



DATE: September 19, 2017

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adoption of a Resolution of Intention and Introduction of 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 Unrepresented Executive and Council Appointed Officer Groups

RECOMMENDATION

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

Under the terms of the current Unrepresented Salary and Benefits Resolution and the employment contracts for Council Appointed Officers, Unrepresented Executives and Council Appointed Officers 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 also contribute an additional 2%, for a total of 13% for classic members and a total of 11.25% for PEPRA members.

During discussions between the City Manager and the City's unrepresented executives, which includes the Assistant City Manager, Department Directors, and the Police and Fire Chiefs, executives expressed a desire for competitive salaries and benefits and were willing to contribute more toward the cost of fringe benefits, especially for CalPERS, due to increasing retirement costs. The City Manager explained to the executives that the City is not in a financial position to provide cost of living (COLA) or equity adjustments in FY 2018; however, the City is able to increase the stipend for the purchase, maintenance, updating, etc. of personal equipment used to perform their duties and to stay connected when out of the office for fiscal year 2018. In addition, executives were asked to contribute an additional two

percent (2%) to the CalPERS employer cost for a total cost share of five percent (5%) effective June 26, 2017. Executives acknowledge their role as leaders in the organization and understand the need for additional contributions to offset rising pension costs. Executives are also keenly aware of the fiscal challenges the City is facing, especially the need to reduce the growing unfunded liability for retirement benefits.

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.

Currently under 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 following 30 days of 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.

STRATEGIC PRIORITIES

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 cost savings for the Unrepresented Executive and Council Appointed Officer Groups in fiscal year 2018 because of the additional 2% contribution will be \$31,935.32 (LB 17-027).

NEXT STEPS

Human Resources staff will work with Finance Department staff to complete the contract amendment process. The final reading of the Ordinance will be presented during a Public Hearing on October 17, 2017. If approved, the Ordinance will take effect on November 16, 2017. The contract amendment will be effective November 27, 2017.

Prepared by: Ali Adams, Human Resources Analyst II

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

Approved by:



Kelly McAdoo, City Manager