



DATE: November 19, 2024

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adopt a Resolution to Execute a Side Letter of Agreement Amending the Memorandum of Understanding, Section 10.01– Defined Benefit Retirement Program between the City of Hayward and the Service Employees International Union, Local 1021 – Maintenance and Operations Union to Clarify Employee Pension Cost-Share Requirements for all Eligible Classic and PEPRA Members

RECOMMENDATION

That Council adopts the resolution (Attachment II) for the side letter of agreement amending the memorandum of understanding (MOU) with the SEIU Local 1021 – Maintenance and Operations Unit (“Union”), Section 10.01 Defined Benefit Retirement Program provision between the City of Hayward (“City”), to clarify the employee cost-share requirements for all eligible Classic and PEPRA members with respect to CalPERS pension costs.

BACKGROUND AND SUMMARY

Employee-paid Employer Contributions, known as the Employer Cost-Share, rates were previously negotiated between the City and the Union during the Memorandum of Understanding (MOU) period of January 1, 2021, through June 30, 2024. The terms of the MOU state that both Classic and PEPRA members shall be responsible for contributing to the City’s employer rate to the California Public Employees’ Retirement System (CalPERS). Classic and PEPRA bargaining unit members shall contribute four- and one-half percent (4.5%), effective the pay period including July 1, 2017, and increase by one half of one percent (.5%) to a total of five percent (5.0%), effective the pay period including January 1, 2021. While the contract provisions set forth under Section 10.01 – Defined Benefit Retirement Program explicitly define the required bargaining unit required contribution rate increase effective the pay period including July 1, 2021, due to unintentional administrative omission the defined increase was not implemented. In order to implement this contractual agreement, the City is required to amend its contract with CalPERS before implementing the required five percent (5%) employer cost-share rate. Effective December 30, 2024, Section 10.01 Defined Benefit Retirement Program shall be amended as set forth below.

As such, the City and the Union have met and conferred on the matter and entered into this Side Letter of Agreement to clarify MOU language with respect to the CalPERS retirement plan employee cost-share agreement to ensure compliance with CalPERS guidelines.

DISCUSSION

The City and the Union have met and discussed in good faith and agree to amend Section 10.01 Retirement Plan effective December 30, 2024, as set forth below.

The City will continue to contract with CalPERS to provide a retirement program for employees. Bargaining Unit members deemed classic employees shall have the following retirement benefit package:

Benefits shall include:

1. Two and a half percent (2.5%) at age fifty-five (55) benefit formula
2. Fourth (4th) Level of 1959 Survivor's Benefits
3. One (1) Year Final Compensation
4. Military Service Credit as Public Service
5. Continuation of Pre-Retirement Death Benefit after Remarriage of Survivor.

These benefit plans require an employee contribution of eight percent (8%) for "Classic" bargaining unit members. Classic employees shall pay the full employee contribution of eight percent (8%), which shall be paid by the employee on a pre-tax basis in accordance with IRS Section 414(h)(2) method of reporting retirement payments. In addition, "Classic" bargaining unit members shall be responsible to contribute to the City's employer contributions to CalPERS as follows:

Effective the pay period including July 1, 2017, four and one-half percent (4.5%).

Effective December 30, 2024 (the pay period including January 1, 2025) increase by one half of one percent (.5%) to a total five percent (5.0%).

The City has amended its contract with CalPERS to allow employees to receive CalPERS credit for the additional contributions made to CalPERS on the City's behalf.

New members as defined by the Public Employees' Pension Reform Act (PEPRA) pension reform statute shall have a retirement formula dictated by law and shall be required to pay at least fifty percent (50%) of the normal cost of their pension as identified, and periodically revised, by CalPERS or eight percent (8%) whichever is greater up to the legal maximum. In addition, "New" bargaining unit members shall be responsible to contribute to the City's employer contributions to CalPERS as follows:

Effective the pay period including July 1, 2017, four and one-half percent (4.5%).

Effective December 30, 2024 (the pay period including January 1, 2025) increase by one half of one percent (.5%) to a total of five percent (5.0%).

The City agrees to amend its contract with CalPERS to allow employees to receive CalPERS credit for the additional contributions made to CalPERS on the City's behalf.

FISCAL IMPACT

There is no fiscal impact, as the FY 2025 Adopted Budget reflects the Employer Cost-Share at five percent (5.0%).

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

Human Resources staff will work with CalPERS to change the existing cost-sharing amounts in our CalPERS contract.

Prepared by: July Cole, Human Resources Manager

Recommended by: Brittney Frye, Director of Human Resources

Approved by:



Dustin Claussen, Interim City Manager