



City Council Agenda Item

City Council Meeting Date: June 16, 2020

TO: Jim Throop, City Manager

FROM: Gabriel Garcia, Human Resources Manager
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SUBJECT: Amendments to the Unrepresented Employees Compensation Plan and MS&C Compensation Plan Regarding Employee Cost Sharing; Adoption of Resolution Nos. 6349(20) and 6350(20)

Recommendation:

Staff recommends the City Council:

- 1) Adopt Resolution No. 6349(20) approving an amendment to the Unrepresented Employees (UR) Compensation Plan; and
- 2) Adopt Resolution No. 6350(20) approving an amendment to the Management, Supervisory and Confidential Employees (MS&C) Compensation Plan.

Background:

On January 21, 2020, the City Council adopted Resolution No. 6301(20), approving updated UR and MS&C Compensation Plans, which became effective January 21, 2020.

The updated UR and MS&C Compensation Plans each provided for cost of living salary increases of 2% effective February 1, 2020, and 3% effective July 1, 2020, in exchange for the implementation of cost sharing by a CalPERS¹ contract amendment as follows: 2% for CalPERS Tier 1 classic Unit members; and 1% for CalPERS Tier 2 classic Unit members.

To date, the City has been unable to complete the CalPERS contract amendment due to the COVID-19 pandemic as well as procedural delays. Therefore, the contingency requiring approval of a CalPERS contract amendment has not yet been met.

¹ California Public Employees' Retirement System

California retirement law allows for two types of cost sharing (where employees pay a portion of the employer contribution to CalPERS). The first type of cost sharing is by CalPERS contract amendment under Government Code (GC) § 20516(a-e). In order for cost sharing to be effective under that method, CalPERS must first approve a contract amendment with the City. That form of cost sharing is generally more favorable for employees, as the additional employee contributions are considered by CalPERS to be normal member contributions. That means the increased contributions will be refundable to members who separate from CalPERS covered employment and elect to withdraw their contributions. However, this method of cost sharing can only be implemented by compliance with CalPERS procedural requirements.

The alternative method is cost sharing under GC § 20516(f). That methodology is between the City and its employees only, without a CalPERS contract amendment. Under GC § 20516(f), the additional employee contributions effectively subsidize the City's CalPERS contributions.

Discussion:

The 3% cost of living salary increase for UR and MS&C employees effective July 1, 2020, is specifically contingent upon a CalPERS contract amendment for cost sharing being in place (2% cost share for CalPERS Tier 1 classic Unit members and 1% cost share for CalPERS Tier 2 classic Unit members). Because the CalPERS contract amendment has not yet been processed, staff proposes to temporarily implement cost sharing under GC § 20516(f) effective June 20, 2020. That way, employees will begin making cost sharing contributions effective June 20, 2020, consistent with the intent of the UR and MS&C Compensation Plans and to fulfill the contingency required for the 3% cost of living salary increase, until a CalPERS contract amendment can be obtained.

The City will continue to pursue a CalPERS contract amendment in order to avail employees of the advantage provided by cost sharing under GC section 20516(a-e). In the meantime, cost sharing would continue under GC section 20516(f) until a CalPERS contract amendment is achieved.

Fiscal Impact:

The implementation of cost sharing pursuant to GC section 20516(f) prior to the approval of a CalPERS contract amendment will allow the employee contributions to become effective June 20, 2020.

Conclusion:

Adoption of Resolution Nos. 6349(20) and 6350(20) will implement employee cost sharing under GC section 20516(f) temporarily until a contract amendment is completed with CalPERS.

Respectfully submitted,

Gabriel Garcia, Human Resources Manager

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Jim Throop, City Manager

- Attachments: 1) Resolution No. 6349(20)
2) Resolution No. 6350(20)