ORDINANCE 2001-01

AN ORDINANCE OF THE CITY OF AMERICAN CANYON OF THE CITY COUNCIL AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CITY COUNCIL AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

WHEREAS, in 1992, the City of American Canyon (City) entered into a contract with the Public Employees' Retirement System (PERS) to provide retirement benefits for City employees; and,

WHEREAS, the contract between the City and PERS was subsequently amended in 1993 and 1998; and

WHEREAS, the City now wishes to amend its contract with PERS to allow employees credit for unused sick leave on the books at the time of retirement as time worked toward their retirement.

NOW, THEREFORE BE IT RESOLVED, THAT THE CITY COUNCIL OF THE CITY OF AMERICAN CANYON HEREBY ORDAINS AS FOLLOWS:

Section 1: That an amendment to the contract between the City Council of the City of American Canyon and the Board of Administration, California Public Employees' Retirement System, is hereby authorized, and a copy of said amendment is attached hereto marked Exhibit A, and by such reference made a part hereof as though herein set out in full.

Section 2: The Mayor of the City Council is hereby authorized, empowered, and directed to execute said amendment for an on behalf of the City of American Canyon.

Section 3: This Ordinance shall take effect 30 days after the date of adoption, and prior to the expiration of 15 days from its passage, shall be published at least once in the *Vallejo Times Herald*, a newspaper of general circulation, published and circulated in the City of American Canyon.

Section 4: **Severability**: This Ordinance shall be liberally construed to achieve its purposes and preserve its validity. If any provision or clause of this Chapter, or application thereof to any person or circumstances, is held invalid, such invalidity shall not affect other provisions or applications of this Ordinance, which can be given effect without application of the invalid provision. To this end, the provisions of this ordinance are declared to be severable and to have independent validity.

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.

10. 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.

11. 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.

B. This amendment shall be effective on the 17th day of March, 2001.

BOARD OF ADMINISTRATION PUBLIC EMPLOYEES' RETIREMENT SYSTEM	**CITY COUNCIL** **CITY OF AMERICAN CANYON**
BY________________ KENNETH W. MARZION, CHIEF ACTUARIAL & EMPLOYER SERVICES DIVISION PUBLIC EMPLOYEES' RETIREMENT SYSTEM	By Donald Colclear Donald Colcleaser, Acting Mayor
	Date: January 18, 2001
	ATTEST: Mark Joseph, City Clerk

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Actuarial and Employer Services Division
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(916) 326-3420

CERTIFICATION OF GOVERNING BODY'S ACTION

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

CITY COUNCIL of the
(governing body)

CITY OF AMERICAN CANYON
(public agency)

on January 18, 2001.
(date)

Mark Joseph, City Clerk

CalPERS
Actuarial & Employer Services Division
P.O. Box 942709
Sacramento, CA 94229-2709
Telecommunications Device for the Deaf - (916) 326-3240
FAX (916) 326-3005

RECEIVED
NOV 30 2000
CITY OF
AMERICAN CANYON

November 29, 2000

Employer Code #1594

Reply to Section 105

Ms. Carmela Santos Robbins
Human Resources Assistant
City of American Canyon
2185 Elliott Drive
American Canyon, CA 94503-1331

Dear Ms. Robbins:

A contract amendment cost analysis for each actuarial valuation requested and related information are enclosed.

As your contract reads, the agency is required to pay a reasonable amount to cover the costs of special valuations. Each agency may receive one actuarial valuation per fiscal year at no cost, for each member category. Additional actuarial valuations cost $200.00. If applicable, you will receive an invoice from our Fiscal Services Division.

The information was based on the most recent annual valuation and is good until the next annual valuation report is sent to your agency. If your agency does not take action to amend its contract and we have mailed the next annual valuation report to your agency, you must contact our office for an updated cost analysis.

