



DATE: May 23, 2017

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT Adoption of an Ordinance to Approve an Amendment to the City of Hayward Contract with the California Public Employees Retirement System (PERS) for Miscellaneous Members in Hayward Association of Management Employees (“HAME”), International Federation of Professional and Technical Engineers-Local 21 (“Local 21”), and the Unpresented Employee Group

RECOMMENDATION

That the City Council adopts the Ordinance to approve an amendment to the City of Hayward’s contract with CalPERS and authorize staff to execute the contract.

BACKGROUND

On May 27, 2016, the City Council adopted Ordinance 16-13 approving the amendment to the City of Hayward’s CalPERS miscellaneous contract for Classic and Public Employees’ Pension Reform Act (“PEPRA”) members, which authorized a 2% employee cost-share in accordance with Government Code Section 20516.

On April 11, 2017, the City Council adopted Resolution 17-040 which introduced the ordinance approving an amendment to the City of Hayward’s CalPERS miscellaneous contract for miscellaneous members in HAME, Local 21, and the Unpresented Employee Group contract for Classic and PEPRA members, which proposes a 3% employee cost-share in accordance with Government Code Section 20516 for FY 2018.

Under the terms of the current Memoranda of Understanding and the Unrepresented Salary and Benefits Resolution, HAME, Local 21, and Unrepresented members will continue to pay the current employee contribution of 8% for classic members and 6.25% for PEPRA members in addition to a total of 3% of the employer’s share, which has been phased in by one percent per year beginning in FY 2016. Beginning in FY 2018, these employees will contribute a total of 11% for classic members and a total of 9.25% for PEPRA members.

Please note that under the terms of their negotiated agreement, SEIU elected to not contribute to medical insurance and instead opted to make an additional contribution of 4.5% toward the employer share of PERS. To expedite processing of this negotiated term, SEIU further agreed that the additional contributions would be made pursuant to Government Code Section 20516 (f), which allows the contributions to be effective without a contract amendment. Therefore, the City is not required to do a contract amendment for SEIU members.

DISCUSSION

The City contracts with CalPERS for retirement benefits. The existing CalPERS contract for Miscellaneous members (non-safety) requires Classic members (hired prior to January 1, 2013) to pay 8% of their salaries for the employees' share of retirement costs. PEPRAs members (hired on or after January 1, 2013 and receiving overall lower retirement benefits than Classic members) are required to contribute at least 50% of the normal cost of PERS benefits, which is currently 12.50%. Therefore, PEPRAs employees contribute 6.25% of their salaries for the employees' share of retirement costs. The City currently contributes 26.388% for FY 2017, which is projected to increase in FY 2018 to approximately 27.4% for the employer share.

Currently, employees are contributing 2% towards the employer share effective FY 2017. The proposed contract amendment will increase that amount by an additional 1%, for a total of 3% in FY 2018. This employee contribution toward the employer rate shall be credited to each member's account as a normal contribution effective the first pay period following 30 days after the adoption of the final Ordinance. This action by the Council to amend the CalPERS agreement to reflect the negotiated contributions will allow the FY 2018 deductions to commence.

FISCAL IMPACT

As CalPERS rates continue to increase, it is noteworthy that all the City's bargaining groups cost share and contribute to the employer's share of the PERS rate. The City of Hayward successfully negotiated contracts that are consistent with the City's philosophy that the cost of employee benefits must be shared to preserve the benefit levels and manage the City's expenses, allowing the City to preserve critical services to the community. This includes employee contributions toward the cost of their retirement benefits. The table below shows the rate that each bargaining unit is contributing, including the proposed contract amendments:

Table 1: Percentage of CalPERS employer share paid by employee.

Bargining Group	Total CalPERS Cost Share Contribution (FY18)
HAME	3.0%
Local 21	3.0%
Unrepresented	3.0%
SEIU	4.5%
HPOA Classic	6.0%
HPOA PEPR	3.0%
Local 1909 Classic	6.0%
Local 1909 PEPR	5.25%

The approximate total cost of the negotiated salary and benefit packages for the miscellaneous groups is \$5 million dollars. The additional contributions toward the employer share of CalPERS costs offset the cost of the salary and benefit packages by approximately \$2.7 million during the contract terms (FY 2016 to FY 2018).

NEXT STEPS

Human Resources staff will work with the bargaining units and Finance Department staff to complete the contract amendment process. If approved, the Ordinance will take effect on June 22, 2017. The contract amendment will be effective June 26, 2017.

Prepared by: Ali Adams, Human Resources Analyst II

Recommended by: Nina S. Collins, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager