



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: MARCH 7, 2023**

**FROM: HUMAN RESOURCES DEPARTMENT** **WARDS: ALL**

**SUBJECT: A RESOLUTION OF INTENTION AND INTRODUCTION OF AN ORDINANCE TO AMEND THE CONTRACT BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF RIVERSIDE TO IMPLEMENT A RETIREMENT COST-SHARING PROVISION OF FIVE AND ONE-HALF PERCENT (5.5%) OF PENSIONABLE INCOME FOR ALL CLASSIC, TIER 1 AND TIER 2 UNREPRESENTED POLICE MANAGEMENT EMPLOYEES AND FOR MEMBERS OF THE RIVERSIDE POLICE ADMINISTRATORS' ASSOCIATION (RPAA) AND TO IMPLEMENT A RETIREMENT COST-SHARING PROVISION OF FOUR AND ONE-HALF PERCENT (4.5%) OF PENSIONABLE INCOME FOR ALL CLASSIC TIER 1 AND TIER 2 MEMBERS OF THE RIVERSIDE POLICE OFFICER'S ASSOCIATION (RPOA) AND RIVERSIDE POLICE OFFICER'S ASSOCIATION (RPOA) SUPERVISORY UNITS PURSUANT TO GOVERNMENT CODE SECTION 20516**

## **ISSUE:**

Adopt a Resolution of Intention and introduce and subsequently adopt an Ordinance to amend the contract between the California Public Employees' Retirement System (CalPERS) and the City of Riverside to implement a retirement cost-sharing provision of five and one-half percent (5.5%) of pensionable income for all classic, Tier 1 and Tier 2 Unrepresented Police Management employees and for members of the Riverside Police Administrators' Association (RPAA) and to implement a retirement cost-sharing provision of four and one-half percent (4.5%) of pensionable income for all classic Tier 1 and Tier 2 members of the Riverside Police Officer's Association (RPOA) and Riverside Police Officer's Association Supervisory (RPOA Supv) units pursuant to Government Section 20516

## **RECOMMENDATIONS:**

That the City Council:

1. Adopt a Resolution of Intention to amend the contract between CalPERS and the City of Riverside to implement a retirement cost-sharing provision of five and one-half percent (5.5%) of pensionable income for all classic, Tier 1 and Tier 2 Unrepresented Police Management employees and for members of the Riverside Police Administrators' Association (RPAA) and to implement a retirement cost-sharing provision of four and one-half percent (4.5%) of pensionable income for all classic Tier 1 and Tier 2 members of the

Riverside Police Officer's Association (RPOA) and Riverside Police Officer's Association Supervisory (RPOA Supv) units; and

2. Introduce and subsequently adopt the Ordinance to amend the contract between CalPERS and the City of Riverside to implement a retirement cost-sharing provision of five and one-half percent (5.5%) of pensionable income for all classic, Tier 1 and Tier 2 Unrepresented Police Management employees and for members of the Riverside Police Administrators' Association (RPAA) and to implement a retirement cost-sharing provision of four and one-half percent (4.5%) of pensionable income for all classic Tier 1 and Tier 2 members of the Riverside Police Officer's Association (RPOA) and Riverside Police Officer's Association Supervisory (RPOA Supv) units.

## **BACKGROUND:**

The process of enacting changes to the City's contract with CalPERS is initiated by the adoption of a Resolution of Intention and introduction of an Ordinance. It is important to clarify that the Resolution reflects that the cost-sharing applies to Police members under what CalPERS considers Tier 1 and Tier 2 classic members; these two CalPERS tiers combined, represent City Tier 1 members only and not City Tier 2 members as defined in the Memoranda of Understanding. Additionally, the CalPERS contract amendment is not effective until it fulfills the Government Code Section 20471 requirements and City Ordinance requirements. Under the provisions of Government Code Section 20471, a minimum 20-day waiting period between the Resolution of Intention and introduction of the Ordinance and the adoption of the final Ordinance is required. Furthermore, per City requirements, the Ordinance is effective 30 days after final adoption. Upon the fulfillment of these requirements, the contract amendment with CalPERS should be effective with the April 28, 2023, pay period.

