



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Leticia Livian, Human Resources Manager
MEETING DATE: February 7, 2018
SUBJECT: Second Reading of an Ordinance to Amend the City's CalPERS Contract
CEQA STATUS Does Not Constitute a "Project" per California Environmental Quality Act (CEQA) Guidelines.

RECOMMENDATION

Hold second reading and adopt an ordinance to amend the CalPERS contract.

DISCUSSION

The clerk caused the summary to be published on February 2, 2018.

Classic CalPERS City Employee membersⁱ have agreed to cost share in the City's Employer rate of the CalPERS contributions in addition to the Employees' rate. These employees are categorized into five groups:

1. Police Officers Association (POA);
2. General Employees Association (GEA);
3. Management Employee Association (MEA);
4. Unrepresented Employees (UE) which consists of management, confidential and part-time (working 30 hours weekly) employees; and
5. Unrepresented Safety Employees (USE) which currently consists of the Chief of Police and would include any future USE.

The City agreed to amend the CalPERS contract under Government Code §20516 employee sharing additional cost. This allows employee cost share contributions to be credited to each member account as normal contributions and is included in the refund of accumulated contributions to members who 1) separate from CalPERS covered employment and 2) elect to withdraw their contributions. It also allows for the employer's rate to be reduced by the agreed upon percentage of cost sharing.

The GEA and POA already reflect their cost shares in a CalPERS amendment from 2017. Below is summary of the contract amendment changes completed and pending.

1. Police Officers Association (POA) agreed to cost share 3% (currently cost sharing 2% with contract amendment, 1% additional cost share pending contract amendment)

2. General Employees Association (GEA) agreed to cost share 5% (currently cost sharing 5% with contract amendment)
3. Management Employees Association agreed to cost share 5% (pending contract amendment)
4. Unrepresented employees (management, confidential and part-time staff working 30 hours per week) agreed to cost share 5%. (currently cost sharing with no amendment, pending contract amendment)
5. Unrepresented safety employees agreed to cost share 5% (currently cost sharing 2% with contract amendment, 3% additional cost share pending contract amendment)

For “Classic members,” the current normal employer rate for GEA, MEA and unrepresented employees (UE) is 8.92%. The employee rate is 7%. The current normal employer rate for POA and USE is 19.72% and the employee rate is 9%.

Summary of Employee and Employer Rates with Cost Sharing

Employee Group	Employee Rate with Employee Cost Share	Employer Rate Reduced by Employee Cost Share
GEA, MEA & UE	7% + 5% = 12%	8.92% - 5% = 3.92%
POA	9% + 3% = 12%	19.72% - 3% = 16.72%
USE	9% + 5% = 14%	19.72% - 5% = 14.72%

GOAL ALIGNMENT

Operational excellence

FISCAL IMPACT

Cost savings realized from employee cost sharing have been incorporated into the approved Fiscal Year 2017-18 budget.

ATTACHMENTS

1. Ordinance
2. Contract Exhibit

RESPECTFULLY SUBMITTED:



Leticia Livian
Human Resources Manager

REVIEWED BY:



Ben Harvey
City Manager

ⁱ “Classic members” are members as defined under the Public Employees’ retirement Pension Reform Act of 2013 within the meaning of PEPRA

ORDINANCE NO. 18 -XXX

**AN ORDINANCE OF THE CITY COUNCIL
OF THE CITY OF PACIFIC GROVE AUTHORIZING
AMENDMENT OF THE CONTRACT BETWEEN THE CITY OF PACIFIC GROVE
AND THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM UNDER
GOVERNMENT CODE SECTION 20516**

