

**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