

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, SEPTEMBER 10, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 10, 2013, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Katzakian, and Mayor Nakanishi

Absent: None

Also Present: City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl-Olson

B. Topic(s)

B-1 Receive Report on California Public Employee Retirement System (CM)

City Manager Rad Bartlam briefly introduced the subject matter of the report regarding the California Public Employees Retirement System (CalPERS).

Deputy City Manager Jordan Ayers provided a PowerPoint presentation regarding CalPERS. Specific topics of discussion included current programs, retirement benefit calculation, various formulas for miscellaneous and public safety employees, CalPERS fund status and history, City history of CalPERS payments, historical employer rates, approved changes, projected changes, employer rates and costs, and summary.

In response to Council Member Hansen, Mr. Ayers stated with multiple agencies blending is based on final compensation through reciprocity assuming the individual is vested in each agency.

A brief discussion ensued amongst the City Council regarding the status of pension liabilities in cities that file for bankruptcy and the question that remains to be settled in the courts as to whether or not CalPERS is a creditor.

In response to Mayor Pro Tempore Katzakian, Mr. Ayers stated some cities and counties do have reciprocity through agreement with CalPERS even if they have a separate system.

In response to Council Member Hansen, Mr. Ayers stated though unlikely it is possible for a miscellaneous employee to go over 100% retirement because it is based on the number of years of service and theoretically an employee could work for an agency for 40 years or more.

In response to Council Member Hansen, Mr. Ayers stated CalPERS does not have unilateral authority to change the 8% set forth in the Public Employee Pension Reform Act (PEPRA) last year.

In response to Council Member Johnson, Mr. Bartlam confirmed that CalPERS assigned the City the PEPRA number of 8% based on actuarial studies for the City specifically and entities may have different numbers based upon their own actuarial studies.

In response to Council Member Hansen, Mr. Ayers stated the City's Tier 2 system was employee negotiated prior to the implementation of PEPRA last year. He stated the primary differentiating factor between the two formulas is whether or not the new employee is already in the CalPERS

system and coming from another agency versus they are new to the system in its entirety.

In response to Mayor Nakanishi, Mr. Bartlam stated the City of San Bernardino case is important for all cities because San Bernardino, unlike Stockton, stopped making payments to CalPERS thereby treating CalPERS like a creditor and now the courts must decide whether that was a valid determination.

A brief discussion ensued amongst the City Council regarding a possible determination by the courts that other cities in the State must make up the difference for the non-paying cities in the CalPERS fund.

In response to Mayor Pro Tempore Katakian, Mr. Ayers confirmed that the City became involved in the CalPERS system in the 1960s.

A brief discussion ensued amongst the City Council regarding the history of changes in the CalPERS employee and employer share of rates in the City of Lodi.

Mayor Nakanishi requested information regarding revenue amounts in comparison to CalPERS payments for the City over the last few years.

In response to Council Member Hansen, Mr. Ayers stated the actuarial rate includes additional factors including demographics and CalPERS estimates on returns.

In response to Council Member Hansen, Mr. Bartlam confirmed that the City has fared well financially over the last few years with respect to CalPERS because there was a significant decrease in employees through early retirements, which was separate from any effort made by CalPERS to reduce its overall liability.

A brief discussion ensued amongst the City Council regarding the history of the City's financial decisions when it was super-funded including money that was spent on increased salaries, debt service, and facilities.

In response to Council Member Hansen and Mayor Pro Tempore Katakian, Mr. Ayers and Mr. Bartlam reviewed CalPERS history of rates, return on investment, and the effect of adjustments to the expected rate of return. Mr. Bartlam stated a decreased adjustment in the rate is good because it is more realistic but it is bad because local agencies have to pay more to make up the difference.

In response to Council Member Hansen, Mr. Ayers confirmed that disability retirements are considered in actuarial studies.

In response to Council Member Hansen, City Attorney Schwabauer stated the PEPRA rate is 11% less than the original rate and an 11% reduction of future payments totaling millions of dollars is not helpful.

Alex Aliferas spoke in regard to his concerns about spiking and safety retirement formulas affect on the overall budget.

Ed Miller spoke in regard to his concern about separating from the CalPERS system and employee contributions being limited by statute.

In response to Council Member Hansen, City Attorney Schwabauer stated most forms of spiking as referenced by Mr. Aliferas were eliminated in the PEPRA legislation for both current and new employees.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:25 a.m.

