



CITY COUNCIL

STAFF REPORT

September 21, 2022

ITEM TITLE: SECOND READING AND ADOPTION OF ORDINANCE NO. 2022-1218 APPROVING AMENDMENT TO THE RETIREMENT CONTRACT BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS) TO INCLUDE COST SHARING FOR CLASSIC GROUPS (0520-70)

ORIGINATING DEPARTMENT:

Human Resources

EXECUTIVE SUMMARY: Staff is recommending that the City Council Conduct the second reading, waive further reading, and adopt Ordinance No. 2022-1218 which approves an amendment to the retirement contract to include cost sharing for Classic Miscellaneous Tier 1 & 2 (includes confidential, mid-management, and management employees), Classic Safety Other - Ocean Beach Lifeguards Tier 1 & 2, and Fire Classic Tier 1, in accordance with previously adopted Memorandum of Understanding with Service Employee International Union, Local 221 (SEIU) and Imperial Beach Firefighters' Association, Local 4692 (IBFA). The cost sharing percentages are as follow:

- Miscellaneous Classic Tier 1 will pick up 1% for a total modifier of 2.8% for a total of 10.8% employee rate
- Miscellaneous Classic Tier 2 will pick up 0.5% for a total modifier of 0.6% for a total of 7.7% employee rate
- Safety Other Lifeguard Classic Tier 1 will pick up 1% for a total modifier of 4.4% for a total of 13.4% employee rate
- Safety Other Lifeguard Classic Tier 2 will pick up 1% for a total modifier of 3.9% for a total of 12.9% employee rate
- Fire Classic Tier 1 will pick up 1% for a total modifier of 6.78% for a total of 15.78% employee rate

RECOMMENDATION:

Conduct the second reading, waive further reading and adopt Ordinance No. 2022-1218.

OPTIONS:

- Conduct the second reading, waive further reading and adopt Ordinance No. 2022-1218
- Provide direction to the City Manager to take a specific action.
- Request additional information and an additional report.

BACKGROUND/ANALYSIS:

On, October 20, 2021, the City Council approved the Memorandum of Understanding (MOU) with Service Employee International Union, Local 221 (SEIU). The MOU includes a change to retirement benefits to include cost sharing for Classic Miscellaneous and Safety Other Ocean Lifeguards – Tiers 1 & 2 members. Subsequently, on November 3, 2021, the City Council approved the Memorandum of Understanding (MOU) with the Imperial Beach Firefighters' Association, Local 4692 (IBFA), also to include a change to retirement benefits to include cost sharing for Classic Fire – Tier 1 members.

The City of Imperial Beach is a member of the California Public Employees' Retirement System (CalPERS). In accordance with California Government Code Section 20516, the City is seeking to amend its retirement contract with CalPERS to include cost sharing for Classic Miscellaneous (general, confidential, mid-management, and management employees) and Safety Other Ocean Lifeguards – Tiers 1 & 2 members, and Classic Fire – Tier 1.

The process requires the City Council to adopt a Resolution of Intent and Ordinance to approve an amendment to the contract. The City Council adopted the Resolution of Intent and considered the first reading of the Ordinance at their meeting of August 17, 2022. The effective date of the contract amendment with CalPERS cannot be earlier than the first day of a payroll period following the effective date of the final Ordinance which is anticipated to be November 4, 2022.

The City's retirement formulas are as follows, amending the contract to increase the cost share do not change the retirement formulas; these are provided as in information only.

Formulas for Miscellaneous Employees (includes confidential, mid-management, and management employees)

Employees hired prior to July 1, 2011 (Classic Member – Tier 1): The CalPERS formula for members is 2.7% @ 57 with the use of average of the employee's highest-one-year salary.

Employees hired on or after July 1, 2011 (Classic Member – Tier 2): The CalPERS formula for members is 2% @ 60 with the use of average of the employee's highest-three-year salary.

Employees hired on or after January, 2013 (PEPRA Member): The CalPERS formula for members is 2% @ 62 with the use of average of the employee's highest-three-year salary.

Formulas for Safety Other Ocean Lifeguard Employees

Employees hired prior to July 1, 2011 (Classic Member – Tier 1): The CalPERS formula for members is 2% @ 50 with the use of average of the employee's highest-one-year salary.

Employees hired on or after July 1, 2011 (Classic Member – Tier 2): The CalPERS formula for members is 2% @ 50 with the use of average of the employee's highest-three-year salary.

