



DATE: January 22, 2019

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adoption of a Resolution of Intention to Introduce an Ordinance Approving an Amendment to the Contract between the City of Hayward and the California Public Employees Retirement System (CalPERS) for Miscellaneous Members in SEIU Local 1021.

RECOMMENDATION

That the City Council adopts the Resolution of Intention to approve an amendment to the City of Hayward's contract with CalPERS and authorizes the City Manager to execute the contract, and also introduces an Ordinance to approve the contract amendment.

SUMMARY

The City contracts with CalPERS for retirement benefits. In accordance with Government Code Section 20516, CalPERS requires a new contract amendment each time the employer cost share amount is amended. Under the memoranda of understanding (MOU) between the City of Hayward and the Service Employees International Union Local 1021 Maintenance and Clerical ("SEIU") for the period of July 1, 2018 through June 30, 2021, members will continue to contribute 4.5% towards the City's cost of PERS and will increase this contribution to 5% effective FY 2021 (July 1, 2020). Upon approval of the contract amendment, SEIU member contributions toward the employer rate will be credited to each member's account as a normal contribution effective the first pay period following the effective date of the increased contribution. The Ordinance will go into effect 30 days after adoption but the contribution will begin consistent with the terms of the MOU.

BACKGROUND AND DISCUSSION

Under the terms of SEIU's previously negotiated agreement (FY 2016 through FY 2018), SEIU elected to make an additional contribution of 4.5% toward the employer share of CalPERS costs, phased in over the contract period, in lieu of paying towards medical insurance premiums. SEIU further agreed that the additional contributions would be made pursuant to Government Code Section 20516 (f), which allows the contributions to be made without contract amendment. Under 20516(f), the amount of the City's employer contribution paid by bargaining unit members is not credited to the members' individual CalPERS accounts.

On June 26, 2018, the City Council adopted Resolution 18-126 approving the memoranda of understanding between the City of Hayward and the Services Employees International Union Local 1021 Maintenance and Clerical units (“SEIU”) for the period of July 1, 2018 through June 30, 2021. Under the terms of the successor agreement, employee cost sharing continues and is increased by an additional half percent (.5%) in FY 2021. All members will continue to pay the current employee contribution of 8% for classic members and 6.25% for PEPRAs members, in addition to a total of 4.5% of the employer’s share for a total of 12.5% contribution for classic members and a total of 10.75% for PEPRAs members in FY 2019. In FY 2021, the contribution toward the employer share will increase to 5%, in addition to the employee share of 8% for classic members (hired prior to January 1, 2013) and 6.25% for PEPRAs members (hired on or after January 1, 2013). The City currently contributes 28.444% towards CalPERS costs for FY 2019, which is projected to increase in FY 2020 to 31.512% for the employer share. The cost sharing contributions offset a portion of this cost.

In addition to the change in the amount of the contribution, SEIU negotiated that the contributions be reflected in the individual member accounts, consistent with how other City bargaining units report their contributions. In order to implement these changes, CalPERS requires that the existing contract be amended. The Resolution authorizes staff to work with CalPERS to amend the miscellaneous contract to incorporate the cost sharing provision for SEIU. The proposed Ordinance approves the amendment and authorizes staff to execute the contract effective April 1, 2019.

FISCAL IMPACT

The cost sharing provisions are part of an overall negotiated agreement between the City and SEIU. Additional cost sharing results in an approximate savings of \$62,000 over the contract period when compared to the budget model for the same period.

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 SEIU and Finance Department staff to complete the contract amendment process. The final reading and adoption of the Ordinance will be presented during a Public Hearing on February 19, 2019. If approved, the Ordinance will take effect on March 21, 2019. The contract amendment will be effective April 1, 2019. The additional contributions will go into effect on July 1, 2020.

Prepared by: Ali Adams, Human Resources Analyst II

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

Approved by:

A handwritten signature in black ink, appearing to read 'Kelly McAdoo', written in a cursive style.

Kelly McAdoo, City Manager