



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

File #: PH 16-048, **Version:** 1

DATE: May 24, 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 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

On April 26, 2016, 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 16-060). 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 May 16, 2016. In accordance with Administrative Rule 1.21, the proposed Ordinance was published in the Daily Review on May 21, 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 Classic members (hired prior to January 1, 2013) to pay eight percent of their salaries for the employees' share of retirement costs. Public Employees' Pension Reform Act ("PEPRA") members (hired on or after January 1, 2013 and receiving overall lower retirement benefits than Classic members) are required to contribute fifty percent of the normal cost of PERS benefits, which is currently 12.50%. Therefore, PEPRA employees are required to contribute 6.25% of their salaries for the employees' share of retirement costs. The City currently contributes 24.467% of salaries for FY 2016 for miscellaneous employees, which increases in FY 2017 to 26.388% for the employer share.

Under the terms of the current MOUs and the Unrepresented Salary and Benefits Resolution, all members

of HAME, Local 21, and the Unrepresented groups will continue to pay the current employee contribution of eight percent for classic members and 6.25% for PEPRA members in addition to a total of three percent of the employer’s share phased in one percent per year beginning in FY 2016, for a total of eleven percent employee contribution by FY 2018 for classic members and a total of 9.25% for PEPRA members. 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 following the adoption of the final Ordinance. This action by the Council to amend the CalPERS agreement will allow the FY 2017 deductions to commence.

Under the terms of their negotiated agreement, SEIU elected to not contribute to medical insurance and make a contribution of 4.5% (in addition to the full 8% employee’s share except for PEPRA members as identified above) toward the employer share of PERS, phased in over the contract period, for a total PERS contribution of 12.5% (8% employee share plus the additional 4.5% towards the employer share). SEIU further agreed that the additional contributions toward the employer share 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. Choosing to not have the additional contribution toward the employer’s share credited to the members’ individual account only impacts employees who leave PERS service and withdraw their funds or beneficiaries of employees who did not retire prior to death. If an employee or beneficiary withdraws their contributions, they receive what has been credited to their account, which in this case would not include the additional contribution to the employer share. It is estimated that more than 95% of employees retire from PERS service and do not prematurely withdraw their contributions. Under 20516(f), the additional contributions will remain in the employer’s fund and offset unfunded liabilities.

Table 1 summarizes the additional share of the employer’s contribution the Miscellaneous Employee groups have agreed to contribute beyond their current eight percent 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%

*All Miscellaneous Employees currently pay their full eight percent Employee Contribution amount. The above table reflects the additional amount employees will contribute toward the Employer Contribution in each fiscal year.

FISCAL IMPACT

The approximate total cost of the negotiated salary and benefit packages for the Miscellaneous Groups is \$5 million dollars. The additional contributions toward the employer share of PERS costs offset the cost of the salary and benefit packages by approximately \$2.7 million during the contract terms, while keeping the current benefit options intact.

The cost sharing contributions with the Miscellaneous Groups are consistent with the City's philosophical structure of protecting the robust benefits employees receive and asking for greater employee contributions toward the cost of their health and retirement benefits. These contributions are structural in nature and represent significant ongoing and permanent savings. Table 2 summarizes the approximate value of the cost sharing contributions 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)
Unrepresented	\$ (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 June 27, 2016.

The three percent employee cost-share is phased in at one percent each fiscal year. In accordance with Government Code Section 20516, CalPERS requires a new contract amendment each fiscal year to phase in the additional one percent contribution. Currently, employees are contributing one percent. The proposed contract amendment will increase that amount an additional one percent, for a total of two percent in FY 2017. Staff will return to Council to amend the PERS contract for another one percent, for a total of three percent for FY 2018 for HAME, Local 21 and the Unrepresented groups; and another 1.5% for a total of 4.5% for SEIU. Table 3 is the tentative schedule for the FY 2017 and FY 2018 CalPERS contract amendments.

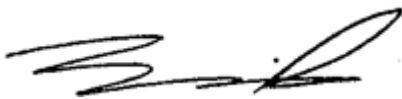
Table 3: Tentative schedule for FY 2017 and FY 2018 amendments.

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 05/20/2016
- Attachment III Exhibit to the Ordinance - Sample Amendment to CalPERS Contract