

Prior to voting Councilmember Jones commented that with the high pay raises the police officers were receiving, the Police Officers Association should not send out letters to the citizens begging for money.

The motion was then voted upon.

AYES: Bankhead, Flory, Clesceri, Jones, Norby

(12) **AMENDMENT OF CALPERS CONTRACT TO
PROVIDE THE "3% @ 50" BENEFIT FOR
SAFETY EMPLOYEES**

1209-03

To consider adoption of the following resolution of intention and introduction of the following ordinance:

RESOLUTION NO. 9308

**DECLARING ITS INTENTION TO APPROVE AN
AMENDMENT TO CONTRACT BETWEEN THE
BOARD OF ADMINISTRATION OF THE CALI-
FORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM AND THE CITY COUNCIL OF THE CITY
OF FULLERTON**

ORDINANCE NO. 2992

**AUTHORIZING AN AMENDMENT TO THE CON-
TRACT BETWEEN THE CITY COUNCIL OF THE
CITY OF FULLERTON AND THE BOARD OF
ADMINISTRATION OF THE CALIFORNIA PUBLIC
EMPLOYEES' RETIREMENT SYSTEM**

Director of Personnel Flannery advised that a major feature of the labor agreements just approved for the police and firefighters was an improvement to their retirement benefits; described the proposed change; and stated that this is essential for the City to remain competitive in the labor market; the initial payment would be made by drawing out of surplus accounts with no immediate outlay from the City; and the direct cost to the City depends on investment changes by CalPERS.

Mayor Bankhead clarified that this is not a 50% increase in cost to the City, but a 50% increase in retirement benefits. Director Flannery noted that it would be for an individual retiring at the age of 50.

Councilmember Jones asked who incurs the cost.

Acting City Manager Meyer stated that while he could not address what the City's exact cost increase would be, there is a significant cost to implement the program; the cost of providing the benefits would also increase 50% over time; to cover this cost, the City is transferring a

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lump sum amount of assets; there is a surplus in the account with PERS; and the City has chosen to broaden assets accumulated over the past decade in the PERS portfolio. He explained that the City is relying on PERS investments to defer direct costs to the City, since it is unknown how the PERS portfolio will perform, there is no guarantee beyond 18 months that there will be no direct costs; and there might come a time when the City has to write a check depending on how the PERS investment portfolio performs.

Mayor Bankhead asked if the employees share in the cost if the City has to start paying funds in accordance with the agreement.

Acting City Manager Meyer advised that there is a cost sharing provision; the City and the employee share equally up to approximately the first 5% of an increase in cost; and after that, the City assumes the responsibility for the balance of the cost.

Mayor Bankhead asked what other cities have passed this plan.

Director Flannery noted that most cities with police and fire agencies have adopted or agreed to adopt it in the next year, and all of the cities our size have done so.

In response to Councilmember Flory's question regarding if there were new caps on compensation, Director Flannery noted there used to be 2% at 50 with a 75% cap, now it is 90% of earnable compensation for a safety employee.

Councilmember Jones noted that CalPERS is the biggest pension fund in America, but has taken a tremendous hit since August.

Councilmember Clesceri stated that the safety officers deserve this; negotiations have been underway for a period of time; this is a prudent and responsible decision; and Fullerton is the last city in Orange County to provide this benefit.

Councilmember Flory stated that she supports this with reservations because there is disagreement about what the fiscal effect will be towards the City; it could be more expensive than the City estimated since a person retiring at age 50 is still healthy and could live for a long time, therefore benefits would be paid longer; and local governmental entities are saddled with having to provide these types of benefits to remain competitive.

Mayor Bankhead voiced support and re-emphasized the fact that after a period of time the public safety officers share the cost; and noted that Police Chief McKinley recently told him that without this benefit in place it would be extremely difficult to retain or recruit new police officers.

The title of Resolution No. 9308 and Ordinance No. 2992 were read.

MOTION: Flory
2ND: Norby
AYES: Bankhead, Flory, Clesceri, Jones, Norby

That this resolution be ADOPTED as written; and that further reading of this ordinance be WAIVED and it be INTRODUCED as written.