THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: Chief Executive Office **BOARD AGENDA #** *B-5

Urgent ☐ **Routine** ☒ **AGENDA DATE** January 7, 2014

CEO Concurs with Recommendation YES ☒ **NO** ☐ **4/5 Vote Required YES** ☐ **NO** ☒
(Information Attached)

SUBJECT:

Approval of an Agreement with the Stanislaus Sworn Deputy Association for the Conversion of the Employer Paid Member Contributions to Salary as a Result of the Public Employees' Pension Reform Act

STAFF RECOMMENDATIONS:

1. Approve the conversion of the Employer Paid Member Contribution to salary using the current overall average member contribution for all public safety bargaining units resulting in an increase in salary of 13.37% for all employees in the Deputy Sheriff (Coroner) classification and resulting in a corresponding average reduction of 13.37% in County paid retirement contributions.

2. Authorize the Chief Executive Officer or designee and all parties to sign an agreement outlining the recommended changes.

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FISCAL IMPACT:

On January 1, 2013 the Public Employees' Pension Reform Act (PEPRA) went into effect. Included in this act is a provision that requires New Members to pay at least 50% of normal cost of retirement and prohibits employers from paying this contribution on the employee's behalf, [Govt. Code Sect. 7522.30 (c)]. While PEPRA was effective January 1, 2013, any negotiated agreement for employer paid member contribution (EPMC) was protected until the current contract expired. For the Stanislaus Sworn Deputy Association (SSDA) this provision would have been effective for new members on July 1, 2014, following the expiration of the contract on June 30, 2014. **- CONTINUED ON PAGE 2 -**

BOARD ACTION AS FOLLOWS:

No. 2014-12

On motion of Supervisor O'Brien, **Seconded by Supervisor** Withrow
and approved by the following vote,
Ayes: Supervisors: O'Brien, Chiesa, Withrow, and Chairman De Martini
Noes: Supervisors: Monteith
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None

1) X **Approved as recommended**
2) ____ **Denied**
3) ____ **Approved as amended**
4) ____ **Other:**

MOTION: This Item was removed from the consent calendar for discussion and consideration.

Christine Ferraro

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk** **File No.**

RECOMMENDATIONS (Continued):

3. Authorize the Chief Executive Officer and County Auditor-Controller to implement all terms and conditions of the approved agreements in compliance with applicable State and Federal Laws.

4. Amend the Salary and Position Allocation Resolution to reflect the recommended changes, (as outlined in the Staffing Impacts section of this report) to be effective with the start of the first pay period beginning on or after January 11, 2014.

FISCAL IMPACT (Continued):

Since 1987 the County has paid a portion of the employee's retirement contribution and is currently paying the full employee contribution for all members of the Stanislaus Sworn Deputy Association (SSDA).

While the provision requiring New Members to pay at least 50% of the normal cost would have impacted only those employees hired after on or after January 1, 2013, the implementation of this provision on July 1, 2014 would have resulted in two different levels of compensation for employees within the Deputy Sheriff-Coroner classification – those hired prior to December 31, 2012 who would not be required to pay the employee's pension cost and those hired after who would be paying the full employee retirement contribution. With the Sheriff's Department already experiencing significant recruiting and retention difficulties, there would have been a significant threat to the department's ability to recruit and maintain existing staff without this recommended agreement.

The County has analyzed both the fiscal impact to the County and employees of the conversion of the current retirement contribution to salary. Since the County made the agreement in 2006 the current overall average member contribution for all safety employees has increased to 13.37% of retirement contributable income. The recommendation is to provide a one to one conversion of retirement contribution for salary based on the current average contribution for safety employees or a 13.37% salary increase with a corresponding 13.37% average reduction in County paid retirement benefits. Any agreement with less than a one to one conversion will result in a significant reduction in net pay at a time when employees have not had a salary increases in over 5 years. Even with the one to one conversion there will be a potential for reduction in net pay. Because the agreement is based on the overall average contribution, the impact to net pay will be dependent on the employee's individual circumstances but any conversion beyond this had a much greater cost impact to the County because of the lack of offsetting reduction in retirement costs.

Even with a one to one conversion there will be a cost to the County as the result of payroll taxes and retirement paid on the increased compensation. There are currently

156 allocated positions in the SSDA. If all positions are filled it is anticipated the overall annual fiscal impact of the conversion is $566,000 with an impact to the General Fund of $495,000. The anticipated fiscal impact for the remaining six months of the 2013-2014 Fiscal Year is approximately $261,000 for all funds and $228,461 to the General Fund. Currently there are six vacancies resulting in cost savings. The Sheriff's Department has sufficient savings to cover this increase and will make any necessary budget adjustments as part of the Mid-Year Report to the Board.

While there is a fiscal impact to this agreement there is also a potential for long term savings. With uncertainty in retirement rates the employee will now be responsible for any increases in the employee's contribution to pension.