ATTEST:

Randi Johl-Olson
City Clerk



CITY OF LODI
COUNCIL COMMUNICATION

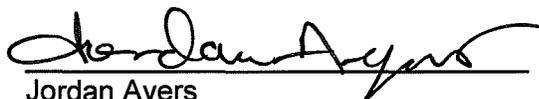
AGENDA TITLE: Receive Report on California Public Employee Retirement System (CalPERS)
MEETING DATE: September 10, 2013
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Receive report on California Public Employee Retirement System (CalPERS).

BACKGROUND INFORMATION: The City contracts with CalPERS for its retirement benefits. Staff will provide a report on the status of the current benefit programs, funding status and current and projected employer rates and costs for this benefit.

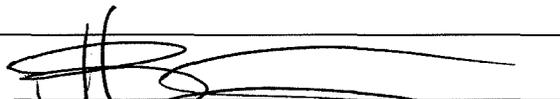
FISCAL IMPACT: Costs for funding retirement programs are projected to increase. Amounts can be estimated, but are not firm.

FUNDING AVAILABLE: Funding will need to be determined each year during the budgetary process.


Jordan Ayers
Deputy City Manager

JA/ja

APPROVED:


Konradt Bartlam, City Manager

CalPERS Update

Shirtsleeve Session

September 10, 2013

Agenda

- Current Programs
- Funding
- Rates and Costs

Current Programs

- Retirement Benefit Calculation
 - Service Credit X Benefit Factor X Final Compensation
 - Service Credit = number of years in the system
 - Benefit Factor = % of pay received as a pension payment
 - Dependent upon age
 - Final Compensation = average monthly pay over 12 or 36 months (depending upon formula)

Current Programs – Miscellaneous Employees

- “Classic”
 - 2% @ 55
 - Highest 36 months
 - Employee share of 7%
- PEPRA (effective 1/1/13)
 - 2% @ 62
 - Highest 36 months
 - Employee share of 6.75%

Current Programs – Safety Employees

- “Classic”
 - 3% @ 50
 - Highest 12 months
 - Employee share of 9%
- “Classic” 2nd Tier
 - 3% @ 55
 - Highest 36 months
 - Employee share of 9%
- PEPRA (effective 1/1/13)
 - 2.7% @ 57
 - Highest 36 months
 - Employee share of 11.25%

Funded Status

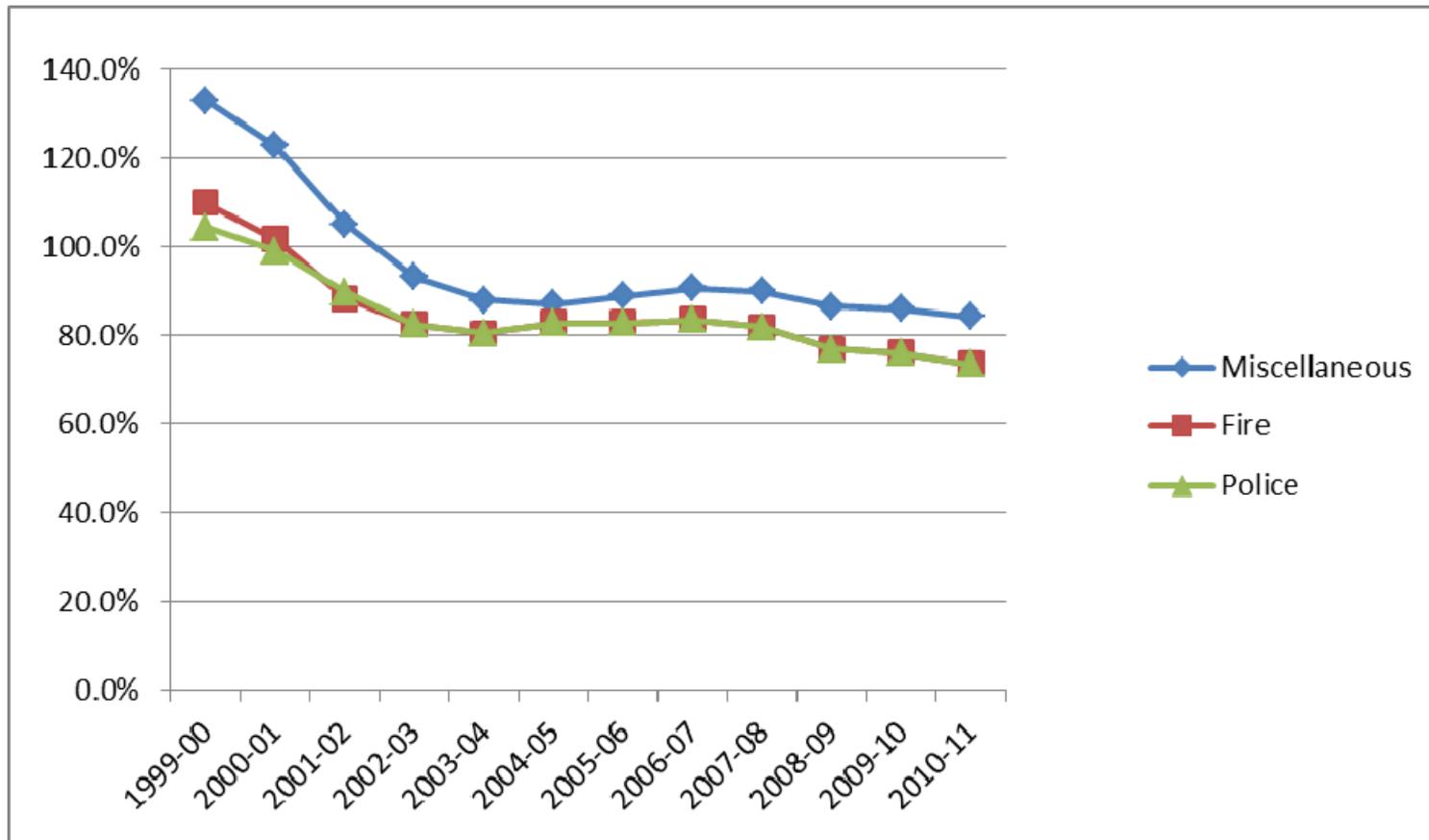
Plan	Accrued Liability	Available Assets	Unfunded Liability	Funded Ratio
Safety	\$132,266,539	\$97,287,024	\$34,979,515	73.60%
Miscellaneous	\$142,607,697	\$120,202,713	\$22,404,984	84.30%
Based upon 6/30/2011 actuarial report				

