



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: July 2, 2024

FROM: HUMAN RESOURCES DEPARTMENT WARDS: ALL

SUBJECT: A RESOLUTION TO AMEND THE CONTRACT BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF RIVERSIDE TO IMPLEMENT A RETIREMENT COST-SHARING PROVISION FOR ALL CLASSIC, TIER 1 (HIRED PRIOR TO JUNE 13, 2012) UNREPRESENTED POLICE MANAGEMENT EMPLOYEES IN THE POLICE SAFETY GROUP TO PAY SEVEN PERCENT (7%) EFFECTIVE AS SOON AS ADMINISTRATIVELY POSSIBLE, AND TO IMPLEMENT AN ADDITIONAL RETIREMENT COST-SHARING PROVISION FOR ALL CLASSIC, TIER 1 (HIRED PRIOR TO JUNE 13, 2012) UNREPRESENTED POLICE MANAGEMENT EMPLOYEES IN THE POLICE SAFETY GROUP TO SEVEN AND ONE HALF PERCENT (7.5%) OF THE EMPLOYER CONTRIBUTION OF PENSIONABLE INCOME PURSUANT TO GOVERNMENT CODE SECTION 20516 EFFECTIVE AS SOON AS ADMINISTRATIVELY POSSIBLE AFTER DECEMBER 20, 2024.

ISSUE:

Adopt a Resolution to amend the contract between the California Public Employees' Retirement System (CalPERS) and the City of Riverside for the implementation of a retirement cost-sharing provision for all Classic, Tier 1 (hired prior to June 13, 2012) Unrepresented Police Management employees in the Police Safety group to pay 7% of the employer contribution of pensionable income pursuant to Government Code Section 20516 effective as soon as administratively possible, and implementation of a cost-sharing provision for all Classic, Tier 1 (hired prior to June 13, 2012) Unrepresented Police Management employees in the Police Safety group to pay 7.5% of the employer contribution of pensionable income pursuant to Government Code Section 20516 effective as soon as administratively possible after December 20, 2024.

RECOMMENDATIONS:

That the City Council

1. Adopt a Resolution to request an amendment to the contract between CalPERS and the City of Riverside for the implementation of a cost-sharing provision of 7% for all Tier 1 (hired prior to June 13, 2012) Unrepresented Police Management employees in the Police Safety group to pay 7% of the employer contribution of pensionable income pursuant to Government Code Section 20516, effective as soon as administratively possible and as soon as administratively possible after December 2024 shall pay an additional portion of the required employer contribution equal to one half percent (0.5%) of pensionable income pursuant to the cost-sharing provisions set forth in California Government Code Section 20516 for a total of seven and one half (7.5%) percent; and

2. Adopt the attached Resolution amending the Master Fringe Benefits and Salary Plan to reflect cost-sharing provisions for the Unrepresented Police Management group.

BACKGROUND:

The 2024 approved Memoranda of Understanding (MOU) for Riverside Police Administrators' Association (RPAA) employees resulted in agreements to further reform pension provision benefits for Tier 1 Classic employees. As specified in the respective MOU effective the pay period of April 12, 2024, Tier 1 RPAA employees would pay an additional portion of the required employer contribution equal to 0.5% of pensionable income pursuant to the cost-sharing provisions set forth in California Government Code Section 20516, for a total cost-sharing of 7%. In addition, effective the pay period of December 20, 2024, Tier 1 RPAA employees would pay an additional portion of the required employer contribution equal to 0.5% of pensionable income pursuant to the cost-sharing provisions set forth in California Government Code Section 20516, for a total cost-sharing of 7.5%. The cost-sharing provision affects all Tier 1 Police Safety RPAA employees hired before June 13, 2012. Although Unrepresented Police Management (Police Chief and Deputy Chiefs) are not represented under the RPAA MOU, the same cost-sharing provisions apply to these classifications, however because they are Unrepresented, the attached Resolution is required by CalPERS. The effective date of the increase to the cost-sharing provision for Unrepresented Police Management employees will be the date when the CalPERS contract amendment process is completed, which has not yet been determined.

DISCUSSION:

Unrepresented Police Management Resolution – Cost-Sharing

Cost-sharing allows employees to share a portion of the employer costs through a written agreement with an employee group. The employer contribution rate will be reduced by the agreed upon percentage of cost sharing. The process of enacting cost-sharing provision changes under Government Code Section 20516 with CalPERS is initiated by the adoption of a Resolution. The Resolution specifies that the cost-sharing applies to the Unrepresented Police Management members under what CalPERS considers Tier 1 and Tier 2 classic members; these two (2) CalPERS tiers combined, represent City of Riverside Tier 1 members only and not City of Riverside Tier 2 members as defined in the Fringe Benefit and Salary Plan. Government Code Section 20516 requires that the City and the impacted employees agree in writing to share the additional costs.

Adoption of a Resolution, pursuant to the cost-sharing provisions set forth in the California Government Code Section 20516 is required by CalPERS for all Unrepresented Police Management employees in Tier 1 to begin paying an additional portion of the employer contribution for a total of 7% as soon as administratively possible, and to begin paying an additional portion of the employer contribution for a total of 7.5% as soon as administratively possible after December 20, 2024.

STRATEGIC PLAN ALIGNMENT:

Adopting a Resolution to request an amendment the contract with CalPERS, to increase the cost share for Tier 1 Unrepresented Police Management employees contributes to the City of Riverside's Strategic Priority of a High Performing Government, 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.*

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.
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 management employees (Tier 2 and PEPR employees have always paid 100% of the employee’s share) are necessary and have already been negotiated.

FISCAL IMPACT:

The financial impact resulting from the 1.0% reduction in the City contribution to retirement is a savings to the General Fund of approximately \$15,000 and is incorporated into the FY 2024/25 Budget.

Prepared by: Rene Goldman, Human Resources Director
Certified as to availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager/CFO/City Treasurer
Approved as to form: Phaedra Norton, City Attorney

Attachments:

1. Resolution to request the California Public Employees’ Retirement System Contract Amendment
2. Resolution Amending Resolution No. 21052 and the Master Fringe Benefits and Salary Plan
3. Fringe Benefits and Salary Plan
4. Presentation