The City Council is asked to approve the Resolution of Intention and introduction to adopt an Ordinance to formalize the contract amendment. The contract amendment will implement the cost-sharing provision that requires all CalPERS Tier 1 and Tier 2 Unrepresented Police Management and members of the Riverside Police Administrators' Association (RPAA) to pay an additional 1% for a total of 5.5% of pensionable income. Furthermore, the contract amendment will keep the existing cost-sharing provision of 4.5% for all CalPERS Tier 1 and Tier 2 members of the Riverside Police Officer's Association (RPOA) and Riverside Police Officer's Association Supervisory (RPOA Supv) units.

The approved two-year Memoranda of Understanding (MOUs) for RPAA, RPOA and RPOA Supervisory employees resulted in agreements to further reform pension provision benefits for Tier 1 (per MOU CalPERS Tier) classic employees. As specified in the RPAA MOU effective the first pay period after the approval of the CalPERS contract amendment (upon fulfillment of all CalPERS and City requirement indicated above), Tier 1 RPAA employees would pay an additional portion of the required employer contribution equal to 1% of pensionable income pursuant to the cost-sharing provisions as set forth in California Government Code Section 20516, for a total cost-sharing of 5.5%. The cost-sharing provision affects all Tier 1 RPAA members hired before June 13, 2012. In addition, a Resolution was approved and adopted to also include members of the Unrepresented Police Management on January 17, 2023, to implement a cost-sharing provision of 5.5% of pensionable income. Classifications under this group include the Police Chief and Deputy Police Chief with this contract amendment. As part of this contract amendment, the cost-sharing provisions for the RPOA and RPOA Supervisory will remain at 4.5% as outlined in the two-year MOUs; further cost-sharing pension provisions will be adopted at a later time as outlined in the MOUs.

## **DISCUSSION:**

Pursuant to the cost-sharing provisions set forth in the California Government Code Section 20516 and effective with the contract amendment, all Unrepresented Police Management and members of the Riverside Police Administrators' Association (RPAA) in CalPERS Tier 1 and Tier 2 will begin paying an additional portion of the employer contribution equal to 1% of pensionable income for a total of 5.5% and all CalPERS Tier 1 and Tier 2 members of the Riverside Police Officer's Association (RPOA) and Riverside Police Officer's Association Supervisory (RPOA Supv) units will continue to pay 4.5% of pensionable income.

The cost-sharing provision for the members of the Police groups referenced above in CalPERS Tier 1 and Tier 2 will be effective April 28, 2023, consistent with the effective date of the CalPERS contract amendment.

## **STRATEGIC PLAN ALIGNMENT:**

Adopting a Resolution of Intention, and subsequently adopting the Ordinance to amend the contract with CalPERS, to increase the cost share for Tier 1 Police employees contributes to **Strategic Priority 5 – High Performing Government**, and **Goal 5.4**: Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Requiring employees to pay their share into the CalPERS pension plan will improve public trust that the City is implementing changes to ensure its long-term financial health.
2. **Equity** – Cost sharing is a fair and equitable method to distribute the burden of rising pension costs. These measures were extended equally to all other bargaining groups and unrepresented employees.
3. **Fiscal Responsibility** – Increasing the employee contribution creates an immediate cost reduction for the City using a phased approach and requiring employees to pay the full employee share.
4. **Innovation** – CalPERS cost-sharing is a creative solution to meet the City's current and changing needs. This change provides the City with an opportunity to save money by requiring employees to share a portion of the employer costs.
5. **Sustainability & Resiliency** – In order for the City to sustain the rising cost of pension obligations, an increase to employee contributions for Tier 1 Police employees (Tier 2 and PEPPA employees have always paid 100% of the employee's share) are necessary and have already been negotiated.

## **FISCAL IMPACT:**

The total estimated fiscal impact for FY 2022/23 is \$134,00 in savings to the City. The estimated savings resulting from the RPAA and Unrepresented Police Management employees contributing an additional 1% for a total of 5.5% of the employer contribution to retirement have been incorporated into the FY 2022/23 Budget.

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Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Resolution of Intention to approve an amendment to the contract between the California Public Employees' Retirement System and the City Council of the City of Riverside
2. Ordinance to approve an amendment to the contract between the California Public Employees' Retirement System and the City Council of the City of Riverside
3. Certificate of Compliance
4. Amendment to Contract