

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to The Community Redevelopment Agency of the City of Los Angeles, CA)

MEMORANDUM

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VARIOUS

DATE: JANUARY 17, 2013

TO: GOVERNING BOARD

FROM: CHRISTINE ESSEL, CHIEF EXECUTIVE OFFICER

STAFF: STEVE VALENZUELA, CHIEF FINANCIAL OFFICER
PATRICIA FRANCISCO, DIRECTOR OF HUMAN RESOURCES

SUBJECT: **MERGER CONTRACT WITH CALPERS.** RESOLUTION OF INTENTION TO ENTER INTO A CONTRACT WITH THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) TO PROVIDE FOR A MERGER OF THE CONTRACT OF THE FORMER COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES (PRIOR AGENCY) INTO A NEW CONTRACT WITH THE CRA/LA, A DESIGNATED LOCAL AUTHORITY (CRA/LA-DLA)

RECOMMENDATION(S)

That the Governing Board take the following action(s):

1. Adopt the Resolution of Intention declaring its intent to enter into a contract to provide for a merger of the contract of the Prior Agency (CALPERS ID#5727299637) into a New Contract with the CRA/LA, a Designated Local Authority, pursuant to Government Code Section 20508, and to provide for: 2% @ 55 Modified Formula; One-Year Final Compensation; 3% Cost of Living Allowance; and Two Years Additional Service Credit with 100% Prior Service Credit for Local Miscellaneous members, and
2. Schedule for action at the next available Board meeting, but at least twenty (20) days from this Board meeting to formally adopt the final Resolution pursuant to Government Code Section 20471.

SUMMARY

AB1x-26, the California legislation eliminating redevelopment agencies statewide, dissolved the Prior Agency and, following the appointment by Governor Brown of a three-member Designated Local Authority, established the CRA/LA, a Designated Local Authority on February 2, 2012 as successor to the Prior Agency. To ensure the continuation of the retirement benefits previously

provided under the contract between the Prior Agency and CalPERS, a merger of the Prior Agency contract into a new contract with the CRA/LA-DLA is required. The merger is achieved by adoption of a resolution of intent by the Governing Body pursuant to Government Code Section 20508 (see Attachments A and B). Additionally, previous retirement benefit provisions will be carried over into in the new contract, consistent with the following Government Code provisions:

- Section 21354: 2%@55 Modified Formula
- Section 20042: One Year Final Compensation
- Section 21335: 3% Cost of Living Allowance
- Section 20903: Two Years Additional Service Credit with 100% Prior Service Credit for Local Miscellaneous members

Consistent with Government Code Section 7507, a public notice is required to disclose the future annual costs of the proposed contract at least two weeks prior to the adoption of the final Resolution.

Adoption of the final Resolution will be scheduled no sooner than twenty (20) days from today's action.

PREVIOUS ACTION

August 15, 1962 -- Adoption of Resolution No. 354, Participation of CRA/LA in CalPERS.

DISCUSSION AND BACKGROUND

Since 1962, CalPERS has provided retirement benefits to Prior Agency and CRA/LA-DLA employees. Subsequent to the initial contract, several amendments were made to include the following retirement benefits:

- Section 21354: 2%@55 Modified Formula (contract amended on June 18, 1997)
- Section 20042: One Year Final Compensation (contract amended on June 28, 2002)
- Section 21335: 3% Cost of Living Allowance (contract amended on June 20, 2003)
- Section 20903: Two Years Additional Service Credit with 100% Prior Service Credit for Local miscellaneous members (contract amended on June 7, 1996)

By a letter dated December 5, 2012, CalPERS notified the CRA/LA-DLA that, in order to clarify its relationship with the successor agency, a new contract was required that effectively integrated the retirement benefits already agreed to into a merged contract. The retirement benefits previously provided under the contract between the Prior Agency and CalPERS are memorialized in the collective bargaining agreements or Memoranda of Understanding (MOU) between the CRA/LA-DLA and its four employee bargaining units represented by the American Federation of State, County, and Municipal Employees (AFSCME) Locals 164, 585, 2204 and 1890 (Basic, Professional and Supervisory (BPS), and Management (CRAMA). The recommended merger of the contracts is implemented by adoption of a Resolution of Intent by the Governing Body pursuant to Government Code Section 20508.

Following the Governing Board's adoption of the resolution declaring its intent to enter into a merger contract, an election of the affected employees is required, by secret ballot, to declare their approval or disapproval of the retirement proposal, pursuant to Government Code Section 20469. The results of the election will be certified using CalPERS' Form CON-15N (See Attachment C). It should be noted that the merger contract shall not be approved if a majority of the affected members vote to disapprove it.

The adoption of the Final Resolution pursuant to Government Code Section 20471 will be scheduled on February 7, 2013, no fewer than twenty (20) days from the Adoption of the Resolution of Intention.

SOURCE OF FUNDS

Bond Proceeds, Reserve Balance, Redevelopment Property Tax Trust Fund, and Special Revenue.

ROPS AND BUDGET IMPACT

Government Code Section 7507 requires the disclosure of future annual costs of the proposed contract at a public meeting at least two weeks prior to the adoption of the final Resolution. The definition of "future annual costs" will include "normal cost and any change in accrued liability." A Certification of Compliance with Government Code Section 7507 will be submitted using CalPERS Form CON-12A. (See Attachment D)

The current employer rate for local miscellaneous members is estimated to be 15.851% or an estimated total annual cost of \$1,030,315.

ENVIRONMENTAL REVIEW

The proposed action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA).

Christine Essel
Chief Executive Officer

By:



David Riccitello
Chief Operating Officer

There is no conflict of interest known to me, which exists with regard to any CRA/LA officer or employee concerning this action.

ATTACHMENTS:

- Attachment A: Resolution of Intention to Approve a Contract including Exhibit-Contract between the Board of Administration California Public Employees' Retirement System and the Governing Board CRA/LA, A Designated Local Authority
- Attachment B: CalPERS' Form CON-12-Certification of Governing Body's Action
- Attachment C: CalPERS' Form CON-15N-Certification of Employee Election
- Attachment D: CalPERS' Form CON-12A-Certification of Compliance with Governing Code Section 7507

**RESOLUTION OF INTENTION
TO APPROVE A CONTRACT
BETWEEN THE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
AND THE
GOVERNING BOARD
CRA/LA, A DESIGNATED LOCAL AUTHORITY**

WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies in the Public Employees' Retirement System, making their employees members of said System, and sets forth the procedure by which participation may be accomplished; and

WHEREAS, one of the steps required in the procedure is the adoption by the governing body of the public agency of a resolution giving notice of intention to approve a contract for such participation of said agency in the Public Employees' Retirement System, which resolution shall contain a summary of the major provisions of the proposed retirement plan; and

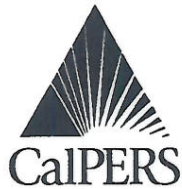
WHEREAS, attached is a summary of the major provisions of the proposed plan;

NOW, THEREFORE, BE IT RESOLVED, that the governing body of the above agency gives, and it does hereby give notice of intention to approve a contract between said governing body and the Board of Administration of the Public Employees' Retirement System, providing for participation of said agency in said retirement system, a copy of said contract and a copy of the summary of the major provisions of the proposed plan being attached hereto, as an "Exhibit", and by this reference made a part hereof.

By: _____
Presiding Officer

Title

Date adopted and approved



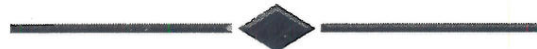
EXHIBIT

California
Public Employees' Retirement System



CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Governing Board
CRA/LA, A Designated Local Authority



In consideration of the covenants and agreement hereafter contained and on the part of both parties to be kept and performed, the governing body of above public agency, hereafter referred to as "Public Agency", and the Board of Administration, Public Employees' Retirement System, hereafter referred to as "Board", hereby agree as follows:

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.
2. Public Agency shall participate in the Public Employees' Retirement System from and after _____ 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) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than 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. Employees other than local safety members (herein referred to as local miscellaneous members).

5. Any exclusion(s) shall remain in effect until such time as the Public Employees' Retirement System determines that continuing said exclusion(s) would risk a finding of non-compliance with any federal tax laws or regulations. If such a determination is contemplated, the Public Employees' Retirement System will meet with the Public Agency to discuss the matter and coordinate any required changes or amendments to the contract.

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. **SAFETY EMPLOYEES.**

PLEASE DO NOT SIGN "EXHIBIT ONLY"

6. This contract shall be a continuation of the contract of the Los Angeles City Community Redevelopment Agency, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred February 1, 2012.
 - a. All benefits provided under this contract shall apply to all past service for former employees of the Los Angeles City Community Redevelopment Agency.
7. 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).
8. Public Agency elects to be subject to the following optional provisions:
 - a. Section 20042 (One-Year Final Compensation).
 - b. Section 21335 (3% Cost-of-Living Allowance).
 - c. Section 20903 (Two Years Additional Service Credit).
9. 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 of said Retirement System.
10. 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.
11. 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.

12. 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.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

GOVERNING BOARD
CRA/LA, A DESIGNATED LOCAL
AUTHORITY

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

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM ATTACHMENT A, Page 6 of 7

Actuarial and Employer Services Branch
Public Agency Contract Services
(888) CalPERS (225-7377)

SUMMARY OF MAJOR PROVISIONS

2% @ 55 Formula (Section 21354)
Local Miscellaneous Members

SERVICE RETIREMENT

To be eligible for service retirement, a member must be at least age 50 and have five years of CalPERS credited service. There is no compulsory retirement age.

The monthly retirement allowance is determined by age at retirement, years of service credit and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 55. If retirement is earlier than age 55, the percentage of final compensation decreases for each quarter year of attained age to 1.426% at age 50. If retirement is deferred beyond age 55, the percentage of final compensation increases for each quarter year of attained age to 2.418% at age 63.

