 21622 (\$600 Retired Death Benefit) for local miscellaneous members only.
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. 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.
 - b. 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 SAN CLEMENTE

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

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA DOES ORDAIN AS FOLLOWS:

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

Section 2: The Mayor of the City of San Clemente is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City of San Clemente.

Section 3: Prior to the expiration of 5 days prior to the date of adoption of this Ordinance, a summary of this Ordinance shall be published in the Sun Post News, a newspaper of general circulation, published and circulated in the City of San Clemente. In addition, prior to the expiration of 15 days following the date of adoption, a second summary of this Ordinance, including the votes taken thereon, shall be published in the Sun Post News. This Ordinance shall take effect 30 days after the date of its adoption and thenceforth and thereafter the same shall be in full force and effect.

APPROVED AND ADOPTED this ____ day of _____, _____.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of San
Clemente, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.
CITY OF SAN CLEMENTE)

I, **JOANNE BAADE**, City Clerk of the City of San Clemente, California, hereby certify that Ordinance No. _____ having been regularly introduced at the meeting of _____, was again introduced, the reading in full thereof unanimately waived, and duly passed and adopted at a regular meeting of the City Council held on the _____ day of _____, _____, and said ordinance was adopted by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, _____.

CITY CLERK of the City of
San Clemente, California

APPROVED AS TO FORM:

CITY ATTORNEY



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 San Clemente

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 March 13, 1972, and witnessed February 22, 1972, and as amended effective September 6, 1984, July 14, 1986, May 4, 1987, July 9, 1990, June 30, 1991, December 21, 1991, July 1, 1992, January 1, 1993 and November 8, 2004 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 14 are hereby stricken from said contract as executed effective November 8, 2004, 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 fire members and local police members and age 55 for ocean beach lifeguards.

2. Public Agency shall participate in the Public Employees' Retirement System from and after March 13, 1972 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) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' 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.

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. Ocean Beach Lifeguards (included as local safety members);
 - d. 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:
 - a. **MEMBERS OF THE GOVERNING BODY; AND**
 - b. **OCEAN LIFEGUARDS, OCEAN LIFEGUARD SUPERVISORS, LIFEGUARD SUPERVISORS, POOL LIFEGUARDS AND POOL LIFEGUARD/INSTRUCTORS.**
- 6. Assets heretofore accumulated with respect to members in the local retirement system have been transferred to the Public Employees' Retirement System and applied against the liability for prior service incurred thereunder. That portion of the assets so transferred which represent the accumulated contributions (plus interest thereof) required of the employees under said local system has been credited to the individual membership account of each such employee under the Public Employees' Retirement System.
- 7. Benefits paid to pensioners and annuitants under the local system on March 13, 1972 were recalculated as of such date pursuant to Section 20520 of the Government Code to conform to the benefits applicable to persons retiring after March 13, 1972, however, no benefit which would have been payable under the continuation of the local system shall be reduced.
- 8. Section 21367.51 (Mandated \$500 Retired Death Benefit) shall also apply to persons retired under the City of San Clemente Pension Trust.
- 9. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 55 Modified).
- 10. The percentage of final compensation to be provided for each year of credited prior and current service as a local police member and local fire member shall be determined in accordance with Section 21362 of said Retirement Law subject to the reduction provided therein for Federal Social Security (2% at age 50 Modified).

11. The percentage of final compensation to be provided for each year of credited prior and current service as a ocean beach lifeguard shall be determined in accordance with Section 21363.1 of said Retirement Law subject to the reduction provided therein for Federal Social Security (3% at age 55 Modified).
12. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21536 (Local System Service Credit Included in Basic Death Benefit).
 - b. Sections 21624, 21626 and 21628 (Post-Retirement Survivor Allowance) for local safety members.
 - c. Section 20042 (One-Year Final Compensation).
 - d. Section 21024 (Military Service Credit as Public Service) for local miscellaneous members.
 - e. Section 20938 (Limit Prior Service to Members Employed on Contract Date) for local miscellaneous members.
 - f. Section 21622 (\$600 Retired Death Benefit) for local miscellaneous members only.
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. 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.
 - b. 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 SAN CLEMENTE

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

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