City has always paid its Annual Required Contribution timely.

Funding History

Year	Miscellaneous	Fire	Police
1999-00	132.9%	110.0%	104.5%
2000-01	122.8%	101.8%	99.0%
2001-02	105.2%	88.3%	89.8%
2002-03	93.1%	82.4%	82.4%
2003-04	88.0%	80.6%	80.6%
2004-05	87.2%	82.8%	82.8%
2005-06	88.9%	82.8%	82.8%
2006-07	90.6%	83.6%	83.6%
2007-08	90.0%	82.0%	82.0%
2008-09	86.5%	76.9%	76.9%
2009-10	86.1%	76.0%	76.0%
2010-11	84.3%	73.6%	73.6%

Funding History



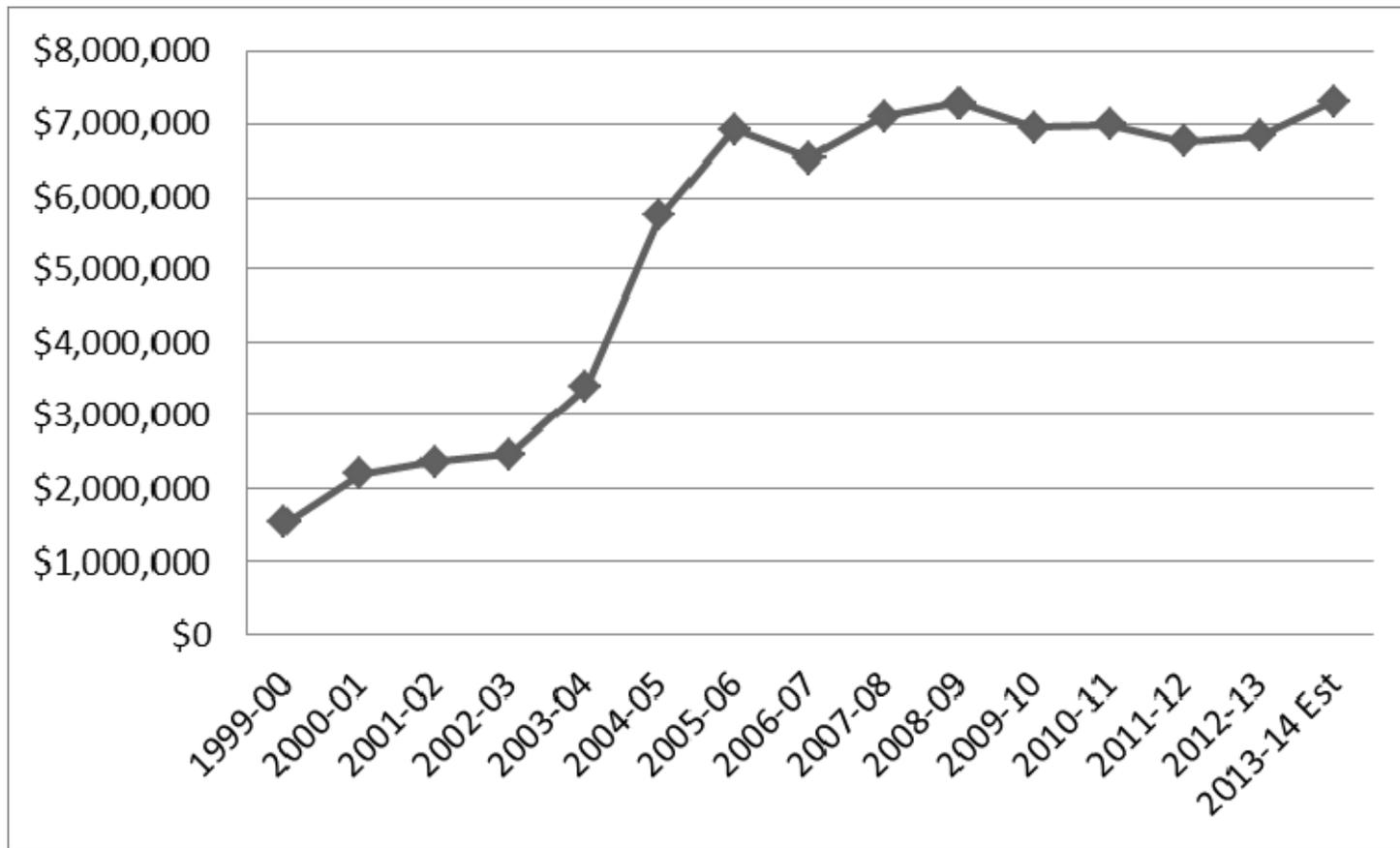
City Paid Funding

- Prior to July 2011, City paid both Employer and Employee share of cost
- All employees (except IBEW) will be paying the full employee share by 1/1/14

City Paid Funding

Year	Amount
1999-00	\$1,544,999
2000-01	\$2,201,619
2001-02	\$2,375,872
2002-03	\$2,472,758
2003-04	\$3,387,173
2004-05	\$5,744,680
2005-06	\$6,922,958
2006-07	\$6,530,427
2007-08	\$7,096,652
2008-09	\$7,282,527
2009-10	\$6,946,315
2010-11	\$6,978,865
2011-12	\$6,755,376
2012-13	\$6,829,921
2013-14 Est	\$7,301,780

City Paid Funding



Historical Employer Rates

Year	Miscellaneous	Fire	Police
1999-00	0.000%	0.000%	0.613%
2000-01	0.000%	0.000%	12.186%
2001-02	0.000%	0.000%	12.186%
