



DATE: November 17, 2020

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Adopt Resolutions to Execute Side Letter Agreements Amending the Memoranda of Understanding (MOU) between the City of Hayward and the Hayward Police Officers Association (HPOA), and the City of Hayward and the International Association of Firefighters, AFL-CIO, Local 1909 (Local 1909), to Change the Existing Cost-Sharing Amount for PEPRA Members

RECOMMENDATION

That Council adopts resolutions (Attachments II and III) for side letter agreements amending the Memoranda of Understanding (MOU) between the City of Hayward and HPOA, and the City of Hayward and Local 1909, to change the existing cost-sharing amount for PEPRA Safety members.

SUMMARY

The City contracts with CalPERS for retirement benefits. The City and employees are required to make contributions towards CalPERS retirement costs to fund the benefit. On November 15, 2016, the City Council adopted Ordinance 16-196 to amend the previously agreed upon contribution rate for PEPRA Police members (employees hired on or after January 1, 2013). Per the Ordinance, PEPRA Police employees contribute 12% of their salaries for the employees' share of retirement costs, plus an additional 3% towards the employer's required contribution for a total employee contribution of 15%.

Concurrently, on November 15, 2016, the City Council adopted Ordinance 16-197 to amend the previously agreed upon contribution rate for PEPRA Fire members (employees hired on or after January 1, 2013). Per the Ordinance, PEPRA Fire employees contribute 9.75% of their salaries for the employees' share of retirement costs, plus an additional 5.25% towards the employer's required contribution for a total employee contribution of 15%.

Per the current MOUs (Section 8.01B of the HPOA agreement, and Section 6.01B of the Local 1909 agreement), PEPRA Safety (Police and Fire) employees shall not be required to contribute more than 15% of their salaries to fund their pension, and if CalPERS enacts a change to the employee rate as reflected in the Annual Valuation Report, the parties will amend the respective contract to ensure PEPRA members continue to contribute no more than a total of 15% of reportable wages.

BACKGROUND AND DISCUSSION

The City was notified by CalPERS that effective July 1, 2020, the employee contribution rate for PEPRA Police members increased from 12% to 13%. In order to maintain a 15% contribution rate for PEPRA Police members as required by the current agreement between the parties, the employee contribution to the employer's obligation must be reduced by 1.00%.

The employee contribution rate for PEPRA Fire members also increased from 9.75% to 10.5%, effective July 1, 2020. In order to maintain a 15% contribution rate for PEPRA Fire members as required by the current agreement between the parties, the employee contribution to the employer's obligation must be reduced by 0.75%.

Currently, PEPRA Safety employees continue to contribute a total of 15% towards their pension. However, due to the change in the employee contribution rates for PEPRA safety members effective July 1, 2020, Finance staff must make manual adjustments when reporting to CalPERS, for both PEPRA Police and PEPRA Fire employees.

For PEPRA Police employees, these manual adjustments are made every pay period to reflect the increase to the employee contribution by 1.00% and consequent reduction of the employee contribution towards the employer portion by 1.00%. Similarly, for PEPRA Fire employees, these manual adjustments are made every pay period to reflect the increase to the employee contribution by 0.75% and consequent reduction of the employee contribution towards the employer portion by 0.75%.

In order to avoid this manual process and report the correct contribution rate to CalPERS, side letters reflecting the exact percentages of cost-sharing, are required by CalPERS.

The City has reached agreement with both HPOA and Local 1909 on the language presented in Attachments IV and V.

FISCAL IMPACT

There is no fiscal impact associated with this report. Both PEPRA Police and PEPRA Fire members will continue to contribute 15% to fund their CalPERS pensions, as previously agreed to (Resolution 14-122, Resolution 13-097).

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to any of the projects outlined in the Council's Strategic Roadmap.

NEXT STEPS

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

Prepared by: Vanessa Lopez, Senior Human Resources Analyst

Recommended by: Maria A. Hurtado, Assistant City Manager

Approved by:

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

Kelly McAdoo, City Manager