The change in the employer contribution rate, as of the effective date of the proposed amendment, will be the rate displayed in the "Change Due to Plan Amendment" column on the "Total Employer Rate" line at the bottom of page 2 of the Contract Amendment Cost Analysis. This change in the employer contribution rate should be added to the employer's current rate on the amendment effective date. If the amendment effective date is on or after July 1 of the year that is two years after the valuation basis year, the total new employer contribution rate will be the rate displayed in the "Post-Amendment" column at the bottom of page 2.

To initiate an amendment to the contract, the enclosed Anticipated Schedule of Agency Actions must be completed and returned to this office. If you have questions regarding the actuarial valuation, please contact the Actuary, Barbara Ware at (916) 326-3426. For questions concerning the contract amendment process, please call me at (916) 326-3683.

Sincerely,

Marilyn MacVicar

Marilyn MacVicar
Employer Representative
Public Agency Contract Services

M:td

Enclosures

cc: San Francisco Regional Office

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30, 1999
MISCELLANEOUS PLAN FOR CITY OF AMERICAN CANYON

EMPLOYER NUMBER 1594
Benefit Description: 20965, Credit for Unused Sick Leave

The table below shows the change in the total present value of benefits for the proposed plan amendment. The present value of benefits represents the total dollars needed today to fund all future benefits for current members of the plan, i.e. without regard to future employees. The difference between this amount and current plan assets must be paid by future employee and employer contributions. As such, the change in the present value of benefits due to the plan amendment represents the "cost" of the plan amendment. However, for plans with excess assets some or all of this "cost" may already be covered by current excess assets.

The CalPERS Board has adopted a resolution providing a one-time increase in the actuarial value of assets from 90% of market value to 95% of market value for the calculation of the July 1, 2000 through June 30, 2001 employer rate. This applies only to plans that amend their contract between July 1, 1999 and June 30, 2001. The tables below show the impact on the plan's liabilities due to the change in benefits and the change in assets due to the one-time change in actuarial method.

	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Total Present Value of Benefits	$ 4,938,186	$ 28,570	$ 4,966,756
Actuarial Value of Plan Assets	3,419,432	160,055	3,579,487
Present Value of Future Employer and Employee Contributions	$ 1,518,754	$ (131,485)	$ 1,387,269

It is not required, nor necessarily desirable, to have accumulated assets sufficient to cover the total present value of benefits until every member has left employment. Instead, the actuarial funding process calculates a regular contribution schedule of employee contributions and employer contributions (called normal costs) which are designed to accumulate with interest to equal the total present value of benefits by the time every member has left employment. As of each June 30, the actuary calculates the "desirable" level of plan assets as of that point in time by subtracting the present value of scheduled future employee contributions and future employer normal costs from the total present value of benefits. The resulting "desirable" level of assets is called the accrued liability.

A plan with assets exactly equal to the plan's accrued liability is simply "on schedule" in funding that plan, and only future employee contributions and future employer normal costs are needed. A plan with assets below the accrued liability is "behind schedule", or is said to have an unfunded liability, and must temporarily increase contributions to get back on schedule. A plan with assets in excess of the plan's accrued liability is "ahead of schedule", or is said to have excess assets, and can temporarily reduce future contributions. A plan with assets in excess of the total present value of benefits is called super-funded, and neither future employer nor employee contributions are required. Of course, events such as plan amendments and investment or demographic gains or losses can change a plan's condition from year to year. For example, a plan amendment could cause a plan to move all the way from being super-funded to being in an unfunded position.

CONTRACT AMENDMENT COST ANALYSIS - VALUATION BASIS: JUNE 30, 1999
MISCELLANEOUS PLAN FOR CITY OF AMERICAN CANYON

EMPLOYER NUMBER 1594
Benefit Description: 20965, Credit for Unused Sick Leave

The changes in your plan's accrued liability, unfunded accrued liability, and the funded ratio as of June 30, 1999 due to the plan amendment are shown in the table below.

