



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

File #: PH 16-006, **Version:** 1

DATE: January 19, 2016

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 (PERS) Contract for Miscellaneous Members in HAME, Local 21 and Unrepresented Employees

RECOMMENDATION

That the City Council adopts an Ordinance to execute the amendment to the City of Hayward's contract with PERS to add a provision for cost sharing for the Miscellaneous Members in HAME, Local 21 and Unrepresented Employees.

BACKGROUND

On December 15, 2015, the City Council approved a Resolution of Intent to amend the City of Hayward's CalPERS contract and introduced an Ordinance to amend the contract (PH 15-107). CalPERS regulations require the City Council to adopt an Ordinance by way of a public hearing at least twenty days after the approval of the Resolution of Intention. The twenty day threshold was met on January 4, 2016. In accordance with Administrative Rule 1.21, the proposed Ordinance was published in the Daily Review on January 16, 2016, three days prior to the public hearing.

DISCUSSION

The City contracts with CalPERS for retirement benefits. The existing CalPERS contract for miscellaneous members (non-safety) requires payment of 8% of their salaries for the employees' share of retirement costs. The City currently contributes 24.467% for the employer share. Under the revised terms, HAME, Local 21, and Unrepresented, members will continue pay the current the employee contribution of 8% and a total of 3%, phased in 1% per year of the employers share beginning in FY16, for a total of 11% by 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 thirty days of the adoption of the final Ordinance.

Under the terms of their recently negotiated agreement, SEIU elected to not contribute to medical insurance and make an additional contribution of 4.5% toward the employer share of PERS costs, phased

in over the contract period. SEIU further agreed that the additional contributions would be made pursuant to Government Code Section 20516 (f), which allows the contributions without contract amendment. Under 201516(f), the amount of the City’s employer contribution paid by bargaining unit members would not be credited to the members’ individual CalPERS accounts.

Table 1 summarizes the additional share of the employer’s contribution the miscellaneous employee groups have agreed to contribute beyond their current eight percent (8%) employee contribution.

Table 1: Percentage of CalPERS employer share paid by employee.

Bargaining Group	Additional PERS Contribution		
	FY16	FY17	FY18
HAME	1%	2%	3%
Local 21	1%	2%	3%
Unrepresented	1%	2%	3%
SEIU	1.5%	3.0%	4.5%

FISCAL IMPACT

The cost sharing agreements with the miscellaneous groups are consistent with the City’s overarching strategy for balancing the City’s structural budget deficit, which includes employee contributions toward the cost of their health and retirement benefits. These additional contributions toward the employer share of PERS costs achieve an approximate savings of \$2.7 million during the contract terms. These contributions are structural in nature and represent significant ongoing and permanent savings. Table 2 summarizes the approximate savings for each employee group.

Table 2: Approximate savings to the City per group, per fiscal year.

Group	Savings from CalPERS Cost Share Per FY			Total
	FY16	FY17	FY18	
HAME	\$ (75,416)	\$ (152,752)	\$ (232,471)	\$ (460,639)
Local 21	\$ -	\$ (176,027)	\$ (334,228)	\$ (510,255)
Unpresented	\$ (26,867)	\$ (74,776)	\$ (124,643)	\$ (226,286)
SEIU	\$ (251,215)	\$ (529,945)	\$ (795,606)	\$ (1,576,766)
				\$ (2,773,946)

NEXT STEPS

Human Resources staff will work with CalPERS to complete the contract amendment process. The

contract amendment will be effective February 22, 2016.

In accordance with Government Code Section 20516, CalPERS requires a new contract amendment each fiscal year to phase in the 3% employers share for all represented members. Therefore, staff will return to Council to amend the contract for HAME and Local 21 for FY 2017 and FY 2018. Table 3 summarizes the approximate schedule for future amendments per CalPERS schedule of agency actions.


Table 3: Approximate schedule for future amendments.

Action	Approximate Contract Amendment Dates	
	FY17	FY18
Adoption of Resolution	4/26/2016	4/25/2017
Adoption of Ordinance	5/24/2016	5/23/2017
Effective Date of Ordinance	6/23/2016	6/22/2017
Effective Date of Amendment	6/27/2016	6/26/2017

Prepared by: Ali Adams, Human Resources Analyst II

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

Approved by:



Fran David, City Manager

Attachments:

- Attachment I Ordinance Authorizing an Amendment to the Contract between the City and CalPERS
- Attachment II Summary of Ordinance Published on 01/16/16
- Attachment III Exhibit to the Ordinance - Sample Amendment to CalPERS Contract