FINDINGS

1. The City of Pacific Grove (City) and the Pacific Grove Police Officer Association (POA) reached a Memorandum of Understanding agreement from January 1, 2015 through June 30, 2018. As part of that agreement "classic members" (as defined under the Public Employees' retirement Pension Reform Act of 2013 within the meaning of PEPRA) agree to share in the employer contribution to California Public Employees' Retirement System (CALPERS).
2. Classic CALPERS Safety POA members shall contribute an additional one percent (1%), for a total of three percent (3%), towards the employer contribution towards CalPERS retirement for a total 12 percent (12%) employee contribution.
3. The City and the Management Employees Association (MEA) reached a Memorandum of Understanding agreement from January 1, 2017 through December 31, 2019. As part of that agreement "classic" miscellaneous members (as defined under the Public Employees' retirement Pension Reform Act of 2013 within the meaning of PEPRA) agree to share in the employer contribution to California Public Employees' Retirement System (CALPERS).
4. Classic CALPERS MEA miscellaneous members shall contribute five percent (5%) of the employer contribution towards CalPERS retirement for a total twelve percent (12%) employee contribution.
5. The City and the Unrepresented Employees (UE) agreed to cost share as stated in City Resolution 17-029. As part of that agreement "classic" miscellaneous members (as defined under the Public Employees' retirement Pension Reform Act of 2013 within the meaning of PEPRA) agree to share in the employer contribution to California Public Employees' Retirement System (CALPERS).
6. Classic CALPERS UE miscellaneous members shall contribute five percent (5%) of the employer contribution towards CalPERS retirement for a total twelve percent (12%) employee contribution.
7. The City and the Unrepresented Safety Employees (USE) agreed to cost share as stated in City Resolution 17-029. As part of that agreement "classic" safety members (as defined under the Public Employees' retirement Pension Reform Act of 2013 within the meaning of PEPRA) agree to share in the employer contribution to California Public Employees' Retirement System (CALPERS).
8. Classic CALPERS USE miscellaneous members shall contribute five percent (5%) of the employer contribution towards CalPERS retirement for a total fourteen percent (14%) employee contribution.
9. Under Government Code Section 20516 the employee cost sharing contribution shall be credited to each member's account as normal contributions and will be included in the refund of

accumulated contributions to members who separate from CALPERS covered employment and who elect to withdraw their contributions. The employer's rate will be reduced by the agreed upon percentage of cost sharing. These changes must be completed by amending the contract with CALPERS for "Classic" miscellaneous and "Classic" safety members.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE:

SECTION 1. The foregoing Findings are adopted as findings of the City Council as though set forth fully herein.

SECTION 2. Amendment of the contract between the City Council of the City of Pacific Grove and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked Exhibit, and by such reference made a part hereof as though herein set out in full.

SECTION 3. The Mayor and City Manager are hereby authorized, empowered, and directed to execute all documents for and on behalf of the City to affect this Ordinance and the CALPERS amendment it approves.

SECTION 4. If any provision, section, paragraph, sentence, clause or phrase of this ordinance, or any part thereof, or the application thereof to any person or circumstance is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance, or any part thereof, or its application to other persons or circumstances. The City Council hereby declares that it would have passed and adopted each provision, section, paragraph, subparagraph, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections, paragraphs, subparagraphs, sentences, clauses or phrases, or the application thereof to any person or circumstance, be declared invalid or unconstitutional.

SECTION 5. This Ordinance shall take effect 30 days after the date of its adoption, and prior to the expiration of 30 days from the passage thereof shall be published at least 3 days in the Monterey Herald, a newspaper of general circulation, published and circulated in the City of Pacific Grove and thenceforth and thereafter the same shall be in full force and effect.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 7th day of February 2018, by the following votes:

AYES:

NOES:

ABSENT:

APPROVED:

BILL KAMPE, Mayor

Attest:

SANDRA KANDELL, City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney



Exhibit

California
Public Employees' Retirement System



AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
City Council
City of Pacific Grove



The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective February 1, 1957, and witnessed January 2, 1957, and as amended effective March 22, 1968, January 1, 1977, September 1, 1983, September 1, 1988, June 6, 1991, September 15, 2001, June 23, 2002, June 7, 2014, January 15, 2017, May 7, 2017 and October 8, 2017 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 15 are hereby stricken from said contract as executed effective October 8, 2017, and hereby replaced by the following paragraphs numbered 1 through 15 inclusive:
 1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for classic local miscellaneous members, age 62 for new local miscellaneous members, age 50 for classic local safety members and age 57 for new local safety members.

