



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

File #: PH 15-107, **Version:** 1

DATE: December 15, 2015

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT

Adoption of a Resolution of Intention to Introduce an Ordinance Approving an Amendment to the Contract between the City of Hayward and the California Public Employees Retirement System (PERS) for Miscellaneous Members in HAME, Local 21, and the Unrepresented Employee Group

RECOMMENDATION

That the City Council adopts the Resolution of Intention to approve and introduce an Ordinance executing the amendment of the City of Hayward's contract with PERS to add a provision for cost sharing for the Miscellaneous Members in HAME, Local 21 and the Unrepresented Employee Group.

BACKGROUND

Employee salaries and benefits comprise approximately eighty percent of the City's expenses. Over the last five years, the City of Hayward has worked hard to close a growing structural General Fund gap each fiscal year. Significant changes to employee salary and benefit packages are a key element in closing this gap. For FY 2016, the City Council was able to balance the General Fund without use of the General Fund Reserves. This was accomplished through difficult decisions made by City Council and increased sharing of compensation costs by most of the City's bargaining units. Unfortunately, the General Fund structural gap is projected to return in FY 2017, and absent additional cost cutting efforts (or significant new revenues), it will grow in future years.

Despite the financial challenges, the City remains committed to providing fair and competitive benefits packages in a fiscally responsible manner that also addresses the structural gap. This task is extremely challenging because any reasonable solution to achieve long-term financial stability must include increased employee contributions toward the growing cost of benefits.

Since FY 2010, the City's employee groups have all given back in order to assist the City with reducing the projected budget gap. The Police and Fire groups restructured their contracts and agreed to increased contributions to the employer share of PERS, and currently pay a total of fifteen percent (15%) toward retirement costs. The City recently concluded labor negotiations with Service Employees International, Local 1021 ("SEIU"); the Hayward Association of Management Employees, ("HAME"), and International Federation of Professional Engineers, Local 21 ("Local 21"), revised the Salary and Benefits Resolution for Unrepresented employees, and extended employment agreements with the Council appointed

employees. All of these agreements include cost sharing that allows for the employee to pay a portion of the employer’s retirement contribution.

To implement any changes to the retirement program, it is necessary to amend the City’s existing contracts with CalPERS. The Resolution authorizes staff to work with CalPERS to amend the miscellaneous contract to incorporate the cost sharing provision. The proposed Ordinance approves the amendment and authorizes staff to execute the contract effective February 22, 2016.

DISCUSSION

The City contracts with CalPERS for retirement benefits. The existing CalPERS contract for miscellaneous members (non-safety) requires payment of eight percent (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 eight percent (8%) and a total of three percent (3%), phased in one percent (1%) per year of the employers share beginning in FY16, for a total of eleven percent (11%) by FY18. 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 (30) 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, 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 to be effective without a 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%

*Miscellaneous Employees currently pay their full eight percent Employee Contribution amount. The above table reflects the additional amount employee’s will contribute toward the Employer Contribution.

FISCAL IMPACT

The cost sharing agreements with the miscellaneous groups is consistent with the City’s philosophical structure 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 saving 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 the bargaining units and Finance Department staff to complete the contract amendment process. The final reading of the Ordinance will be presented during a Public Hearing on January 19, 2016. If approved, the Ordinance will take effect on January 19, 2016. 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 three percent (3%) contribution toward the employer 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: Tentative schedule for future amendments.

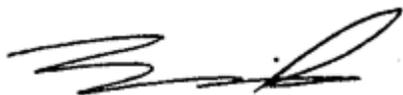
Action	Approximate Contract Amendment Dates	
	FY17	FY18
Adoption of Resolution	4/26/2016	4/25/2017
Adoption of Ordinance	5/24/2016	5/23/2017
Effective Date of Ordinance	6/23/2016	6/22/2017
Effective Date of Amendment	6/27/2016	6/26/2017

If approved, the Ordinance will take effect on January 19, 2016. The contract amendment will be effective February 22, 2016.

Prepared by: Ali Adams, Human Resources Analyst II

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

Approved by:



Fran David, City Manager

Attachments:

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| Attachment I | Ordinance Authorizing an Amendment to the Contract between the City and CalPERS |
| Attachment II | Resolution Authorizing Intention to Approve Amendment to the Contract between the City and CalPERS |
| Attachment III | Exhibit to the Ordinance - Sample Amendment to CalPERS Contract |