



DATE: December 3, 2019

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Adopt an Ordinance Approving an Amendment to the City of Hayward Contract with the California Public Employees Retirement System (CalPERS) for Local Safety - Police Employees and Authorize the City Manager to Execute the Contract

RECOMMENDATION

That Council adopts an Ordinance (Attachment II) to approve an amendment to the City of Hayward's contract with CalPERS and authorizes the City Manager to execute the contract.

SUMMARY

The City contracts with CalPERS for employee retirement benefits. The proposed contract amendment with CalPERS was negotiated with the Hayward Police Officers Association (HPOA) in 2018 and added the Pre-Retirement Option 2W Death Benefit for Local Safety - Police Employees in accordance with California Government Code Section 21548. Local - Safety Police Employees include those in the HPOA and the Hayward Police Management Unit (HPMU). The additional pre-retirement death benefit is a monthly allowance to an eligible surviving spouse or eligible registered domestic partner and is calculated using the applicable retirement formula, and number of service years an officer had at the time of his or her death in the line of duty.

To implement any changes to the retirement program, it is necessary to amend the City's existing contract with CalPERS. Resolution 19-208 (Attachment III) was passed on November 5, 2019 and authorizes Council's intention to approve the proposed contract amendment with CalPERS. This proposed Ordinance now provides final authorization to approve the amendment of the Safety-Police contract to add the Pre-Retirement Option 2W Death Benefit and authorizes staff to execute the contract amendment effective January 6, 2020.

BACKGROUND AND DISCUSSION

On July 17, 2018, City Council adopted Resolution 18-163 approving the extension and amendment of the Memorandum of Understanding (MOU) between the City of Hayward and HPOA for the period of July 1, 2018 to June 30, 2024. One of the terms in the amended MOU added an enhanced Pre-Retirement Option 2W Benefit for Safety Police Employees in HPOA.

Prior to negotiation of this Pre-Retirement Option 2W Death Benefit, the existing CalPERS contract included only two options. The first was a Special Death Benefit for eligible beneficiaries limited to 50% of the employee's final compensation which may be increased to 75%, depending on the cause of death. This benefit is payable to an eligible surviving spouse or eligible registered domestic partner until death, or to unmarried children until age 22. The second option is the Basic Death Benefit, which is paid if no one is eligible for either of the monthly allowances in the first option, or if the eligible beneficiary chooses instead to receive the Basic Death Benefit. The Basic Death Benefit is either a lump-sum payment of a refund of the employee's contributions, or up to six months of pay (one month's salary rate for each year of current service, up to six months).

Under the terms of the successor MOU agreement, the addition of the Pre-Retirement Option 2W Death Benefit provides officers' eligible beneficiaries with a monthly allowance equivalent to the amount the employee would have received had he or she retired under a service retirement and elected Option 2W. Option 2W is one of the alternatives employees may elect upon retirement that reduces their highest payable benefit, also referred to as the Unmodified Allowance, but provides a lifetime of monthly benefits to their designated beneficiary. The additional option is advantageous for both employees and their eligible beneficiaries in that it grants a greater benefit in case of a job-related death. Rather than a limited monthly allowance of 50-75% of final compensation, the Pre-Retirement Option 2W Death Benefit provides a monthly allowance comparable to what an employee would receive under a service retirement.

The contract amendment for Local Safety – Police Employees includes members in both HPOA and HPMU and as a result of the contract amendment, HPMU members will also benefit from the additional pre-retirement option.

FISCAL IMPACT

The cost of amending the CalPERS contract to add the Pre-Retirement Option 2W Death Benefit is an increase of 0.081% to the Employer's Normal Cost Rate, which is currently approximately \$143,533 annually. The cost was considered and recognized when negotiating the extension and amendment of the MOU between the City of Hayward and HPOA (July 1, 2018 through June 30, 2024).

STRATEGIC INITIATIVES

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

NEXT STEPS

If approved, the Ordinance will take effect on January 2, 2020. The contract amendment will be effective January 6, 2020.

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