



DATE: November 7, 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 (CalPERS) for Miscellaneous Members in Unrepresented Executive and Council Appointed Officer Groups

RECOMMENDATION

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

BACKGROUND

On May 27, 2017, the City Council adopted Ordinance 17-05 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 3% employee cost-share in accordance with Government Code Section 20516.

On September 19, 2017, the City Council adopted Resolution 17-140 which introduced the ordinance approving an amendment to the City of Hayward's CalPERS miscellaneous contract for miscellaneous members in Unrepresented Executive and Council Appointed Officer groups for Classic and PEPRA members, which proposed an additional 2% employee cost-share in accordance with Government Code Section 20516 for FY 2018, for a total of 5%.

Under the terms of the current Unrepresented Salary and Benefits Resolution and the employment contracts for Council Appointed Officers, the executives 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. In addition to the 3% contribution of the employer's share, beginning on June 26, 2017, these employees will contribute an additional 2%, for a total of 13% for classic members and a total of 11.25% for PEPRA 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 27.4% for each miscellaneous member's retirement for FY 2018.

Under the terms of the current CalPERS contract, Unrepresented Executives and Council Appointed Officers are contributing 3% towards the employer share. The proposed contract amendment will increase that amount an additional 2%, for a total of 5% 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 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 contributions to be properly credited to the individual employee accounts.

STRATEGIC INITIATIVES

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

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.

Bargaining Group	CalPERS Contract	Total CalPERS Cost Share Contribution (FY18)
HAME	Miscellaneous	3.0%
Local 21	Miscellaneous	3.0%
Unrepresented	Miscellaneous	3.0%
Unrep Exec/Council Appointed	Miscellaneous	5.0%
SEIU	Miscellaneous	4.5%
HPOA Classic	Safety	6.0%
HPOA PEPR	Safety	3.0%
Local 1909 Classic	Safety	6.0%
Local 1909 PEPR	Safety	5.25%

The approximate additional annual cost savings associated with the additional 2% contribution by the Unrepresented Executive and Council Appointed Officer Groups in fiscal year 2018 is \$31,935.32.

NEXT STEPS

If approved, staff will complete the contract amendment process. Once approved, the Ordinance will take effect on December 7, 2017. The contract amendment will be effective December 11, 2017.

Prepared by: Ali Adams, Human Resources Analyst II

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

Approved by:



Kelly McAdoo, City Manager