

CITY OF OAKLAND AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2004 APR 15 PM 1:24

To: Office of the City Administrator
Attn: Deborah Edgerly
From: Retirement Systems and Budget Office
Date: April 20, 2004
Re: **SUPPLEMENTAL REPORT ON BUDGET IMPACTS OF THE NEGOTIATED RETIREMENT PLAN ENHANCEMENTS FOR MISCELLANEOUS EMPLOYEES ("2.7% @ 55" PLAN) AND LOCAL 55 FIRE SWORN EMPLOYEES ("3.0% @ 50" PLAN)**

SUMMARY

At its April 8, 2004 meeting, the City Council Rules Committee requested that staff prepare a supplemental report to discuss budget implications of the negotiated retirement plan amendments proposed for City Council consideration and approval in an April 20, 2004 Finance & Management Committee agenda item titled, "Resolution Of Intention And Ordinance Of The Council Of The City Of Oakland Authorizing An Amendment To The Contract Between The City Of Oakland And The Board Of Administration Of The California Public Employees' Retirement System (CalPERS) That Authorizes: (1) 2.7% At Age 55 Retirement Benefits For All City Officers And Civilian (Non-Sworn) Employees Who Are Members Of CalPERS; And (2) 3.0% At Age 50 Retirement Benefits For Employees Who Are Members Of The International Association Of Firefighters, Local 55".

This report provides an analysis of changes in pension contribution rates and costs related the negotiated enhancements in retirement benefits for Miscellaneous employees (to the "2.7% @ 55" plan) and sworn Fire employees (to the "3.0% @ 50" plan). Impacts are provided for FY 2004-05 through FY 2008-09.

FISCAL IMPACT

The proposed retirement contract amendments will allow for the implementation of the "2.7% @ 55" retirement formula for all permanent full-time and permanent part-time miscellaneous (civilian) employees, including the Port of Oakland employees, and extend the "3.0% @ 50" retirement formula to all members of the International Association of Firefighters (Local 55) members. The City Council authorized additional funding for these improvements upon ratification of the respective labor contracts. **Costs have been included in the FY 2004-05 Adopted Budget along with adjustments for additional employee contributions made by management, unrepresented, SEIU Local 790, the IFPTE Local 21, and IBEW Local 1245 employees.**

A table on the next page reflects changes in City's contribution rates to CalPERS resulting from the negotiated retirement plan enhancements for Fire sworn and Miscellaneous (i.e. all civilian) employees. The rate changes are from the "status quo" (i.e. if no pension improvements were made), and reflect the "cost" of the above pension enhancements. For the Safety plan (shared by the Fire sworn and Police sworn employees), the rate increase is 1.064%, and for the Miscellaneous plan it is 7.667%.

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CHANGES IN PENSION CONTRIBUTION RATES AND AMOUNTS DUE TO RETIREMENT PLAN ENHANCEMENTS
 (from the "Status Quo" scenario, i.e. no plan enhancement)

A. CHANGES IN PENSION CONTRIBUTION RATES

"Employer" Contribution Rate Change for **Safety**, due to Fire sworn plan enhancement **1.064%**
 "Employer" Contribution Rate Change for **Miscellaneous**, due to civilian plan enhancement **7.667%**

B. RESULTING CHANGES IN CITY'S COSTS**	FY 2004-05		FY 2005-07 Budget		FY 2007-09 Budget	
	Without "Banked" Savings**	With "Banked" Savings**	FY 2005-06 (Estimated)	FY 2006-07 (Estimated)	FY 2007-08 (Estimated)	FY 2008-09 (Estimated)
Safety Plan	\$1,194,090	(\$605,910)	\$1,253,794	\$1,316,484	\$1,382,308	\$1,451,424
Miscellaneous Plan	\$14,592,487	\$2,325,648	\$15,176,187	\$15,783,234	\$16,414,564	\$17,071,146
Total Additional Cost	\$15,786,577	\$1,719,738	\$16,429,981	\$17,099,718	\$17,796,872	\$18,522,570
Net Cost from Last Year's Baseline			\$14,710,243	\$669,737	\$697,154	\$725,698

** Changes in City's costs reflect: 1) negotiated employee retirement contributions for Miscellaneous employees (3%, the additional 3% currently applied in lieu of "business shutdown" is not counted) and Fire sworn employees (0% for FY 2003-04, 4% beginning FY 2004-05); and 2) one-time savings in FY 2004-05 due to using "banked" employee contributions for Fire sworn (4%) and Miscellaneous (6%).

The above changes in rates due to retirement plan enhancements will result in the following dollar impacts for the City for FY 2004-05: \$1,194,090 for the Safety plan, and \$14,592,487 for the Miscellaneous plan. However, the City has agreed to "bank" prior years' employee contributions to their retirement plan enhancements, and use them during the first effective year of the plans' enhancements, i.e. FY 2004-05. Using these "banked" contributions during FY 2004-05 creates one-time savings, bringing the additional cost to the City down to **\$2,325,648** for the Miscellaneous plan, and creating one-time savings of **\$(605,910)** for the Safety plan.

In the out years (i.e. FY 2005-06 through FY 2008-09), the one-time savings will disappear, and the "costs" of plan enhancements (from the "status quo") will translate into \$1,253,794 (FY 2005-06) to \$1,451,424 (FY 2008-09) for Safety, and \$15,176,187 (FY 2005-06) to \$17,071,146 (FY 2008-09) for Miscellaneous. Incremental impacts on the City's budget (i.e. additional expenses that must be covered beyond the previous year's "baseline") will be **\$14,710,243** for FY 2005-06 (after the one-time "banked savings disappear), **\$669,737** for FY 2006-07, **\$697,154** for FY 2007-08 and **\$725,698** for FY 2008-09.

Additional impacts for FY 2004-05 have been incorporated into the FY 2004-05 budget. Impacts for the out years will be included in future budgets, beginning with FY 2005-07.

RECOMMENDATION AND RATIONALE


The City of Oakland has negotiated the change of benefits for local miscellaneous members and sworn safety members. The approval of the resolution of intention and ordinance will allow for the timely contract amendment of the 2.7% @ 55 miscellaneous employees (civilian) and 3.0% @ 50 fire sworn retirement benefits by June 19, 2004. Staff recommends that Council approve June 19, 2004 as the effective date of the contract amendments and approve the resolution of intention and ordinance.

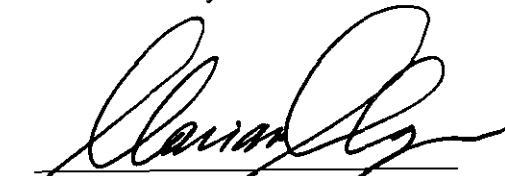

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ACTION REQUESTED OF COUNCIL

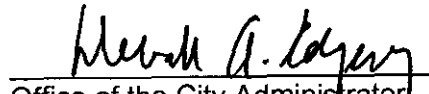
Staff recommends that the City Council accept this supplemental informational report, and approve the attached resolution and ordinance.

Respectfully submitted,


Walter L. Johnson, Sr., Director
Retirement Systems


Marianna Marysheva
Budget Director

APPROVED FOR FORWARDING
TO THE CITY COUNCIL


Office of the City Administrator