



Consent _____
 Staff/Consultant Reports _____
 Agenda Item 4
 Date May 26, 2016

Agenda Summary Report

Handout - Agenda Item # 4

To: Mark R. Williams, General Manager
From: Susan McGuire, Administrative Services Manager *SM*
Mtg. Date: May 26, 2016
Re: Resolution 2016-2064 A Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration California Public Employees' Retirement System and the Board of Directors Las Gallinas Valley Sanitary District

BACKGROUND:

The Memorandum of Understanding and employment contracts effective July 2014, implemented a retirement payment plan which requires all employees to begin paying more towards the cost of their retirement benefit.

Employees who were members of CalPERS prior to January 1, 2013 are considered Classic members and are transitioning from paying 4% to 8% of covered payroll which is the employee's required share. Effective July 1, 2016 Classic employees will pay 7% and effective July 1, 2017 they will pay 8%.

Employees who became members of CalPERS after January 1, 2013 are considered New employees and are covered by the Public Employees' Retirement Act of 2013 (PEPRA). These employees will also begin paying more towards their retirement beginning with the first payroll in July 2016. Currently this group pays the required statutory amount of 6.25% of covered payroll; effective July 1, 2016 they will pay 7% and effective July 1, 2017 they will pay 8%.

The additional contribution that the New employees will be making of 0.75% effective July 1, 2016 and 1.75% effective July 1, 2017, is termed "cost-sharing" and reduces the employers' cost of providing the retirement benefit for the covered staff. The cost sharing will impact the District's required contribution as follows:

	2016-17	2017-18
Required Employer Contribution ¹	6.56%	6.60% ²
Employee cost sharing	<u>-0.75%</u>	<u>-1.75%</u>
Net Contribution by District ¹	<u>5.81%</u>	<u>4.85%</u>

(1) As a percentage of covered payroll
 (2) Projected rate

Employees vest into the CalPERS retirement system over 5 years of service. If an employee leaves the District and does not work in the future for an agency that either contracts with CalPERS for retirement



benefits or is not a reciprocal agency, such as a county or city, employer contributions are forfeited. The employee is able to receive their contributions back, with earnings. In the situation where the employees are cost sharing with the employer, CalPERS does not recognize the amounts paid by the employees in excess of the required amount of 6.25% as their funds and this amount will not be returned to them.

The Board, based on staff recommendation, agreed to amend the contract with CalPERS to recognize the full contributions being made by the New employees. Adoption of Resolution 2016-2064 - A Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration California Public Employees' Retirement System and the Board of Directors Las Gallinas Valley Sanitary District is the first step in this process. After adoption, the affected employees will have to vote on whether they want to have this provision apply. Twenty days after adoption of Resolution 2016-2064 and upon agreement by the affected employees, a final resolution will be brought back with the contract amendment for Board approval.

STAFF RECOMMENDATION:

Board to adopt Resolution 2016-2064 - A Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration California Public Employees' Retirement System and the Board of Directors Las Gallinas Valley Sanitary District.

FISCAL IMPACT:

Future forfeitures of unvested employer contribution are undetermined at this time. Employees cost sharing of employer contributions as agreed through the MOU is unaffected by this proposed CalPERS contract change.

PERSON TO BE NOTIFIED:

CalPERS