Employees hired on or after January, 2013 (PEPRA Member): The CalPERS formula for members is 2.7% @ 57 with the use of average of the employee's highest-three-year salary.

Formulas for Safety Fire Employees

Employees hired prior to July 1, 2011 (Classic Fire Member – Tier 1): The CalPERS formula for members is 3% @ 50 with the use of average of the employee's highest-one-year salary.

Employees hired on or after July 1, 2011 (Classic Fire Member – Tier 2): The CalPERS formula for members is 2% @ 50 with the use of average of the employee's highest-three-year salary.

Employees hired on or after January, 2013 (PEPRA Fire Member): The CalPERS formula for members is 2.7% @ 57 with the use of average of the employee's highest-three-year salary.

The following are the changes to the employee cost sharing retirement contract amendment with CalPERS:

Employees hired prior to July 1, 2011, Miscellaneous Employees (Classic Member–Tier 1): currently, employees/members contribute 8% of the normal employee rate with a 1.8% modifier. Upon the effective date of the contract amendment with CalPERS, members/employees will pick up an additional modifier of 1% on top of the existing 1.8% for a total modifier of 2.8% making the employees/members cost approximately 10.8% (8%+2.8%) effective contract amendment. As stated in the MOU, if the employer costs increase, employees may be responsible for up to 50% cost share.

Employees hired on or after July 1, 2011, Miscellaneous Employees (Classic Member–Tier 2): currently, employees/members contribute 7% of the normal employee rate with a 0.1% modifier. Upon the effective date of the contract amendment with CalPERS, members/employees will pick up an additional modifier of 0.5% on top of the existing 0.1% for a total modifier of 0.6% making the employees/members cost approximately 7.6% (7%+0.6%) effective contract amendment. As stated in the MOU, if the employer costs increase, employees may be responsible for up to 50% cost share.

Employees hired prior to July 1, 2011, Safety Other Ocean Lifeguards Employees (Classic Member–Tier 1): currently, employees/members contribute 9% of the normal employee rate with a 3.4% modifier. Upon the effective date of the contract amendment with CalPERS, members/employees will pick up an additional modifier of 1% on top of the existing 3.4% for a total modifier of 4.4% making the employees/members cost approximately 13.4% (9%+4.4%) effective contract amendment. As stated in the MOU, if the employer costs increase, employees may be responsible for up to 50% cost share.

Employees hired on or after July 1, 2011, Safety Other Ocean Lifeguards Employees (Classic Member–Tier 2): currently, employees/members contribute 9% of the normal employee rate with a 2.9% modifier. Upon the effective date of the contract amendment with CalPERS, members/employees will pick up an additional modifier of 1% on top of the existing 2.9% for a total modifier of 3.9% making the employees/members cost approximately 12.9% (9%+3.9%) effective contract amendment. As stated in the MOU, if the employer costs increase, employees may be responsible for up to 50% cost share.

Employees hired prior July 1, 2011, Safety Fire Employees (Classic Fire Member–Tier 1): currently, employees/members contribute 9% of the normal employee rate with a 5.78% modifier. Upon the effective date of the contract amendment with CalPERS,

members/employees will pick up an additional modifier of 1% on top of the existing 5.78% for a total modifier of 6.78% making the employees/members cost approximately 15.78% (9%+6.78%) effective contract amendment. As stated in the MOU, if the employer costs increase, employees may be responsible for up to 50% cost share.

Effective January 1, 2013, new members already pay 50% of the normal cost contribution as defined by the Public Employees' Pension Reform Act (PEPRA). Employees under this retirement Tier will not have a change in retirement benefits.

ENVIRONMENTAL DETERMINATION:

Not a project as defined by CEQA.

FISCAL IMPACT: Pursuant to labor negotiations, City Council approved a salary adjustment of 3.5% for the miscellaneous employees, Ocean Beach Lifeguards, confidential, mid-management, and management groups, and a 3% for the fire group effective on July 1, 2022. The CalPERS employee sharing additional cost increases the employee contribution to their CalPERS retirement and thus decreases the employer's retirement costs. Employee CalPERS deductions will be made on a pre-tax basis under the Internal Revenue Code (IRC) Section 414(h) (2). The approved FY 2022-23 budget has sufficient funds to cover these costs and any incidental costs that may be incurred.

ATTACHMENTS:

1. Ordinance No. 2022-1218
2. Contract Amendment Draft