2002-03	0.000%	0.000%	11.371%
2003-04	0.000%	15.399%	15.386%
2004-05	6.920%	30.152%	24.608%
2005-06	11.550%	30.058%	30.058%
2006-07	12.221%	24.108%	24.108%
2007-08	12.233%	23.509%	23.509%
2008-09	12.058%	24.128%	24.128%
2009-10	11.727%	23.838%	23.838%
2010-11	12.081%	25.016%	25.016%
2011-12	13.680%	30.380%	30.380%
2012-13	14.411%	31.335%	31.335%
2013-14	16.203%	35.657%	35.657%

Approved Changes

- PERS Board approved changes in March 2013
 - Asset Smoothing
 - Reduced from 15 years to 5 years
 - Amortization Period
 - Changed from 30 year rolling to 30 year fixed
 - Effective for us in FY 2015/16

Projected Changes

- PERS Chief Actuary plans to propose changes in March 2014
 - Mortality Table changes
 - Discount Rate changes
 - Effective for us in FY 2016/17

Employer Rates and Costs

Year	Miscellaneous	Safety	Total Employer Cost
2013/14	16.203%	35.657%	\$7.1M
2014/15 Est	17.800%	37.500%	\$7.8M
Projected-Adopted Changes			
2015/16	19.400%	39.940%	\$8.7M
2019/20	25.040%	51.190%	\$12.5M
Projected-Upcoming Changes			
2016/17	24.570%	53.780%	\$11.7M
2019/20	32.240%	71.010%	\$16.9M

Wrap Up

- Employer costs going up
- Challenge to fund increasing costs

Questions?