

CITY OF YUBA CITY
STAFF REPORT

Date: February 17, 2015

To: Honorable Mayor & Members of the City Council

From: Human Resources

Presentation By: Natalie Walter, Human Resources Director

Summary

Subject: California Public Employees' Retirement System (CalPERS) Contract Amendment to implement employee cost sharing

Recommendation:

1. Adopt an Ordinance amending the City's contract with CalPERS for classic members cost sharing towards the employer rate per the applicable negotiated contracts for the Mid-Managers, Police Officers' Association, Police Sergeants, First Level Managers bargaining units, and the unrepresented Confidential and Executive Team and waive the second reading.
2. Adopt a Resolution for CalPERS stating the City is no longer paying 4% or 3.5% (dependent on retirement formula) of the classic CalPERS City Council's member contribution effective March 21, 2015.

Fiscal Impact:

1. \$384,000 in savings to City budget which is offset by \$723,000 in additional costs due to furlough elimination.
2. \$325 in savings for Fiscal Year 2014/2015.

Purpose:

Implement employee cost sharing of California Public Employees' Retirement System (CalPERS) contributions.

Background:

In early 2014, City staff met and conferred with Mid-Managers, First Level Managers, Police Officers' Association, and Police Sergeants in order to negotiate the expired bargaining unit contracts. During City Council meetings from July to November 2014, the City Council approved the contracts with these bargaining units along with the unrepresented employees on the Executive Team and in the Confidential Unit to include cost sharing for classic members.

On January 20th, City Council adopted a Resolution of Intention as part of the CalPERS requirement to amend the City's contract with CalPERS. Following the January 20th City Council meeting, as required by CalPERS, the effected City employees had an election to approve the cost sharing terms, which was 100% successful with those who voted . CalPERS now requires that an Ordinance be adopted by City Council in order to amend the City's contract for the cost sharing provisions.

With regard to Councilmember contributions to CalPERS, traditionally, the City Council has been aligned with the Executive Team for employee benefits, including healthcare, dental/vision, and retirement benefits. With the March 21st pay period, Executive Team members will be paying towards their retirement benefits. In light of the alignment of benefits between the City Council and the Executive Team, the attached Resolution, if adopted, would authorize the City Councilmembers to begin paying toward their retirement benefits in an equivalent amount to the Executive Team.

Analysis:

According to the approved contracts, all classic CalPERS members who belong to the Mid-Managers, First Level Managers, Police Officers' Association, and Police Sergeants along with the unrepresented Confidentials and Executive Team will cost share towards the employer contribution. It should be noted that the contracts for this cost sharing arrangement require two CalPERS contract amendments. For this first cost sharing amendment, classic Safety category employees will cost share 4.5% towards the employer contribution rate. Classic Miscellaneous category employees will cost share either 4% or 3.5% towards the employer contribution rate. The percentage for the classic Miscellaneous category is dependent on the member's hire date and resulting retirement formula.

The second cost sharing amendment process will be initiated after this first cost sharing amendment is complete. The second cost sharing amendment will result in the classic Safety category employees cost sharing 9% towards the employer contribution rate and classic Miscellaneous category employees cost sharing 8% or 7% towards the employer contribution rate as of July 1, 2015 or as soon as administratively feasible.

City Council members do not receive "PERS on PERS" as the City does not pay and report the value of the member contribution. Therefore a Resolution, not a cost sharing amendment, is required to implement classic CalPERS City Council members paying towards their member contribution. If adopted, Councilmembers will begin contributing half of their CalPERS contributions as of March 21, 2015 and the remaining half will go into effect as of July 1, 2015 or as soon as administratively feasible.

New CalPERS members are already paying their share of retirement benefit costs in accordance with pension reform.

Fiscal Impact:

- 1) \$384,000 in savings to City budget which is offset by \$723,000 in additional costs due to furlough elimination.

2) \$325 in savings for Fiscal Year 2014/2015.

Recommendation:

- 1) Adopt an Ordinance amending the City's contract with CalPERS for classic members cost sharing towards the employer rate per the applicable negotiated contracts for the Mid-Managers, Police Officers' Association, Police Sergeants, First Level Managers bargaining units, and the unrepresented Confidential and Executive Team and waive the second reading.
- 2) Adopt a Resolution for CalPERS stating the City is no longer paying 4% or 3.5% (dependent on retirement formula) of the classic CalPERS City Council's member contribution effective March 21, 2015.

