



*City of Arts & Innovation*

# City Council Memorandum

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

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

**SUBJECT: INTRODUCTION OF 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 1.5% FOR ALL CLASSIC LOCAL POLICE TIER 1 MEMBERS**

## **ISSUE:**

The issue for City Council's consideration is approval to introduce and subsequently adopt an Ordinance to amend the contract between the California Public Employees' Retirement System (CalPERS) and the City of Riverside for all Tier 1 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 introduce and subsequently adopt the attached Ordinance to amend the contract between CalPERS 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 Police employees.

## **BACKGROUND:**

The process of enacting changes to the City's contract with CalPERS for classic local Police members is initiated by the adoption of a Resolution of Intention and introduction of an Ordinance. Under the provisions of Government Code Section 20471, a minimum 20-day waiting period between the introduction of the Ordinance and the adoption of the final Ordinance is required.

Therefore, the City Council is asked to approve the introduction to adopt an Ordinance to formalize the contract amendment. The contract amendment will implement the cost-sharing provision that requires all Tier 1 Police employees to pay 1.5% of the employer contribution as specified in all Police units Memoranda of Understanding. The effective date of this contract amendment will be March 9, 2018, which is the beginning of the first eligible pay period as established by CalPERS.

The 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 resulted in agreements to further reform pension provision benefits for Tier 1 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) is in excess of two percent (2%). The cost-sharing provision affects all Tier 1 Police unit employees, which includes all employees hired on or before June 13,

2012, when Tier 2 was effective. Since RPOA and the City agreed to adopt a Resolution effective February 17, 2012 requiring all new RPOA employees to pay 100% of the employee contribution, an updated Resolution will be adopted in order to offset the employee contribution for employees hired between February 17, 2012 and June 12, 2012, to allow these employees to continue to pay a total combined contribution of 9% (1.5% employer contribution and 7.5% employee contribution). 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 with the contract amendment, all 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.

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 cover the employer contribution until the March 9, 2018 effective date of the contract amendment is equal to \$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

Attachment:

1. Ordinance to approve an amendment to the contract between the California Public Employees' Retirement System and the City of Riverside