



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: DECEMBER 12, 2017**

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

**SUBJECT: RESOLUTION OF INTENTION TO AMEND THE CONTRACT BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF RIVERSIDE TO IMPLEMENT A RETIREMENT COST-SHARING PROVISION OF 1.5% AS SPECIFIED IN THE POLICE UNITS MEMORANDA OF UNDERSTANDING**

## **ISSUE:**

Approve a Resolution of Intention to amend the contract between the California Public Employees' Retirement System (CalPERS) and the City of Riverside for all applicable sworn Police employees to implement a retirement cost-sharing provision of 1.5% as specified in the Police Units Memoranda of Understanding.

## **RECOMMENDATION:**

That the City Council approve the attached Resolution of Intention to amend the contract between the California Public Employees' Retirement System and the City of Riverside to implement a retirement cost-sharing provision of 1.5% as specified in the Police Units Memoranda of Understanding.

## **BACKGROUND:**

In 2016, the City Council approved five-year Memoranda of Understanding (MOUs) for Police safety employees in the Riverside Police Officers' Association (RPOA), RPOA Supervisory and Riverside Police Administrators' Association (RPAA) Units. The newly adopted MOUs resulted in agreements to further reform pension provision benefits for Tier 1 Police safety employees. As specified in each MOU, Tier 1 employees would pay a portion of the required employer contribution equal to one and one half (1.5%) of pensionable income pursuant to cost-sharing provisions if the wage increase provided by the City based on the Balanced Revenue Index (BRI) was in excess of two percent (2%). On October 16, 2017, the City released Fiscal Year 2017-18 salary increase information to all employees based on the Balanced Revenue Index (BRI) and confirmed that all Police units would receive a six percent (6%) salary increase effective January 1, 2018. Therefore, all Tier 1 Police safety employees will pay the required employer contribution equal to one and one half percent (1.5%) upon adoption of the contract amendment with CalPERS. Employees in Tier 2 and 3 pay 100% of the corresponding employee contribution.

## **DISCUSSION:**

Pursuant to the cost-sharing provisions set forth in the California Government Code Section 20516(f) and effective upon the adoption of the contract amendment required by CalPERS, all classic Police members in Tier 1 will begin paying a portion of the employer contribution equal to 1.5% of pensionable income. During upcoming Fiscal Years, 2018-19 through 2020-21, employees in Tier 1 may absorb 1.5% per year contingent upon receiving a wage increase in excess of 2% each year; with the possibility of contributing a total of 6% of the employer contribution by the end of 2021. To begin the process of enacting the changes contained in the Police units MOUs and amend the City's contract with CalPERS, the City Council is asked to adopt the attached Resolution of Intention. The City Council will later be asked to adopt a formal contract amendment twenty days after the adoption of the Resolution of Intention, pursuant to CalPERS law.

The contract amendment process is a structured and time-driven process that is defined by CalPERS. In order to initiate this process, the City must clearly specify the exact cost-sharing provision percentage that the employee would be responsible for paying. With the City implementing a new Partnership Compensation Model starting January 2018, salary increase information for all units was made available mid-October, which had an impact on initiating the CalPERS contract amendment process. As a result, this process has been delayed and per CalPERS requirements, the cost-sharing provision for the Police units may not be fully implemented until the contract amendment is finalized on February 9, 2018. The delay in the implementation of this provision for current classic Police employees will result in a fiscal impact of \$43,000. For future years, salary increase information will become available earlier in the year, which will prevent delays and allow for retirement cost-sharing provisions to be implemented as specified in the MOU. The following contract amendment timeline has been provided by CalPERS:

December 12, 2017 – Resolution of Intent

January 9, 2018 – Ordinance Adoption (20 days following Resolution of Intent)

February 9, 2018 – Contract Amendment Effective Date (30 days following Ordinance Adoption)

These pension reform changes were implemented with all other employee groups in an effort to continue to reduce retirement costs to the City, and memorialized in their respective union agreement and/or the City's Fringe Benefit and Salary Resolution. Specific Resolutions and/or contract amendments will be prepared for each employee group and brought before City Council as corresponding CalPERS changes become effective.

## **FISCAL IMPACT:**

The estimated savings resulting from the Police safety employees contributing 1.5% of the employer contribution to retirement are:

- \$215,000 in the General Fund for Fiscal Year 2017-18 (half the year)
- \$2.9 million in the General Fund for Fiscal Years 2018-19 through 2020-21 (three full years).

Prepared by: Stephanie Holloman, Human Resources Director  
Certified as to availability  
of funds: Adam Raymond, Chief Financial Officer/City Treasurer  
Approved by: Marianna Marysheva, Assistant City Manager  
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Resolution of Intention
2. Contract Amendment