



Council Meeting: August 14, 2012

SUBJECT: Consider a Resolution to Increase the City Council's Contribution to the Employee Rate for the California Public Employees' Retirement System and Amendment to the Salary Resolution

BACKGROUND

The City of Sunnyvale contracts with the California Public Employees' Retirement System (CalPERS) to provide retirement benefits for all full-time and part-time employees. To fund the cost of future retirement benefits, CalPERS assesses an employee contribution rate and an employer contribution rate. The Miscellaneous employee rate is fixed at 8% for the 2.7% @ 55 formula, and the employer rate changes annually based on CalPERS actuarial valuation of the City's pension plan.

Members of the City Council that elect to participate in the CalPERS retirement benefit program currently contribute one percent (1%) of the required eight percent (8%) employee contribution through payroll deduction to fund the cost of the retirement benefit. The City pays the remaining seven percent (7%).

EXISTING POLICY

Section 1200, State System, of the City Charter states that the "State Employees' Retirement Act" is adopted for the City of Sunnyvale, and plenary authority and power are hereby vested in said City and its City Council to perform any act, or exercise any authority granted, permitted, or required under the provisions of said Retirement Act.

DISCUSSION

Councilmembers are provided CalPERS membership under the California Public Employees' Retirement Law (GC§ 20322) and are excluded from membership unless a written election is filed with CalPERS. Councilmembers that are retired annuitants of CalPERS are not eligible to elect membership without reinstating from retirement.

CalPERS permits an employer to pay all or a designated percentage of the employee contribution rate through the filing of an Employer Paid Member Contribution (EPMC) resolution and to report the EPMC as additional income for the employee.

FISCAL IMPACT

There are currently four Councilmembers participating in CalPERS as Miscellaneous members. The 1% share of the employee contribution paid by these Councilmembers totals approximately \$250 annually per Councilmember. The City pays the remaining 7%, or \$1,750 per Councilmember, of the total employee contribution. Should Council vote to increase the percentage share it pays to the CalPERS employee contribution, the City would save approximately \$250 per Councilmember annually for each additional 1% contributed, up to a maximum of 8% or \$2,000.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

ALTERNATIVES

1. Consider a resolution to increase the City Council's contribution to the employee rate for the CalPERS retirement benefit and amendment to the Salary Resolution.
2. Take no action.

Reviewed by:

Teri Silva, Director, Human Resources
Prepared by: Lisa Velasco, Human Resources Manager

Approved by:

Gary M. Luebbers
City Manager

Attachments

1. Resolution to Amend the Salary Resolution
2. CalPERS Resolution for Paying and Reporting the Value of Employer Paid Member Contributions

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF SUNNYVALE AMENDING THE CITY'S SALARY RESOLUTION NO. 190-05 BY AMENDING SECTION 5.740 RELATED TO CALPERS CONTRIBUTION

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT Resolution No. 190-05 is hereby amended by modifying 5.740, as follows:

5.740. CalPERS CONTRIBUTION.

(a) For employees in Categories A, B, D/E, F, (except employees holding the positions of Director of Public Safety, Deputy Chief, Public Safety Captain), K, L, ~~as well as for members of the City Council who elect membership in CalPERS,~~ the City shall contribute 7% of the employees' salary toward the employee's normal contribution to CalPERS. In addition, for Categories A, B, D/E, F, K, and L employees ~~and members of the City Council,~~ the City will report the value of the Employer Paid Member Contribution (EPMC) of 7% as additional compensation. The employee's contribution of 1% towards the "2.7%-at-55" plan shall be paid by the employee on a pre-tax basis, pursuant to IRS Code Sec. 414(h)(2).

(b) – (c) [Text unchanged]

(d) For members of City Council who elect membership in CalPERS, the City shall contribute _____ % of the employees' salary toward the Councilmember's normal contribution to CalPERS. In addition, the City will report the value of the Councilmember's Employer Paid Member Contribution (EPMC) of _____ % as additional compensation. The Councilmember's contribution of _____ % towards the "2.7%-at-55" plan shall be paid by the Councilmember on a pre-tax basis, pursuant to IRS Code Section 414 (h)(2).

Adopted by the City Council of the City of Sunnyvale at a regular meeting held on _____, 2012, by the following vote:

- AYES:
- NOES:
- ABSTAIN:
- ABSENT:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM AND LEGALITY:

Michael D. Martello, Interim City Attorney

RESOLUTION NO. _____**RESOLUTION FOR PAYING AND REPORTING THE
VALUE OF EMPLOYER PAID MEMBER
CONTRIBUTIONS**

WHEREAS, the governing body of the CITY OF SUNNYVALE has the authority to implement Government Code Section 20636(c) (4) pursuant to Section 20691;

WHEREAS, the governing body of the CITY OF SUNNYVALE has a written labor policy or agreement which specifically provides for the normal member contributions to be paid by the employer, and reported as additional compensation;

WHEREAS, one of the steps in the procedures to implement Section 20691 is the adoption by the governing body of the CITY OF SUNNYVALE of a Resolution to commence paying and reporting the value of said Employer Paid Member Contributions (EPMC);

WHEREAS, the governing body of the CITY OF SUNNYVALE has identified the following conditions for the purpose of its election to pay EPMC;

- **This benefit shall apply to all members of City Council.**
- **This benefit shall consist of paying _____% of the normal contributions as EPMC, and reporting the same percent (value) of compensation earnable** {excluding Government Code Section 20636(c)(4)} as additional compensation.**
- **The effective date of this Resolution shall be August 19, 2012.**

NOW, THEREFORE, BE IT RESOLVED that the governing body of the CITY OF SUNNYVALE elects to pay and report the value of EPMC, as set forth above.

Adopted by the City Council of the City of Sunnyvale at a regular meeting held on _____, 2012, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

City Clerk
(SEAL)

Mayor

APPROVED AS TO FORM AND LEGALITY:

Michael D. Martello, Interim City Attorney

* Note: Payment of EPMC and reporting the value of EPMC on compensation earnable is on pay rate and special compensation except special compensation delineated in Government Code Section 20636(c)(4) which is the monetary value of EPMC on compensation earnable.