Prepared By:

[/s/Natalie Walter](#)

Natalie Walter
Human Resources Director

Submitted By:

[/s/Steven C. Kroeger](#)

Steven C. Kroeger
City Manager

Reviewed By:

Finance

City Attorney

[RB](#)

[TH](#)

ORDINANCE NO. _____

**ORDINANCE OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING AN AMENDMENT TO THE CITY'S CONTRACT WITH
CALPERS THAT WILL IMPLEMENT COST SHARING PER THE NEGOTIATED
CONTRACTS FOR ALL POLICE OFFICER'S ASSOCIATION, POLICE
SERGEANTS, MID-MANAGERS, FIRST LEVEL MANAGERS,
UNREPRESENTED CONFIDENTIALS, AND UNREPRESENTED EXECUTIVE
TEAM**

THE CITY COUNCIL OF THE CITY OF YUBA CITY DOES ORDAIN AS FOLLOWS:

Section 1. That an amendment to the contract between the City Council of the City of Yuba City and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit A, and by such reference made a part hereof as though herein set out in full.

Section 2. The Mayor of the City of Yuba City is hereby authorized, empowered, and directed to execute said amendment for and behalf of said Agency.

Section 3. This Ordinance shall be effective thirty (30) days from and after its adoption, and after adoption shall be published as provided by law.

Introduced and read at a regular meeting of the City Council of the City of Yuba City on the 20th day of January 2015 and adopted at a regular meeting thereof held on the 17th day of February 2015.

AYES:

NOES:

ABSENT:

John Dukes, Mayor

Attest:

Terrel Locke, City Clerk

Approved as to form:

Tim Hayes, City Attorney



EXHIBIT

California
Public Employees' Retirement System

AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Yuba City

The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective January 1, 1961, and witnessed August 2, 1960, and as amended effective July 1, 1971, April 1, 1973, January 16, 1974, February 7, 1981, January 1, 1982, August 5, 1989, December 16, 1989, August 11, 1990, December 15, 1990, August 2, 1991, June 19, 1993, July 14, 2001, July 13, 2002, April 5, 2003, June 28, 2003 and July 1, 2012 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 18 are hereby stricken from said contract as executed effective July 1, 2012, and hereby replaced by the following paragraphs numbered 1 through 18 inclusive:
 - 1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members; age 50 for local safety members entering membership in the safety classification on or prior to July 1, 2012 and age 55 for local safety members entering membership for the first time in the safety classification after **July 1, 2012.**

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2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1961 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' existing retirement benefits, provisions or formulas
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Local Fire Fighters (herein referred to as local safety members);
 - b. Local Police Officers (herein referred to as local safety members);

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- c. Employees other than local safety members (herein referred to as local miscellaneous members).
- 5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

NO ADDITIONAL EXCLUSIONS

- 6. Prior to January 1, 1975, those members who were hired by Public Agency on a temporary and/or seasonal basis not to exceed 6 months were excluded from PERS membership by contract. Government Code Section 20336 superseded this contract provision by providing that any such temporary and/or seasonal employees are excluded from PERS membership subsequent to January 1, 1975. Legislation repealed and replaced said Section with Government Code Section 20305 effective July 1, 1994.
- 7. This contract shall be a continuation of the contract of the Walton Fire Protection District, hereinafter referred to as "Former Agency". The accumulated contributions, assets and liability for prior and current service under the Former Agency's contract shall be merged pursuant to Section 20508 of the Government Code. Such merger occurred July 1, 2006.
- 8. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment before and not on or after June 28, 2003 shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service prior to December 31, 1981, termination of Social Security, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
- 9. The percentage of final compensation to be provided for each year of credited prior and current service for local miscellaneous members in employment on or after June 28, 2003 and not entering membership for the first time in the miscellaneous classification after July 1, 2012 shall be determined in accordance with Section 21354.5 of said Retirement Law, subject to the reduction provided therein for service prior to December 31, 1981, termination of Social Security, for members whose service has been included in Federal Social Security (2.7% at age 55 Full and Modified).

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10. The percentage of final compensation to be provided for each year of credited current service as a local miscellaneous member entering membership for the first time in the miscellaneous classification after July 1, 2012 shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
11. The percentage of final compensation to be provided for each year of credited prior and current service as a local safety member entering membership in the safety classification on or prior to July 1, 2012 shall be determined in accordance with Section 21363.2 of said Retirement Law (3% at age 50 Full).
12. The percentage of final compensation to be provided for each year of credited current service as a local safety member entering membership for the first time in the safety classification after July 1, 2012 shall be determined in accordance with Section 21363.1 of said Retirement Law (3% at age 55 Full).
13. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 20516 (Employees Sharing Cost of Additional Benefits):

Section 20042 (One-Year Final Compensation), Section 21624 and 21626 (Post-Retirement Survivor Allowance) and Section 21427 (Improved Non-industrial Disability Allowance).

