



Legislation Text

File #: 20-289, **Version:** 1

Report regarding a Resolution of Intention and Introduction of an Ordinance amending the contract between the Board of Administration, California Public Employees' Retirement System and the City of South San Francisco to implement the ability for Classic Local Miscellaneous members in the Executive Management Unit to pay a portion of the employer share of their CalPERS pension costs. (*Leah Lockhart, Human Resources Director*)

RECOMMENDATION

Staff recommends that the City Council adopt a Resolution of Intention and introduce an ordinance to amend the City's contract with CalPERS in order to implement the Council's adoption of the Executive Management Unit Compensation Plan, 2017-2022, which included a provision for all Classic Local Miscellaneous employees to contribute to the employer share of their CalPERS pension costs.

BACKGROUND

The City contracts with CalPERS as the provider of the City's pension benefits for employees in its bargaining units. On January 1, 2013, the State passed pension reform where all "new members" receive a new, lower cost formula. Any employees hired before January 1, 2013 ("Classic members") remain in the pension formulas in place at the time of passage of pension reform.

The City funds its pension obligations through a combination of employee and employer contributions. Recognizing that the City's Classic member pension obligations have increased significantly over the past several years, the City's Public Safety units partnered during labor negotiations to create a framework where Classic Public Safety member employees would bear higher contributions to fund their CalPERS pension by paying a portion of the Employer's costs for their benefit. The Executive Management Unit's Public Safety members began cost sharing in 2017 and Local Miscellaneous members agreed to increase their contributions as well, beginning the first full pay period in July 2020 (beginning July 10, 2020).

Classic Local Miscellaneous employees in the Tier 1 pension plan currently pay an eight percent (8%) employee contribution and employees in the Tier 2 plan currently pay a seven percent (7%) employee contribution. Pursuant to the Compensation Plan, Executive Management Unit Local Miscellaneous member employees would begin paying an additional one percent (1%) effective July 10, 2020, and an additional one percent (1%) effective July, 2021 for a total of two percent (2%) in addition to the current employee contribution.

Attached to the associated resolution is the proposed CalPERS contract amendment, drafted by CalPERS, incorporating the agreed upon employee paid contribution towards the employer's share for the Executive Management Unit's Miscellaneous members' pension benefits beginning in July 2020. New Members, as designated by CalPERS are not impacted by this change. In accordance with Government Code 7522.30, New Members must pay fifty percent (50%) of the total normal cost of the benefit, which is subject to change based on projected costs.

CalPERS' regulations require that the City first adopt a Resolution of Intention to approve an amendment to the contract between CalPERS. Following the adoption of the resolution of intent, the City must provide for a

ballot election by the employees affected by the proposed benefit change (GC 20474, 20469). Then the City must amend the contract with CalPERS via ordinance (by June 2, 2020 for a July 10, 2020 effective date).

COSTS

This amendment to the CalPERS Contract will reduce the City's contribution towards the cost of impacted members' pension benefits by 1% of salary.

The first tier Classic Local Miscellaneous member contribution rate will increase from 8% to 9% of reportable earnings as of the effective date of the amendment to the contract.

The second tier Classic Local Miscellaneous member contribution rate will increase from 7% to 8% of reportable earnings as of the effective date of the amendment to the contract.

CONCLUSION

It is recommended that the City Council adopt a Resolution of Intention and introduce an ordinance to amend the City's contract with CalPERS in order to implement the Council's adoption of the Executive Management Unit Compensation Plan, 2017-2022, which included a provision for all Classic Miscellaneous employees to contribute to the employer share of their CalPERS pension costs.

Attachment: Executive Management Compensation Plan, 2017-2022