2. Public Agency shall participate in the Public Employees' Retirement System from and after February 1, 1957 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.
3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorney fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Any dispute, disagreement, claim, or proceeding (including without limitation arbitration, administrative hearing, or litigation) between Public Agency and its employees (or their representatives) which relates to Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than such employees' existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Local Fire Fighters (herein referred to as local safety members);
 - b. Local Police Officers (herein referred to as local safety members);
 - c. Employees other than local safety members (herein referred to as local miscellaneous members).

5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:

NO ADDITIONAL EXCLUSIONS

6. The percentage of final compensation to be provided for each year of credited prior and current service for classic local miscellaneous members shall be determined in accordance with Section 21354 of said Retirement Law, subject to the reduction provided therein for service on and after December 31, 1976, the effective date of Social Security coverage, for members whose service has been included in Federal Social Security (2% at age 55 Full and Modified).
7. The percentage of final compensation to be provided for each year of credited prior and current service as a new local miscellaneous member shall be determined in accordance with Section 7522.20 of said Retirement Law (2% at age 62 Supplemental to Federal Social Security).
8. The percentage of final compensation to be provided for each year of credited prior and current service as a classic local safety member shall be determined in accordance with Section 21362.2 of said Retirement Law (3% at age 50 Full).
9. The percentage of final compensation to be provided for each year of credited prior and current service as a new local safety member shall be determined in accordance with Section 7522.25(d) of said Retirement Law (2.7% at age 57 Full).
10. Public Agency elected and elects to be subject to the following optional provisions:
- a. Section 20042 (One-Year Final Compensation) for classic members only.
 - b. Section 20965 (Credit for Unused Sick Leave).
 - c. Section 21574 (Fourth Level of 1959 Survivor Benefits).
 - d. Section 21024 (Military Service Credit as Public Service).
 - e. Section 20903 (Two Years Additional Service Credit) for local miscellaneous members only.
 - f. Section 20516 (Employees Sharing Additional Cost):

From and after January 15, 2017 and until May 7, 2017, 1% for classic local police members in the Pacific Grove Police Officers Association.

From and after May 7, 2017 and until the effective date of this amendment to contract, 2% for classic local police members in the Pacific Grove Police Officers Association.

From and after the effective date of this amendment to contract, 3% for classic local police members in the Pacific Grove Police Officers Association.

From and after October 8, 2017, 5% for classic local miscellaneous members in the Pacific Grove General Employees Association.

From and after the effective date of this amendment to contract, 5% for classic local miscellaneous members in the Non-Represented Employee Group.

From and after the effective date of this amendment to contract, 5% for classic local miscellaneous members in the Pacific Grove Management Employee Association.

From and after the effective date of this amendment to contract, 5% for classic local police in the Non-Represented Employee Group.

The portion of the employer's contribution that the member agrees to contribute from his or her compensation, over and above the member's normal contribution ("Cost Sharing Percentage"), shall not exceed the Employer Normal Cost Rate, as that rate is defined in the CalPERS Actuarial Valuation for the relevant fiscal year. If the Cost Sharing Percentage will exceed the relevant Employer Normal Cost Rate, the Cost Sharing Percentage shall automatically be reduced to an amount equal to, and not to exceed, the Employer Normal Cost Rate for the relevant fiscal year.

11. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on January 1, 1977. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
12. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members and local safety members of said Retirement System.
13. Public Agency shall also contribute to said Retirement System as follows:
 - a. Contributions required per covered member on account of the 1959 Survivor Benefits provided under Section 21574 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members and local safety members.

- b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - c. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.
14. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.
15. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

CITY COUNCIL
CITY OF PACIFIC GROVE

BY _____
ARNITA PAIGE, CHIEF
PENSION CONTRACTS AND PREFUNDING
PROGRAMS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk