TRIP REPORT

From: John Murray
To: City Council
Subj: Trip Report
Attach: (1) Conference report on public employees pensions
(2) Conference resolutions

I attended the annual League Conference in San Diego 5-7 September 2012. Although not as extensive in its offerings as in other years, many topics were of interest.

I was particularly interested in what other cities were doing to enhance economic development. Roseville (population 25,000) created their own economic development corporation and their council appointed participants with good business savvy and financial acumen. Sources of funding was discussed such as was putting public money at risk.
Vista, in Northern San Diego County got into the craft beer business and now is home to about 7 Breweries which have become a tourist attraction. They are interested in sharing their success. A most interesting business venture with considerable city investment.

Most interest was expressed in the recently signed AB 340 (Public Pension Reform). I have attached a handout which best explains the provisions. The most notable point in it I believe is the fact that it applies only to employees hired after 1 January 2103, thereby tweaking, rather than solving the long term budget crisis. Lemoore will have until 2018 to have all employees contribute half of the cost of their retirement. Another salient feature is that if an employee commits a felony, he/she forfeits their pension. (Nancy Cota would have lost it all). You may find it interesting to read the entire attachment.

As the voting delegate, only two of the five submitted resolutions made it to the final vote. The first was to lobby the legislature to pass a law to correct deficiencies in the audit and distribution of Court ordered citations, fines and fees. According to current law, if a judge reduces a fine, due to leniency say, the reduction in the amount comes out of the hide of the city. The state and other entities which share the proceeds get their cut first. This resolution seeks to correct that. The second resolution seeks to enhance awareness of and seek stiffer penalties relating to internet crimes against children such as pornography and molestation.

I am available to answer any questions.

Respectfully,

John Murray

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Comparing League Policy and the Conference Committee Report on Public Employee Pensions (Conference Report)

AB 340 (Furutani) was amended Aug. 28, 2012 and is intended to implement comprehensive pension reform through the enactment of the California Employees' Pension Reform Act of 2013 (PEPRA) as well as other statutory changes.

This proposal applies to all public employers and pension plans on or after Jan. 1, 2013 with the exception of the University of California, as well as charter cities and charter counties that do not participate in the California Public Employees' Retirement System (CalPERS) or the 37' Act System including the cities of Los Angeles, San Francisco, Fresno, San Diego, and San Jose. The proposal also excludes any retirement plan approved by the voters of any entity before Jan. 1, 2013.

Questions have been raised about whether the pension reform proposal applies to current or new employees. The short answer is that most of the provisions in the package apply to new employees while some of the provisions apply to current employees. Please see the attached Addendum A for that information.

The following is a comparison of League policy that was adopted by the League board of directors in July 2011. The Conference Report addresses the issues listed in the chart below.

Pension Proposal	Does League Policy and Conference Report Align?
Cap pensionable income	X No
Increased retirement ages	✓ Yes
New cost sharing authority	✓ Yes
Prohibit pension spiking/ 3-yr. avg.	✓ Yes
Eliminate double dipping	✓ Yes
Base retirement on regular, recurring pay	✓ Yes
Forfeit pension benefits upon felony conviction	X No
Eliminate airtime	✓ Yes
Eliminate retroactive benefit increases	✓ Yes
Eliminate pension holidays	✓ Yes

League Policy	Provide employers with a hybrid pension system option that caps the defined benefit PERS pension at an annual maximum retiree benefit equal to 70 percent of the retiring employees' eligible base pay and supplement the defined benefit plan with a risk managed PERS defined contribution plan. A defined contribution plan should integrate with a defined benefit plan not substitute for it.	

Differences	League policy and the Conference Report diverge considerably on this particular issue. League policy suggests that employees should be guaranteed a percentage of their income when they retire provided by a defined benefit plan and that any defined benefit plan should be substituted with a professionally managed defined contribution plan. The Conference Report does not guarantee a percentage of income replacement. Instead it caps pensionable compensation for the defined benefit and does not provide a guaranteed hybrid option. However, it permits employers to provide defined contribution plans above the new defined benefit structure. The plan also seems to limit employer contributions that can be made to a defined contribution plan for highly compensated employees.

2. INCREASE RETIREMENT AGE & NEW FORMULAS

	Proposal	Align?
Pension Reform Package	Increases retirement ages for new members. The formula option for miscellaneous members will be 2% at 62. The formula will be adjusted to encourage longevity. The formula will be adjusted to a maximum retirement factor of 2.5% at age 67. [GC. Sect. 7522.20 (a)] There will be three formula options offered to safety members including: 2% at 57; 2.5% at 57; and 2.7% at 57. [GC. Sect. 7522.25 (a)(b)(c)(d)]	✓
League Policy	Give government agencies through the collective bargaining process the option to extend retirement ages for miscellaneous employee up to social security retirement ages. Seek minimum (floor) retirement age of 60 for miscellaneous employees and 55 for safety employees before earing full retirement benefits. Repeal SB 400/AB 616 formulas returning to more sustainable PERS benefit formulas.	

League Policy	Give employers greater flexibility at the collective bargaining table to get at current costs of employee pensions including unfunded liabilities. Allow for greater cost sharing mechanisms in the PERL that do not currently exist. Require that employees pay the employee share of PERS (e.g. 7-8% for miscellaneous employees and 8-9% for safety employees.) Also eliminate the availability of Employer Paid Member Contributions (EPMC)	

Differences	No major differences. League policy and the Conference Report align closely on this issue. The Conference Report gives local employers greater flexibility to share costs with current and future employees. First, after Jan.1, 2018 local employers can require current employees to pay 50% of the normal cost subject to limits and collective bargaining. The report also gives employers greater flexibility to bargain with current employees over paying a portion of the employer contribution. This strengthens the statutory framework for cost sharing arrangements between employers and employees on sharing a portion of the employer's costs. Second, the plan requires that new employees pay one-half of the normal cost. Third, the measure prohibits employer pick-up of the new member's normal cost contribution.

4. PROHIBIT PENSION SPIKING

	Proposal	Align?
Pension Reform Package	Requires for new members that final compensation shall by calculated on the highest average annual pensionable compensation earned by a member during a period of at least 36-consecutive months. [GC. Sect. 7522.32 (a)] This is otherwise known as the 3-year average.	✓
League Policy	Base final retirement salary on three highest paid years worked.	

Differences	No major differences.

6. BASE RETIREMENT ALLOWANCE ON REGULAR, RECURRING PAY

	Proposal	Align?
Pension Reform Package	Defines "pension compensation" for a new member of any public retirement system as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to a publically available pay schedule. [GC. Sect.7522.34 (a)] Also provides that pension compensation does not include: • compensation paid to enhance a retirement benefit; • compensation previously provided "in-kind" and converted to cash in the final comp period; • one-time or ad hoc payments; • terminal pay; • pay for unused sick leave or time off; • pay for work outside of normal hours; any employer provided allowance including uniform, housing, vehicle allowances; • pay for overtime, except planning overtime, extended duty workweek, or pay defined in federal labor code section 207(k) of Title 29 of the United States Code. [GC. Sect.7522.34 (c)(1-12)]	✓
League Policy	Supports calculating benefits only on base salary eliminating all "spiking." No overtime, vacation or sick leave should be included in the pension calculation. Eliminate the CalPERS contract option to include Employer Paid Member Contributions (EPMC) in the calculation of an employees' base pay for retirement purposes.	

Differences	No major differences.

7. FORFEIT PENSION BENEFITS UPON FELONY CONVICTION

	Proposal	Align?
Pension Reform Package	Requires public officials and employees to forfeit pension benefits if they are convicted of a felony related to the performance of official duties, related to seeking an elected office or appointment, in connection with obtaining salary or pension benefits, or committed against a child who the official or employee has contact with as part of his or her official duties. [GC. Sect.	X

League Policy	Prohibit retroactive benefit increases.	

Differences	No major differences.

10. PROHIBIT PENSION HOLIDAYS

	Proposal	Align?
Pension Reform Package	Prohibit all employers from suspending employer and/or employee contributions necessary to fund annual pension normal costs. [GC. Sect. 7522.52(a)] Allows a public retirement system to suspend contributions under limited circumstances: • The plan is funded more than 120% • The excess earnings could result in disqualification of plans tax deferred status • The board finds that additional contributions would conflict with its fiduciary responsibility [GC. Sect. 7522.52 (b)(1)(2)(3)]	✓
League Policy	Prohibit employers and employees from taking contribution "holidays."	

Differences	No major differences.

Maximum Overall Cap on Combined Defined Benefit and Defined Contribution Payments to Employees Over $110,000

GC 7522.10 (g) in AB 340 (p. 12 – 13) reads as follows:

(g) Any employer contributions to any employee defined contribution plan above the pensionable compensation limits in subdivision (c) shall not, when combined with the employer's contribution to the employee's retirement benefits below the compensation limit, exceed the employer's contribution level, as a percentage of pay, required to fund the retirement benefits of employees with income below the compensation limits.

Examples of what this means:

Employer's Contribution as % of Salary **To Employees Below 110,000 DB Pension Cap**	*10%*	*15%*	*20%*
Maximum Contribution to $250,000 employee			
First $110,000 salary (D.B.)	$11,000	$16,500	$22,000
Next $140,000 salary (D.C.)	$14,000	$21,000	$28,000*
TOTAL	$25,000	$37,500	$50,000

**Current federal limit on employer contributions to D.C. Plan: $50,000*

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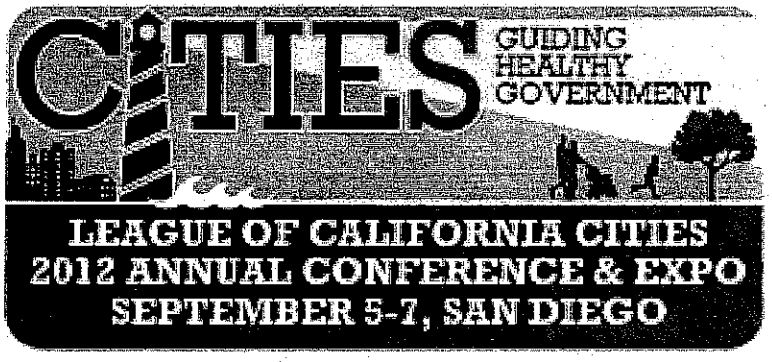
Policy Committee Recommendations



2012 Annual Conference Resolutions

San Diego
September 5 – 7, 2012

KEY TO ACTIONS TAKEN ON RESOLUTIONS

Resolutions have been grouped by policy committees to which they have been assigned.

Number	Key Word Index	Reviewing Body Action		
		1	2	3

1 - Policy Committee Recommendation to General Resolutions Committee
2 - General Resolutions Committee
3 - General Assembly

ENVIRONMENTAL QUALITY POLICY COMMITTEE

		1	2	3
3	Desert Protection Act	D		
4	Global Warming	D		

PUBLIC SAFETY POLICY COMMITTEE

		1	2	3
♦1	Fines and Forfeitures	A		
2	Internet Crimes Against Children	Aa		
5	Emergency Management Mission for California Cities	Aa		

REVENUE AND TAXATION POLICY COMMITTEE

		1	2	3
♦1	Fines and Forfeitures	Aa		

Please note: These committees did ***NOT*** meet at the annual conference: Community Services; Housing, Community & Economic Development; and Transportation, Communication & Public Works

Information pertaining to the Annual Conference Resolutions will also be posted on each committee's page on the League website: www.cacities.org. The entire Resolutions Packet will be posted at: www.cacities.org/resolutions.

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September 5, 2012

José Cisneros
Treasurer, San Francisco
Chair, General Resolutions Committee
League of California Cities
San Diego, CA

RE: Report on Resolution No. 3 and No. 4– Committee on Environment Quality

Dear Mr. Cisneros:

The League Committee on Environmental Quality has reviewed and made its recommendations on the resolutions that were assigned to it by the President of the League and numbered as Resolution No. 3 and No. 4 in the resolutions packet dated July 12, 2012.

For Resolution No. 3, relating to the California Desert Protection Act of 2011, the committee recommends the action be **Disapprove**.

For Resolution No. 4, relating to Global Warming, the committee recommends the action be **Disapprove**.

This report is hereby respectfully submitted.

Sincerely,

Owen Newcomer
Mayor, Whittier
Chair, Environmental Quality Policy Committee

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September 5, 2012

José Cisneros
Treasurer, San Francisco
Chair, General Resolutions Committee
League of California Cities
San Diego, CA

RE: Report on Resolutions No. 1, No. 2 and No. 5– Committee on Public Safety

Dear Mr. Cisneros:

The League Committee on Public Safety has reviewed and made its recommendations on the resolutions that were assigned to it by the President of the League and numbered as Resolution s No. 1, No. 2, and No. 5, in the resolutions packet dated July 12, 2012.

For Resolution No. 1, relating to Fines and Forfeitures, the committee recommends the action be **Approve**.

For Resolution No. 2, relating to Internet Crimes Against Children, the committee recommends the action be **Approve as Amended**.

For Resolution No. 5, relating to Emergency Management Mission for California Cities, the committee recommends the action be **Approve as Amended**.

This report is hereby respectfully submitted.

Sincerely,

Jan Arbuckle
Mayor, Grass Valley
Chair, Public Safety Policy Committee

WHEREAS, in December 2011 at the request of the Glendora Police Department the Los Angeles Superior Court conducted a sample audit of 15 Glendora Police Department-issued citations from 2010. The results of the sample audit revealed the City of Glendora received about 12% ($253) of the $2,063 in paid fines for the 12 of the 15 citations submitted. Three (3) of the citations in the audit were sent to collection or warrants. Based on those results, the city received an average of $21, while the State and County received an average of $172 for each of the 12 citations. The percentage breakdown for the city was 12.25% as compared to the State and County's share of 86.75%; and

WHEREAS, issuing a typical vehicle code violation citation can involve up to an hour of the issuing officer's time and the time of a records clerk tasked with entering citations into the database costing approximately $82 per hour. If the citation is challenged the cost increases another $135 to cover the cost of court time and handling of the notices associated with such an appeal. Therefore, the cost incurred to issue a citation currently is between $82 and $217, while the sample audit reveals the city is receiving about $21 in cost recovery; and

WHEREAS, officials with Superior Court openly admit that similar results would be expected for almost every jurisdiction in the State issuing citations due to the complexity and "Priority of Distribution" they must follow from the State of California. "Priority Distribution" is triggered when a court reduces a fine for a citation. This process prohibits Judges from reducing penalty assessments and thus the only discretion Judges have in reducing fines, fees and costs is to reduce the base fine, or city portion, of the total fine. This process has a significant impact on the amount of money cities issuing the citation will receive. Rarely is the reduction in the fine taken from other stakeholders. Cities are one of the lowest priorities on the distribution list and often find themselves receiving significantly less share-or no share after deducting State and County fees and surcharges; and now there let it be

RESOLVED by the General Assembly of the League of California Cities, assembled in San Diego on September 7, 2012, that the League of California Cities calls upon the State Legislature and Governor to:

1. Create an efficient system to provide cities with a clear authority to audit the distribution of fines, fees, assessments and administrative costs for criminal and traffic violations;

2. ~~Enact legislation that changes the "Priority Distribution" mandate so cities receive the total cost of issuing, processing and testifying in court on criminal cases and traffic violations; and~~

3. That any reduction in fines, fees, assessments or costs should be equally distributed from the total fine imposed, not just from the city base fine.

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RESOLUTION REFERRED TO PUBLIC SAFETY POLICY COMMITTEE

5. A RESOLUTION CALLING FOR ~~AN EMERGENCY MANAGEMENT MISSION FOR~~ THE PROMOTION OF DISASTER RESILIENT CALIFORNIA CITIES

Source: League Public Safety Policy Committee
Referred To: Public Safety Policy Committee
Recommendation to General Resolutions Committee: **Approve as Amended**

WHEREAS, emergency management is a basic responsibility of city government and a fundamental duty of all city employees; and

WHEREAS, prepared, disaster resilient communities save lives, prevent injuries, protect property, promote economic stability, and rapid recovery; and

WHEREAS, employees who have a family plan and supplies will be more likely to stay at work or come to work after an emergency incident; and

WHEREAS, the National Incident Management System (NIMS) provides guidelines and requirements to ensure a national coordinated emergency response system, including training requirements; and

WHEREAS, the Standardized Emergency Management System (SEMS) provides the foundation for California cities to ensure a state-wide coordinated, standardized emergency response system. SEMS is intended to be flexible and adaptable to the needs of all emergency responders in California; and

WHEREAS, emergency managers are responsible for promoting and encouraging personal, family and community preparedness and readiness. It is critical to focus on and support public education and training to ensure that the public understands that government entities may need time to recover from disaster situations, and to spread the message that disaster resilience, or the ability to recover from a disaster situation, requires participation from the whole community; and

WHEREAS, The League of California Cities (League) recognizes that cities, counties and the state do not have the reserves to support residents with food, water, and other necessary supplies after an "emergency event". Now, therefore let it be

RESOLVED, at the League General Assembly, assembled at the League Annual Conference on September 7, 2012, in San Diego, that the League encourages cities to actively ~~pursue employee and resident emergency preparedness. In addition, the League encourages cities to actively engage residents in emergency preparedness programs that promote creating a family plan, including having supplies of food and water, in the promotion of self-reliance~~ **engage in disaster resilience activities including but not limited to:**

1) **Developing and implementing employee and resident emergency preparedness plans.**

2) **Promoting emergency family plans that emphasize self reliance for food and water supplies.**

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