Final compensation is the average monthly pay rate during the last consecutive 36 months of employment, or 12 months if provided by the employer's contract, unless the member designates a different period of 36 or 12 consecutive months when the average pay rate was higher.

DISABILITY RETIREMENT

Members substantially incapacitated from performing the usual duties for the position for his/her current employer, and from performing the usual duties of the position for other CalPERS covered employers (including State agencies, schools, and local public agencies), and where similar positions with these other employers with reasonably comparable in pay, benefits, and promotional opportunities are not available, would be eligible for disability retirement provided they have at least five years of service credit. The monthly retirement allowance is 1.8% of final compensation for each year of service. The maximum percentage for members who have between 10.000 and 18.518 years of service credit is one-third of their final compensation. If the member is eligible for service retirement the member will receive the highest allowance payable, service or disability. If provided by the employer's contract, the benefit would be a minimum of 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum benefit of 50% of final compensation.

INDUSTRIAL DISABILITY RETIREMENT

If provided by the employer's contract, members permanently incapacitated from performing their duties, as defined above under Disability Retirement, and the disability is a result of a job-related injury or illness may receive an Industrial Disability Retirement benefit equal to 50% of their final compensation. If provided in the employer's contract and the member is totally disabled, the disability retirement allowance would equal 75% of final compensation in lieu of the disability retirement allowance otherwise provided. If the member is eligible for service retirement, the service retirement allowance is payable. The total allowance cannot exceed 90% of final compensation.

PRE-RETIREMENT DEATH BENEFITS

Basic Death Benefit: This benefit is a refund of the member's contributions plus interest and up to six months' pay (one month's salary rate for each year of current service to a maximum of six months).

1957 Survivor Benefit: An eligible beneficiary may elect to receive either the Basic Death Benefit or the 1957 Survivor Benefit. The 1957 Survivor Benefit provides a monthly allowance equal to one-half of the highest service retirement allowance the member would have received had he/she retired on the date of death. The 1957 Survivor Benefit is payable to the surviving spouse or registered domestic partner until death or to eligible unmarried children until age 18.

1959 Survivor Benefit: (If provided by the employer's contract and the member is not covered under social security.) A surviving spouse or registered domestic partner and eligible children may receive a monthly allowance as determined by the level of coverage. This benefit is payable in addition to the Basic Death Benefit or 1957 Survivor Benefit. Children are eligible if under age 22 and unmarried.

Pre-Retirement Optional Settlement 2 Death Benefit: (If provided by the employer's contract.) The spouse or registered domestic partner of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse or registered domestic partner.

COST-OF-LIVING ADJUSTMENTS

The cost of living allowance increases are limited to a maximum of 2% compounded annually unless the employer's contract provides a 3, 4, or 5% increase.

DEATH AFTER RETIREMENT

The lump sum death benefit is \$500 (or \$600, \$2,000, \$3,000, \$4,000 or \$5,000 if provided by the employer's contract) regardless of the retirement plan chosen by the member at the time of retirement.

TERMINATION OF EMPLOYMENT

Members who have separated from employment may elect to leave their contributions on deposit or request a refund of contributions and interest. Those who leave their contributions on deposit may apply at a later date for a monthly retirement allowance if the minimum service and age requirements are met. Members who request a refund of their contributions terminate their membership and are not eligible for any future benefits unless they return to CalPERS membership.

EMPLOYEE CONTRIBUTIONS

Miscellaneous members covered by the 2% @ 55 formula contribute 7% of reportable earnings. Those covered under a modified formula (coordinated with Social Security) do not contribute on the first \$133.33 earned.

The employer also contributes toward the cost of the benefits. The amount contributed by the employer for current service retirement benefits generally exceeds the cost to the employee. In addition, the employer bears the entire cost of prior service benefits (the period of time before the employer provided retirement coverage under CalPERS). All employer contribution rates are subject to adjustment by the CalPERS Board of Administration.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ATTACHMENT B

Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

_____ of the
(governing body)

_____ of the
(public agency)

on _____
(date)

Clerk/Secretary

Title

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

ATTACHMENT C

Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

CERTIFICATION OF EMPLOYEE ELECTION

I hereby certify that the following employees of the CRA/LA, A Designated Local Authority have expressed their approval or disapproval of said agency's participation in the California Public Employees' Retirement System on the basis described in the Resolution of Intention adopted by said agency's governing body on _____, _____, in such manner as to permit each employee to separately and secretly express his choice and that the outcome of such election was as follows:

	Number of employees eligible to vote	Number of votes approving said participation	Number of votes disapproving said participation
Local Miscellaneous Members as defined in Govt. Code Section 20383	_____	_____	_____

Clerk or Secretary

Date

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

ATTACHMENT D

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code
the future annual costs as determined by the System Actuary for the
increase/change in retirement benefit(s) have been made public at a public meeting
of the

_____ of the
(governing body)

_____ of the
(public agency)

on _____ which is at least two weeks prior to the adoption of the
(date)

Resolution / Ordinance.

Adoption of the retirement benefit increase/change will not be placed on the consent
calendar.

Clerk/Secretary

Title

Date _____