



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Jennifer Schembri

**SUBJECT: RETIREMENT SERVICES
STAFF BENEFITS**

DATE: July 27, 2018

Approved

D. DSYL

Date

8/1/18

RECOMMENDATION

- (a) Accept the City Manager's report and findings regarding the options to offer CalPERS or something similar to future Retirement Services staff who are ineligible to participate in the City's defined benefit retirement plans.
- (b) Provide direction to City Manager and City Attorney on next steps.

BACKGROUND

During the February 7, 2018 Rules and Open Government Committee Meeting, the City Manager was directed to research and report back to the Rules Committee on a plan to offer CalPERS or something similar to future Retirement Services staff who are ineligible to participate in the City's Federated Employees' Retirement System defined benefit pension plan.¹

Those who are in the Chief Executive Officer, Chief Investment Officer, and investment professional staff positions are ineligible to receive defined benefit retirement benefits from the City based on the retirement board governance changes made to the City Charter in 2014. These changes were based on an independent consultant's review of the retirement boards' governance structure. The consultant recommended that the retirement boards should establish additional safeguards for stakeholders if they were going to operate more independently. One of the recommendations to achieve this goal was to make staff who serve the retirement boards ineligible to receive benefits from the retirement systems. Based on this recommendation, it was determined that the Chief Executive Officer, Chief Investment Officer, and the investment

¹ Memorandum from Mayor Liccardo, dated February 2, 2018, regarding Retirement Services Staff Benefits.

professional staff would be offered the defined contribution Tier 3 plan since the retirement boards are not involved in its administration. Future employees could be eligible for other defined benefit plans as long as the City's retirement boards also do not administer those plans.

RESEARCH AND FINDINGS

Staff spoke to a few different contacts at CalPERS regarding the process for making new positions eligible for the CalPERS defined benefit plan under the City's current contract with CalPERS. CalPERS informed staff that the current CalPERS contract can be amended to include future Retirement Staff, i.e., future Chief Executive Officers, Chief Investment Officers, and investment professional staff excluded from the City's defined benefit retirement plans under City Charter Section 1101(a)(12).

In order to begin the contract amendment process, which includes providing CalPERS with job duty statements for the new positions to be added to the contract, staff would work with the City Attorney's Office to draft an amendment to the current CalPERS contract. Based on staff's discussions with CalPERS, ~~conflicting information was provided to staff regarding whether there~~ would be a fee associated with the amendment.

If the CalPERS benefit is approved by the City Council to be offered to the Retirement Services staff ineligible for the City's defined benefit pension, the possible pension contribution rates are below. Based on a potential employee's previous employment with a CalPERS or reciprocal agency, they may be eligible for the CalPERS Classic benefit as opposed to the PEPRA benefit for new employees.

CalPERS Tier	Employee Rate	Employer Rate
CalPERS Classic	7.0%	8.892%
CalPERS PEPRA	6.25%	6.842%

The current employee and employer contribution rate for Tier 3 is 3.75%.

If the City moves forward with amending the CalPERS contract to include future Retirement Services staff, such future Retirement Services staff would have the option to choose between the CalPERS defined benefit pension plan and the City's current Tier 3 (401a) defined contribution retirement plan. Staff will report back to the Rules Committee if there are unexpected significant fees for the amendment process.

Jennifer Schembri
Director of Employee Relations/Acting Director of Human Resources

For questions, please contact Cheryl Parkman at (408) 535-8152.