City of Culver City, California

Agenda Item Report

Meeting Date: 12/12/2011	Item Number: C-7
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Approving a Three (3) Year Memorandum of Understanding with the Culver City Firefighters Local 1927, AFL-CIO for the Period of January 1, 2012 through December 31, 2014, with the Option of an Additional One (1) Year Extension.	
Contact Person/Dept.: Serena Wright	Phone Number: 310-253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: []	Attachments: [X]
Commission Action Required: Yes [] No [X]	Dates:
Public Notification: (E-Mail) Agenda and Meetings – City Council (12/08/11); Culver City Firefighters Local 1927, AFL-CIO (12/08/2011)	
Department Approval: Serena Wright (12/05/11)	City Attorney Approval: Carol Schwab (by H. Baker) (12/08/11)
Chief Financial Officer Approval: Jeff Muir (12/08/11)	City Manager Approval: John M. Nachbar (12/08/11)

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution approving a three (3) year Memorandum of Understanding (MOU) with the Culver City Firefighters Local 1927, AFL-CIO for the period of January 1, 2012 through December 31, 2014, with the option of an additional one year extension.

BACKGROUND:

The Memorandum of Understanding (MOU) with the Culver City Firefighters Local 1927, AFL-CIO (CCFF) is due to expire on December 31, 2011. After meeting and conferring on a successor MOU, the City and CCFF have reached agreement resulting in a three (3) year contract.

DISCUSSION:

The MOU that is being presented to the City Council for consideration and adoption achieves a number of organizational goals and sets the City on a sustainable path in controlling its future personnel costs. Some key elements include:

- Creating a second tier system for pension and retiree medical benefits for new employees

- Employees contributing to the CalPERS pension account
- Converting to a defined contribution benefit for employee health benefits and capping the annual growth to 4%
- Modifying retiree medical for active employees and new hires

The specific essential changes to the MOU are as follows:

Term

1. The term of the contract is three (3) years. CCFF has the option to extend the agreement one additional year.

Pension

2. The City will create a second tier for all new employees that are hired after approval of the California Public Employees' Retirement System contract amendment. These employees will participate in the CalPERS 3% @ 55 pension plan and shall be required to pay the entire 9% CalPERS employee contribution rate. Final pension compensation shall be based on the highest average full-time monthly pay rate for a 3-year period.

3. Effective January 1, 2012 all employees shall be responsible for payment of the entire 9% CalPERS employee contribution rate.

Certificate Pay

4. Effective January 1, 2012 unit employees hired prior to the adoption of the MOU shall be eligible to receive 9% Firefighter II Certificate pay. This is achieved by advancing salary increases due under the Salary Initiative Ordinance into certificate pay. This certificate pay shall be reduced up to 6% commensurate to future Salary Initiative Ordinance increases. New employees will not be eligible for this certificate pay.

Active Employee Health Benefits

5. Effective January 1, 2012, all unit employees shall participate in the CalPERS cafeteria plan for health benefits including medical, dental, vision and/or life insurance. The monthly allowance shall be:

Single party:	$ 642.00
Two-party:	$ 1,103.00
Family Coverage:	$ 1,370.00

This includes the contribution set forth by the California Public Employees' Medical and Hospital Care Act (PEMHCA) under Government Code 22892. The statutory minimum amount for 2012 is $112.00 per month per employee and increases annually based on the medical component of the Consumer Price Index - Urban. Effective January 1, 2012, and each year thereafter, the monthly allowances shall be adjusted by the average premium increase for the plans offered by CalPERS, but the increase shall not exceed 4% annually.

Retiree Medical

6. Upon implementation, unit employees hired after July 1, 2011 shall receive the statutory PEMHCA minimum towards retiree medical benefits. In addition, employees will be required to participate in a retiree health savings plan in which the City shall match the first $25 per pay period.

   Employees hired prior to July 1, 2011, with a minimum of five (5) years City service, shall be eligible to receive up to $500.65 per month based on plan enrollment towards retiree medical benefits for the retiree only and an additional $437 per month for pre-65 spousal or dependent coverage subject to vesting. Effective January 1, 2012, and each year thereafter, the monthly allowances shall be adjusted by the average premium increase for the plans offered by CalPERS, but the increase shall not exceed 4% annually.

   Employees hired prior to July 1, 2011 that, as of December 31, 2011, have twenty (20) or more years of CalPERS service (not counting “Air Time”) or, unit employees that retire by January 1, 2022 with twenty-five (25) years or more of Culver City service shall be grandfathered into the City’s retiree medical program as described in the 2005 – 2008 (and extended through 2011) CCFF MOU.

Miscellaneous

7. Increase compensatory time banks from 180 hours to 240 hours.

8. Amendments in various places of the MOU have been made for administrative ease and/or clarification.

FISCAL ANALYSIS:

There will not be an immediate savings realized with the creation of a second retirement tier. However, in the long-term, the lower benefit formula will result in a reduction in the employer contribution rates as turnover in the workforce occurs.

Savings from CCFF employees paying a portion of the employer contribution rate to CalPERS will phase in over the course of the next three years. By the end of the contract, the estimated savings to the General Fund are $250,000 per year. This savings will increase over time as more turn over takes place.

Implementing a cafeteria plan for benefits is not expected to result in significant savings in 2012. However, by converting to a specific dollar allowance and implementing a 4% annual cap on future growth, the City has achieved more budgetary certainty in these costs moving forward. To the extent that the medical premiums from CalPERS rise by more than 4% in any given year, the City will experience on-going savings.

During Fiscal Year 2011/2012 the City engaged an actuary to complete a valuation of the City's total liability for the existing retiree medical benefit. Because the City is not currently doing any pre-funding of this benefit, the liability for all current retirees and employees was calculated at over $200 million, with a required annual contribution of over $11 million. Based on current estimates, retiree medical benefit changes negotiated in the MOU's reduce the liability and required annual contribution amount by 20%. At the completion of negotiations with all of the groups, a new actuarial report will be completed to recalculate the City's total liability.

ATTACHMENTS:

1. Resolution with Master Memorandum of Understanding

MOTION:

That the City Council:

Adopt the Resolution approving a three (3) year Memorandum of Understanding between the City and the Culver City Firefighters Local 1927, AFL-CIO for the period of January 1, 2012 through December 31, 2014, with the option of an additional one (1) year extension.