City of Culver City, California

Agenda Item Report

Meeting Date: 05/23/2011	Item Number: A-1
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Approving a Two (2) Year Memorandum of Understanding with the Culver City Management Group for the Period of July 1, 2011 through June 30, 2013	
Contact Person/Dept.: Serena Wright	Phone Number: 310-253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Dates:
Public Notification: (E-Mail) Agenda and Meetings – City Council (05/19/11); Culver City Management Group (05/19/2011)	
Department Approval: Serena Wright (05/19/11)	City Attorney Approval: Carol Schwab (by H. Baker) (05/19/11)
Chief Financial Officer Approval: Jeff Muir (5/19/11)	City Manager Approval: John M. Nachbar (05/19/11)

RECOMMENDATION:

Staff recommends that the City Council adopt a resolution approving a two (2) year Memorandum of Understanding (MOU) with the Culver City Management Group (CCMG) for the period of July 1, 2011 through June 30, 2013.

BACKGROUND:

The previous MOU with the Culver City Management Group expired on September 30, 2010. After four (4) months of negotiations, the City and the CCMG have reached a tentative agreement resulting in a two (2) year contract, subject to the City Council's approval.

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:

- Implementing a second retirement tier for new hires
- Eliminating the City's pick-up of the CalPERS employee contribution
- Converting to a Cafeteria Plan for active employee health benefits
- 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 for two (2) years.

Pension

2. The City will create a second tier for all new employees hired on or after July 1, 2011. These employees will participate in the California Public Employees' Retirement System (CalPERS) 2% @ 60 plan and shall be required to pay the entire 7% 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. Employees hired prior to July 1, 2011 shall be responsible for the entire 8% CalPERS employee contribution rate over the term of the contract as follows:

   - Currently 2%
   - Effective July 1, 2011 5%
   - Effective July 1, 2012 8%

Active Employee Health Benefits

4. 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:	$ 536.00
Two-party:	$ 1,007.00
Family Coverage:	$ 1,290.00

   This includes the contribution set forth by the California Public Employees' Medical and Hospital Care Act (PEMHCA) under Government Code Section 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

5. Employees hired on or 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.

6. Employees hired prior to July 1, 2011, with a minimum of 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. In addition, they will be eligible to receive an additional $437 per month for pre-65 spousal or dependent coverage based on the following vesting:

   - 6 years = 20%
   - 7 years = 40%
   - 8 years = 60%
   - 9 years = 80%
   - 10 years = 100%

   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.

Miscellaneous

7. Increase value of holidays from 8 hours to 9 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.

CCMG employees picking up an additional 3% of the employee contribution to CalPERS beginning in Fiscal Year 2011/2012 will save approximately $260,000 City-wide, with $210,000 of that amount in the General Fund. These savings amounts will roughly double in Fiscal Year 2012-2013, when CCMG employees assume the remaining 3% of the employee contribution.

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.

The savings by restructuring the retiree medical benefit for current employees that retire after December 31, 2011 is difficult to isolate for the CCMG group alone without assistance from an actuary. 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 estimates from the actuary, if the change to the retiree medical benefit included in this MOU were to affect all current employees, it would reduce the liability and required annual contribution amount by 25% to 30%. Therefore, it is estimated that the portion of the total liability attributable to CCMG will be lowered by 25% to 30%. 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 a resolution approving a two (2) year Memorandum of Understanding between the City and the Culver City Management Group for the period of July 1, 2011 through June 30, 2013.