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**MEMORANDUM**

**To: Mayor, City Council Representatives and the City Manager**

**From: Robert B. Ash**
**Administrator – City Employees' Pension Fund**

**Re: Proposed Pension Ordinance Amendment**

**June 16, 2005**

On May 24, 2005 a pension ordinance amendment was introduced and is scheduled for a public hearing at the City Council meeting of June 21, 2005. The proposed pension ordinance amendment was recommended for consideration by the City Council by the Board of Trustees of the City Employees' Pension Fund.

The proposed ordinance amendment will amend one of three methods used to determine the "final pay" of a pension participant. The first of the three methods used to determine final pay is an average of the participant's last three years salary including overtime. The second method used to determine a participant's final pay is an average of participant's last year of base pay and longevity. The third method of determining final pay is to use the last thirty days base pay and longevity that is annualized. The pension ordinance amendment, which is proposed by the Pension Fund's Board of Trustees, amends only the third method of calculating final pay.

The proposed ordinance amendment limits the amount of pay that may be considered in determining final pay when using the third method that is the base pay and longevity for the last month. The last month's pay will be limited to, for pension calculation purposes only, the amount of the prior years pay increased by not more than ten percent. Should an employee receive pay increases in the final month in excess of ten percent then the salary for purposes of the pension final pay calculation under the using this method would be capped at the prior year's salary plus ten percent. The proposed ordinance amendment does not change in any way the first two methods used to determine final pay. The perceived benefit to the pension fund in implementing this amendment will be to insulate the pension fund from unexpected increases in its liabilities due to large pay increases immediately prior to retirement.

There is no cost to the City in implementing this proposed pension ordinance amendment. The amendment will only affect those participants who receive pay increases larger than ten percent within 30 days prior to retirement. This amendment has been discussed at meetings of the Employee Association.

Should you have any questions or comments regarding this proposed amendment please do not hesitate to contact me at your convenience at x4545.

C: Jorge Villegas: Assistant City Attorney

**ORDINANCE NO. _____**
**AN ORDINANCE AMENDING CHAPTER 2.64 (CITY EMPLOYEES' PENSION FUND) OF THE EL PASO MUNICIPAL CODE REGARDING THE PENSION CALCULATION.**

**WHEREAS**, the City of El Paso (the ***"City"***) has a defined benefit pension fund (the ***"Fund"***);

**WHEREAS**, the computation of pension benefits under the Fund are based on a formula which includes a method of computing the final pay of a participant (the ***"Final Pay Computation"***);

**WHEREAS**, on October 20, 2004, the Board of Trustees of the Fund (the "***Board***") voted in favor of changing the method of calculating the Final Pay Computation as used in the defined benefit formula; and

**WHEREAS**, the Board administers the Fund pursuant to and in accordance with the City's Pension Ordinance codified in Chapter 2.64 of the El Paso Municipal Code (the ***"Code"***).

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF EL PASO**:

1. That Subsection B. of Section 2.64.200 of the Code is amended so that the first paragraph shall read in its entirety as follows:

B. Effective September 1, 1984, any person so retired shall be entitled to receive a monthly pension from the Fund in an amount equal to (1) two and one half percent (2 ½%) of the monthly average of the gross earnings received by the employee during the three years immediately preceeding retirement, (2) two and one half percent (2 ½%) of the monthly average of the base salary and longevity pay received by the employee during the year immediately preceeding retirement, or (3) two and one half percent (2 ½%) of the monthly base salary and longevity pay the employee is entitled to receive for the month immediately preceeding retirement, whichever is greater, multiplied by the number of completed years of service, plus 0.2083 of one percent (1%) of such average or entitled monthly pay for each complete or fractional part of a month of service which is not part of a complete year; provided, however, that in computing the monthly base salary and longevity pay under option (3), base salary and longevity increases granted after July 1, 2005 shall be disregarded to the extent that such increases exceed ten percent (10%) of the prior year's base salary; provided further, however, that if a person has not made pension contributions to the Fund for the immediately preceeding twelve (12) months prior to submitting an application for retirement, increases in base salary and longevity granted after July 1, 2005 shall be disregarded in computing the monthly base salary and longevity pay under option (3) to the extent such increases exceed ten percent (10%) of that person's lowest base salary and longevity pay the employee is entitled to receive during the immediately preceeding twelve (12) months.

2. That Subsection B.1. of Section 2.64.200 of the Code is hereby deleted in its entirety.

3. That Subsections B.2. and B.3. of Section 2.64.200 of the Code are hereby renumbered as B.1. and B.2., respectively.

4. That, except as expressly amended herein, Chapter 2.64 of the Code shall remain in full force and effect.

**(Signature Page to Follow)**

ORDINANCE NO._____

*Signature Page*

PASSED AND APPROVED this _____ day of _____, 2005.

CITY OF EL PASO

_____
John F. Cook
Mayor

ATTEST:

_____
Richarda Duffy Momsen
City Clerk

APPROVED AS TO FORM:

_____
Jorge Villegas
Assistant City Attorney

APPROVED AS TO CONTENT:

_____
Robert B. Ash, Pension Administrator
City Employees' Pension Fund