	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Accrued Liability	$ 2,785,479	$ 11,834	$ 2,797,313
Assets	3,419,432	160,055	3,579,487
Unfunded Liability	$ (633,953)	$ (148,221)	$ (782,174)
Funded Ratio	122.8%		128.0%

While the tables above give the changes in the "cost" and funded status of the plan due to the amendment, there remains the question of what will happen to the employer contribution rate because of the change in plan provisions.

CalPERS policy is to implement rate changes due to plan amendments immediately on the effective date of the change in plan benefits. In general, the policy also provides that the change in unfunded liability due to the plan amendment will be separately amortized over a period of 20 years from the effective date of the amendment and all other components of the plan's unfunded liability/excess assets will continue to be amortized separately.

However, special rules have to be applied to plans with a current employer contribution rate of zero. The pre-amendment excess assets in these plans were sufficient to cover the employer's normal cost for one or more years into the future. A plan amendment will use up some or all of the pre-amendment excess assets. If there is still excess assets (i.e. if the plan is still ahead of schedule) after the plan amendment, the remaining excess assets were spread over the greater of 5 years or the number of years for which the excess assets would keep the employer rate equal to zero. If the amendment uses up all excess assets and creates an unfunded liability (i.e. from being ahead of schedule to behind schedule), the post-amendment unfunded liability was amortized over 20 years.

The table below shows the immediate short-term change in your plan's employer contribution rate due to the plan amendment.

Rate Component	Pre-Amendment	Change Due to Plan Amendment & Method Change	Post-Amendment Post Method Change
Normal Cost	7.505%	0.114%	7.619%
Unfunded/Excess Asset Cost	(3.747)%	(0.744)%	(4.491)%
1959 Survivor	0.000%	0.000%	0.000%
Total Employer Rate	3.758%	(0.630)%	3.128%
Amortization Period	Multiple Years	20 Years	Multiple Years

Note that the change in normal cost in the table above may be much more indicative of the long term change in the employer contribution rate due to the plan amendment. The plan's unfunded liability/excess asset cost shown in the table above is a temporary adjustment to the employer contribution to "get the plan back on schedule". This temporary adjustment to the employer rate varies in duration from plan to plan. For example, a plan with initial excess assets being amortized over a short period of time will typically experience a large rate increase when excess assets are fully amortized. While a plan amendment for such a plan may produce little or no increase in the employer contribution rate now, the change in normal cost due to the plan amendment will become fully reflected in the employer contribution rate as soon as initial excess assets are fully amortized.

If your agency is requesting cost information for two or more benefit changes, the cost of adopting more than one of these changes may not be obtained by adding the individual costs. Instead, a separate valuation should be done to provide a cost analysis for the combination of benefit changes. If the proposed plan amendment applies to only some of the employees in the plan, the rate change due to the plan amendment still applies to the entire plan, and is still based on the total plan payroll.

Please note that the cost analysis provided in this document may not be relied upon once the CalPERS actuarial staff have completed the next annual valuation, that is, the annual valuation as of June 30, 2000. If you have not taken action to amend your contract, and we have already mailed the June 30, 2000 annual valuation report, you must contact our office for an updated cost analysis, based on the new annual valuation.

This actuarial valuation for this proposed plan amendment is based on the participant, benefits, and asset data used in the June 30, 1999 annual valuation, with the benefits modified if necessary to reflect what is currently provided under your contract with CalPERS, and further modified to reflect the proposed plan amendment. Descriptions of the actuarial methodologies, actuarial assumptions, and plan benefit provisions may be found in the appendices of the June 30, 1999 annual report. Please note that the results shown here are subject to change if any of the data or plan provisions changes from what was used in this study. It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods are internally consistent and reasonable for this plan, as prescribed by the CalPERS Board of Administration according to provisions set forth in the California Public Employees' Retirement Law.

Barbara J. Ware

Barbara J. Ware, F.S.A., M.A.A.A.
Enrolled Actuary
Senior Pension Actuary, CalPERS

Fin Process Ids: Annual-50769 Base-52674 Proposal-52675