

**City of Culver City, California
Agenda Item Report**

Meeting Date: 07/25/2011		Item Number: <u>C-8</u>	
CITY COUNCIL AGENDA ITEM: Adoption of a Resolution Approving a Two Year Memorandum of Understanding with the Culver City Employees' Association for the Period of July 1, 2011 through June 30, 2013			
Contact Person/Dept.: Serena Wright		Phone Number: 310-253-5640	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒ Dates:			
Public Notification: (E-Mail) Agenda and Meetings – City Council (07/20/11); Culver City Management Group (07/20/11)			
Department Approval: Serena Wright (07/20/11)		City Attorney Approval: Carol Schwab (by H. Baker) (07/20/11)	
Chief Financial Officer Approval: Jeff Muir (07/20/11)		City Manager Approval: John M. Nachbar (07/20/11)	
<u>RECOMMENDATION:</u> Staff recommends the City Council adopt a resolution approving a two year Memorandum of Understanding (MOU) with the Culver City Employees' Association (CCEA) for the period of July 1, 2011 through June 30, 2013. <u>BACKGROUND:</u> The previous Memorandum of Understanding (MOU) with CCEA expired on December 31, 2010. After six months of negotiations, the City and CCEA have reached an agreement resulting in a two year contract. <u>DISCUSSION:</u> The MOU that is being presented to the City Council for consideration and approval achieves a number of organizational goals and sets the City on a more 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 rate • Converting to a Cafeteria Plan for active employee health benefits			

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- 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 years.

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 2% @ 60 pension 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 August 19, 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.

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Retiree Medical

5. Upon implementation, new hires 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 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. They will also 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 compensatory time banks from 120 hours to 180 hours.
8. Modify holiday pay to include hours worked on the entire work shift.
9. 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.

CCEA employees picking up an additional 3% of the employee contribution to CalPERS for the remainder of Fiscal Year 2011-2012 will save approximately \$620,000 City-wide, with \$327,000 of that amount in the General Fund. These savings amounts will slightly more than double in Fiscal Year 2012-2013, when CCEA employees assume the remaining 3% of the employee contribution for the full fiscal year.

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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 CCEA group alone without assistance from an actuary. During Fiscal Year 2010/2011 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, 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 CCEA 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. Proposed 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 Employees Association for the period of July 1, 2011 through June 30, 2013.