



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JANUARY 9, 2018**

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:

The issue for City Council's consideration is approval of 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 Tier 1 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 for Tier 1 employees.

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 following timeline, provided by CalPERS, highlights key milestones for the implementation of the contract amendment:

- January 9, 2018 – Resolution of Intent and 1st Ordinance reading
- February 6, 2018 – Ordinance Adoption (20 days following 1st Ordinance reading)
- March 9, 2018 – Contract Amendment Effective Date (30 days following Ordinance Adoption)

The MOUs with Police sworn units contemplated that the initial increase in the retirement rate pick up (the first 1.5%) would become effective on January 1, 2018. Instead, implementation in the first year will be delayed by two months. Per CalPERS requirements, the cost-sharing provision for the Police units can only be fully implemented upon the effective date of the contract amendment on March 9, 2018. No delays are anticipated in future years.

FISCAL IMPACT:

The cost to the City to cover the employer contribution from January 1, 2018 to March 9, 2018 for current classic Police employees will result in a fiscal impact of \$86,000.

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 to approve an Amendment to the contract between the California Public Employees' Retirement System and the City Council of the City of Riverside