



**DATE:** December 10, 2019

**CATEGORY:** New Business

**DEPT.:** City Manager's Office

**TITLE:** **Adopt a Resolution Governing Compensation Related to CalPERS Cost-Share for Unrepresented Employees, for the Period of July 1, 2017 through June 30, 2020**

### **RECOMMENDATION**

Adopt a Resolution Authorizing the City Manager or His Designee to Amend the Cost-Share for Unrepresented Employees, Including Hourly Employees, Confidential Employees, Department Heads, Council Appointees, Fire Managers, and Police Managers, for the Period of July 1, 2017 through June 30, 2020, to be read in title only, further reading waived (Attachment 1 to the Council report).

### **BACKGROUND**

Since Fiscal Year 2006-07, unrepresented employees have been contributing a cost-share between 3.5 percent and 8.366 percent of the City's employer California Public Employees' Retirement System (CalPERS) contribution as approved during negotiations with employee groups and documented in the different labor agreements. This cost-share is in addition to the member contribution paid by employees (referred to as the "normal contribution"), which is established by CalPERS. CalPERS credits employee normal contributions to the employee's CalPERS account, while employer contributions, whether paid by the employer or by an employee as a cost-share, are currently credited to the employer's account.

During recent negotiations, the City agreed with all bargaining units to pursue a contract amendment process with CalPERS to allow for cost-share amounts paid by employees to be credited to their individual employee CalPERS account in compliance with Government Code Section 20516. Government Code Section 20516 allows for contracting agencies and their employees to agree to share the costs of the employer contribution. On August 27, 2018, AB 2310 was passed, which revised Government Code 20516 to allow memoranda of understanding to effectuate cost-sharing without contract amendments. Under Public Employees' Retirement Law (PERL), the City must amend its contract with CalPERS for AB 2310 to apply.

Amounts credited to an individual employee CalPERS account will be refundable to the employee if they separate from CalPERS-covered employment and elect to withdraw their contributions, or in the event of their preretirement death resulting in employee contributions being paid out to one or more beneficiaries.

## **ANALYSIS**

While going through the CalPERS approval process to start the contract amendment, staff was informed that the current resolutions pertaining to cost-share for unrepresented employees did not meet the CalPERS requirements. In particular, the membership of the unrepresented Fire managers and unrepresented Police managers needed to be amended to include the Fire Chief and Police Chief, respectively, the normal contribution for Public Employees' Pension Reform Act (PEPRA) employees needed to be updated to reflect the CalPERS current rate, and the two components of cost-share for safety employees—i.e., the employee-paid portion of the employer contribution and the employee-paid survivor benefit—needed to be reflected in the resolution as a total number, rather than as two separate amounts.

The proposed compensation resolution amendments pertain only to the sections regarding cost-share. Once the resolution amendments are approved, the City can submit a request to CalPERS to begin the contract amendment. Staff anticipates bringing the CalPERS contract amendment to Council in early 2020.

### **Unrepresented Hourly Employees**

The adopted resolution regarding unrepresented hourly employee compensation includes cost-share percentages for Hourly Miscellaneous, Nonsworn Police, and Sworn Police employees.

The proposed resolution amendment removes the Nonsworn Police Hourly group as this is not an hourly classification the City uses. The Sworn Police Hourly contribution has been updated to reflect the current PEPRA contribution rate of 10.50 percent employee normal contribution as established by CalPERS. When the current resolution was adopted, the PEPRA normal contribution rate was 11.25 percent; on July 1, 2016, the PEPRA rate reduced to 10.50 percent. The cost-share for Sworn Police Hourly PEPRA employees in the proposed resolution amendment has not changed; however, the employee-paid portion of the employer contribution and the employee-paid survivor benefit are combined to be shown as a total cost-share, as required by CalPERS.

### **Unrepresented Employees**

The adopted resolution regarding unrepresented employee compensation includes cost-share percentages for unrepresented miscellaneous members and unrepresented safety members.

The proposed resolution amendment relates to two groups for the unrepresented safety members: Fire Managers and Police Managers. CalPERS informed staff that the Fire and Police Chiefs could not be in a single-member group; therefore, for purposes of cost-share only, the Fire Managers group includes the Fire Chief, and the Police Managers group includes the Police Chief. By including the Police Chief with the Police Managers, the amount of the cost-share paid by the Police Chief will be 6.798 percent for a Classic member and 3.548 percent for a PEPRA member. This represents an increase of 0.65 percent.

The member contribution for unrepresented safety groups has been updated to reflect the current PEPRA normal contribution rate of 10.50 percent.

The Fire Managers and Police Managers cost-share includes the employee-paid portion of the employer contribution and the employee-paid survivor benefit for both Classic and PEPRA members.

**FISCAL IMPACT** – There is no fiscal impact associated with this resolution.

### **ALTERNATIVES**

1. Direct staff to provide additional information.
2. Provide other direction.

**PUBLIC NOTICING** – Agenda posting and a copy of report to CalPERS.

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036-12-10-19CR  
190666

Attachment: 1. Resolution – Unrepresented Employees Cost-Share