From and after January 1, 1982 to August 11, 1990 the miscellaneous and fire employees of Public Agency shall be assessed an additional 2.5% of their compensation for a total contribution rate of 9.5% pursuant to Government Code Section 20516.

From and after January 1, 1982 to December 16, 1989, the police employees of Public Agency shall be assessed an additional 2.5% of their compensation – for a total contribution rate of 9.5% pursuant to Government Code Section 20500.
 - b. Section 20042 (One-Year Final Compensation) for local police members entering membership on or prior to December 16, 1989; for local fire members entering membership on or prior to December 15, 1990; and for those local miscellaneous members entering membership on or prior to August 2, 1991.

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- c. Sections 21624 and 21626 (Post-Retirement Survivor Allowance).
- d. Section 21427 (Improved Nonindustrial Disability Allowance) for local miscellaneous members; local police members entering membership on or prior to December 16, 1989, and for those local fire members entering membership on or prior to December 15, 1990.
- e. Section 21574.5 (Indexed Level of 1959 Survivor Benefits).
- f. Section 20903 (Two Years Additional Service Credit) for local miscellaneous members only.
- g. Section 20475 (Different Level of Benefits). Section 20037 (Three-Year Final Compensation) is applicable to local police members entering membership for the first time in the police classification after December 16, 1989, local fire members entering membership for the first time in the fire classification after December 15, 1990, and for those local miscellaneous members entering membership for the first time in the miscellaneous classification after August 2, 1991; Section 21427 (Improved Non-Industrial Disability Allowance) is not applicable to local police members entering membership for the first time in the police classification after December 16, 1989, and for those local fire members entering membership for the first time in the fire classification after December 15, 1990.

Section 21354 (2% @ 55 Full formula) is applicable to local miscellaneous members entering membership for the first time in the miscellaneous classification after July 1, 2012.

Section 21363.1 (3% @ 55 Full formula) is applicable to local safety members entering membership for the first time in the safety classification after July 1, 2012.

- h. Section 21024 (Military Service Credit as Public Service).
- i. Section 20434 ("Local Fire Fighter" shall include any officer or employee of a fire department employed to perform firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as described in Government Code Section 20434).
- j. Section 21335 (3% Cost-of-Living Allowance, base year 2003).

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k. Section 21548 (Pre-Retirement Option 2W Death Benefit).

l. Section 20516 (Employees Sharing Additional Cost):

From and after the effective date of this amendment to contract, 4.5% for classic local police members.

From and after the effective date of this amendment to contract, 4.5% for classic local fire members in the Executive Team Unit.

From and after the effective date of this amendment to contract, 4% for first tier and second tier classic local miscellaneous members in the Police Officers' Association, First Level Managers Unit, Mid-Managers Unit, Confidential Unit, and the Executive Team Unit.

From and after the effective date of this amendment to contract, 3.5% for third tier classic local miscellaneous members in the Police Officers' Association, First Level Managers Unit, Mid-Managers Unit, Confidential Unit, and the Executive Team Unit.

14. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on February 7, 1981. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
15. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.
16. Public Agency shall also contribute to said Retirement System as follows:
 - a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574.5 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members and local safety members.
 - b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

- c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
17. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.
18. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF YUBA CITY

BY _____
RENEE OSTRANDER,
ASSISTANT DIVISION CHIEF
CUSTOMER ACCOUNT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA
CITY FOR EMPLOYER PAID MEMBER CONTRIBUTIONS WITH
THE CITY COUNCIL**

WHEREAS, The City of Yuba City City Council (Yuba City) has the authority to implement Government Code Section 20691; and

WHEREAS, Yuba City has a written labor policy or agreement which specifically provides for the normal member contributions to be paid by the employer; and

WHEREAS, one of the steps in the procedures to implement GC §20691 is the adoption by Yuba City of a Resolution to commence said Employer Paid Member Contributions (EPMC); and

WHEREAS, Yuba City has identified the following conditions for the purpose of its election to pay EPMC:

- This benefit shall apply to members of the City Council.
- This benefit shall consist of paying 4% of the normal member contributions as EPMC for those employees hired prior to July 1, 2012 and 3.5% of the normal member contributions as EPMC for those employees hired on or after July 1, 2012.
- The effective date of this Resolution shall be March 21, 2015.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Yuba City does hereby elect to pay the Employer Paid Member Contribution as set forth above.

The foregoing Resolution was duly and regularly introduced, passed and adopted by the City Council of the City of Yuba City at a regular meeting thereof held on the 17th day of February 2015.

AYES;

NOES:

ABSENT:

ATTEST:

John Dukes, Mayor

Terrel Locke, City Clerk