

3@60 PERS RETIREMENT BENEFITS

Attached is a copy of Amendment #1 to SRCEA's contract for Unit 7. The language reads the same for Units 6 and 7. SRCEA members voted to ratify this amendment language on August 22, 2002. The City subsequently agreed in the Miscellaneous Coalition forum to decrease the original cost of the benefit from 8.9% to 8.02% of salary. The City purchased bonds to fund their obligation to PERS. That purchase resulted in a reduction of the cost of the benefit. Also, the original cost included paying the benefits for inactive employees. To date, legislation has not been passed to include inactive employees, and the City agreed that current employees would not be charged for the inactive which further reduced the cost of the benefit.

SRCEA agreed to spread the 8.02% cost of the 3% at 60 benefit over three years; 3.1% on July 1, 2002, another 2.45% on July 1, 2003, and an additional 2.47% due July 1, 2004. SRCEA agreed to apply any cost of living adjustments (COLAs) received from the City on July 1, 2002, July 1, 2003, July 1, 2004, and July 1, 2005 as necessary to cover the amount owed.

On July 1, 2002, SRCEA employees received a 4.1% COLA. The 3.1% owed to the City was subtracted from that COLA, and SRCEA salaries were increased by the remaining amount of 1.0%. This transaction resulted in SRCEA salaries that were **permanently** 3.1% lower than they would have been without the purchase of the retirement benefit.

Since SRCEA employees did not receive any COLA on July 1, 2003, the 2.45% owed to the City had to be paid by another method. The attached contract amendment specifies that in lieu of an immediate salary reduction, any payments that are not covered by a COLA can be made by a pre-tax **payroll deduction**. That **payroll deduction** will be ongoing until July 1, 2005 if SRCEA employees do not receive a COLA to permanently cover the 2.45% cost by that time. On July 1, 2005, any portion of the 2.45% still owed would then become a permanent salary reduction. In the meantime, even though SRCEA take-home pay is 2.45% less, SRCEA employee salaries have not been permanently decreased by 2.45%. For the purposes of retirement, overtime, etc., SRCEA salaries still include the 2.45%.

On July 1, 2004, an **additional** 2.47% will be owed to the City. If SRCEA employees do not receive a COLA on July 1, 2004 that would cover the 2.45% already owed and this additional 2.47%, the balance owed would again be paid to the City by a pre-tax **payroll deduction**. SRCEA employee salaries will not be permanently decreased by the amount owed at this point. However, if the COLAs received on July 1, 2004 and July 1, 2005 do not total at least 4.92%, at that time any amount still owed for the retirement benefit will become a **permanent salary reduction**.

For example, if SRCEA employees receive no COLA on July 1, 2004 and a 4% COLA on July 1, 2005 the effect would be as follows:

	<u>July 1, 2002</u>	<u>July 1, 2003</u>	<u>July 1, 2004</u>	<u>July 1, 2005</u>
Payment Due:	3.1%	2.45%	2.47%	0
COLA Received:	4.1%	0	0	4.00%
Total Cost to Employee:				
Via Payroll Deduction	0	2.45%	4.92%	
Via Salary Reduction				0.92%

**AMENDMENT #1 TO
THE MEMORANDUM OF UNDERSTANDING BETWEEN
THE CITY OF SANTA ROSA AND
SANTA ROSA CITY EMPLOYEES ASSOCIATION
FOR AND ON BEHALF OF THE EMPLOYEES IN
THE CITY'S UNIT 7 – TECHNICAL**

FISCAL YEAR 2004/2005

This amendment #1 dated October 5, 2004, is between the City of Santa Rosa ("City") and Unit 7 – Technical, represented by the Santa Rosa City Employee's Association ("SRCEA").

RECITALS

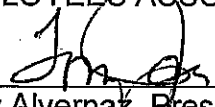
1. On July 13, 2004, the City Council adopted Resolution No. 26017 ratifying the Memoranda of Understanding between the City and SRCEA Unit 7 – Technical for fiscal year 2004/2005 ("Agreement").
2. Articles 19.2 through 19.6 of the Agreement provide details related to the amount the Unit owes for the 3% at 60 retirement benefit and delineates how the Unit shall pay for the benefit.
3. The parties have met and agreed that language previously contained in contract Amendment #2, dated August 26 2002, had been inadvertently left out of the 2004/2005 Agreement. The parties agree to add this language to the existing Agreement. The language addresses the unfunded liability portion of the 3% @ 60 benefit, and what should happen once this portion has been paid.

**AMENDMENT # 1
Unfunded Liability Portion of 3% @ 60**

The parties agree to add an Article 19.7 to the Agreement to read as follows:

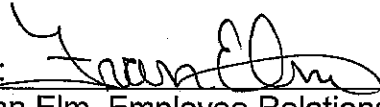
1. "Once the unfunded liability portion of the 3% @ 60 benefit has been paid there shall be a meet and confer to discuss the amount of the cost savings to be returned to the employees. Periodically the City and the Association agree to review the financial status of the unfunded liability portion of 3% @ 60. Market adjustments and other economic factors, occurring during this period of time, shall be considered when determining if a cost savings has been realized."
2. Except, as modified herein, all other terms of the Agreement as previously amended shall remain in full force and effect.

SANTA ROSA CITY
EMPLOYEES ASSOCIATION

By: 
Tony Alvernaz, President
SRCEA

11/23/04
Date

CITY OF SANTA ROSA

By: 
Fran Elm, Employee Relations
Manager

11/24/04
Date