

Finance Committee

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS DATE: SEPTEMBER 11, 2019

FROM: HUMAN RESOURCES DEPARTMENT WARDS: ALL

SUBJECT: REVIEW OF CITY'S CALPERS COST SHARING MEASURES

ISSUE:

Receive a presentation on the City of Riverside's CalPERS cost sharing measures.

RECOMMENDATIONS:

That the Finance Committee receive a presentation on the City of Riverside's cost sharing measures.

DISCUSSION:

The attached presentation provides an overview of the City of Riverside's cost sharing efforts to mitigate the rising cost of pension obligations. Pension reform changes were implemented with all employee groups and memorialized in their respective MOUs or the City's Fringe Benefit and Salary Resolution in an effort to continue to reduce retirement costs to the City. This presentation will cover measures implemented to date and future measures that have been agreed upon in current MOU's or the City's Fringe Benefit and Salary Resolution.

The Public Employees' Pension Reform Act (PEPRA) mandates uniform, generally lower benefit formulas for new members of CalPERS. While PEPRA employees have lower pension costs, most City employee are not new members, therefore it may take many years for an agency to realize full cost savings from new members in the budget. Currently 1572 employees (62%) are Tier 1 and Tier 2 and 613 employees (28%) are PEPRA.

Actuarial reports estimate that the City would expect to start seeing a PEPRA impact beginning in 2032 through 2042. Around 2042 the City will be predominately PEPRA employees resulting in significantly lower pension expenses.

In order to offset higher pension costs for Tier 1 employees (Tier 2 and PEPRA employees have always paid 100% of the employee's share), the City negotiated with affected bargaining unit employees to increase employee contributions. Similar cost sharing measures were extended to unrepresented employees in the Fringe Benefit and Salary Plan. The City is expected realize the full impact of cost sharing by 2021.

Pursuant to current Memorandums of Understanding, potential givebacks will range as follows:

Bargaining Unit	Total Actual (FY 2017 – 2019)		Potential Raises and PERS Givebacks through FY 2020/21					
	Raise	PERS Giveback	Raise		PERS Giveback		Employee Paid Contribution	
			Minimum	Maximum	Minimum	Maximum	EE**	ER***
RPOA	12%	3%	12%	24%*	3%	6%		Χ
RPOA Supervisory	12%	3%	12%	24%*	3%	6%		Х
RPAA	12%	3%	12%	24%*	3%	6%		Χ
RCFA	10.5%	2.5%	17%	21%*	7%	7%		Χ
RFMG	12.25%	2.5%	16.5%	20.5%*	7%	7%		X
IBEW	8%	4%	15.5%	15.5%	8%	8%	Χ	
IBEW Supervisory	8%	4%	15.5%	15.5%	8%	8%	X	
SEIU – General	10%	7%	13%	15%*	8%	8%	X	
SEIU – Refuse	10%	7%	13%	15%*	8%	8%	Χ	
Unrepresented	9%	4%	14%	18%*	8%	8%	Χ	

As a result of the above measures, SEIU, IBEW, and Unrepresented Tier 1 employees shall pay the full employee's standard portion (EE) to PERS by 2021. Tier 1 Safety employees shall pay a portion of the required Employer Paid Member Contribution (ER) of pensionable income pursuant to the cost sharing provisions set forth in California Government Code Section 20516(f).

When Employer Paid Member Contributions (EPMC) are reported as compensation, it increases the base upon which retirement benefits are calculated. When an employee only pays on the employer portion of pension costs while the employee portion is paid for in part or in the entirety by the City, the City incurs additional pension expense as EPMC which is considered pensionable compensation. As a result, additional pension expense is calculated on top of the EPMC portion paid by the City; therefore, the City ultimately pays more in salaries & wages and experiences additional costs due to this arrangement.

FISCAL IMPACT:

There is no fiscal impact related to this presentation.

Prepared by: Stephanie Holloman, Human Resources Director

Certified as to

availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer

Approved by: Carlie Myers, Deputy City Manager

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Approved as to form: Gary G. Geuss, City Attorney

Attachment: Presentation