DISCUSSION:

On January 1, 2013 the Public Employees' Pension Reform Act (PEPRA) went into effect. Included in this act is a provision that requires New Members to pay at least 50% of normal cost of retirement and prohibits employers from paying this contribution on the employee's behalf, [Govt. Code Sect. 7522.30 (c)]. This measure defines a new member as: an individual who has never been a member of any public retirement system prior to January 1, 2013; an individual who moved between retirement systems with more than a 6-month break in service; and, an individual who moved between public employers within a retirement system after more than a 6-month break in service. While PEPRA was effective January 1, 2013, any negotiated agreement for EPMC was protected until the current contract expired. For the Sworn Deputy Association this provision would have been effective on July 1, 2014 following the expiration of the contract on June 30, 2014.

Since 1987 the County has paid a portion of the employee's retirement contribution and is currently paying the full employee contribution for all members of the SSDA. The 1987 agreement provided 3.75 percentage points of the employee's contribution be paid by the County. In 2006 the County agreed to pay the full employee contribution which at that time averaged approximately 12% with the SSDA forfeiting an 8% salary increase in return. The result was an increase on average of 8.25% in retirement contribution in lieu of the 8% salary increase. The County and the SSDA both saw fiscal benefits as a result of this agreement. The County would have experienced an increase in payroll taxes and retirement contributions on a salary increase. These were avoided through the contribution to retirement. Employees also benefited from an increase in net pay as a result of no longer paying a retirement contribution.

While the provision requiring New Members to pay at least 50% of the normal cost would have impacted only those Deputy Sheriff-Coroner employees hired on or after January 1, 2013, the implementation of this provision would result in two different compensation levels for employees within the Deputy Sheriff classification. The County recognizing this, as well as the benefit to the organization of eliminating any employee's retirement contribution being paid by the County on the employee's behalf, has been meeting with the SSDA. During these meetings a tentative agreement has been reached with the SSDA in which all bargaining unit employees would begin paying the full employee retirement contribution resulting in a decrease in the current contributions the County pays for employee retirement. In exchange the County has agreed to provide a salary increase of 13.37% equal to the overall average employee member contribution for all Public Safety Units. The SSDA has now ratified the agreement.

With the Sheriff's Department already experiencing significant recruiting and retention difficulties there would have been a significant threat to the Department's ability to recruit and maintain existing staff hired since the start of 2013 without this recommended agreement. Recent salary survey work completed by the Chief Executive Office reflects a lack of competitive salary on the part of the County for the Deputy Sheriff-Coroner classification. The higher base salary should help to attract new candidates and retain existing employees.

It is recommended to document this exchange in a side letter between the SSDA and the County. This side letter will be incorporated into the successor Memorandum of Understanding.

POLICY ISSUE:

Approval of this agreement supports the Board of Supervisors' priorities of Efficient Delivery of Public Services and Safe Community.

STAFFING IMPACT:

The salary range for the Deputy Sheriff-Coroner job classification will be modified to reflect the increase in compensation provided as a result of Deputy Sheriff-Coroner employees now paying the full employee portion of the StanCERA pension cost. The current and recommended salary range is identified below.

	Step 1	**Step 2**	**Step 3**	**Step 4**	**Step 5**
Current salary range:	24.36	25.58	26.86	28.20	29.61
Recommended salary range:	27.62	29.00	30.45	31.97	33.57

The conversion of Employer Paid Member Contribution to salary will be effective the start of the pay period beginning on or after January 11, 2014.

CONTACT INFORMATION:

Nancy Bronstein, Deputy Executive Officer. Telephone 209-525-6333.

SSDA Negotiations 2013
Retirement and Public Employees' Pension Reform Act (PEPRA) Clean Up
Side letter to be incorporated into the successor MOU.
Effective date January 11, 2014.
County #2
12-20-13

K. Retirement

~~1. Members of the bargaining unit shall receive upon retirement three percent (3%) of base salary at age fifty (50). Effective with the implementation of three percent (3%) of base salary at fifty (50), retirement benefits for all employees shall be calculated on the single highest twelve (12) consecutive months.~~

~~2. Employee retirement contribution rates are established by the Stanislaus County Employee Retirement Association (STANCERA). The County agrees to pay portions of the employee retirement contribution rates for all employees during the term of this agreement as follows:~~

~~a. Up to the first full pay period following February 28, 2006 the County shall pay a portion of the employee's retirement contribution rate (Basic and COLA) to STANCERA equal to three and three quarters percent (3.75%) of the employee's retirement eligible earnings.~~

~~b. Effective the first full pay period following February 28, 2006 the County shall pay an additional one and one half percent (1.5%) of the employee's retirement contribution rate (Basic and COLA) to STANCERA for a total of five and one quarter percent (5.25%) of the employee's retirement eligible earnings.~~

~~c. Effective the first full pay period following January 1, 2007, the County shall pay an additional three percent (3.0%) of the employee's retirement contribution rate (Basic and COLA) to STANCERA for a total of eight and one quarter percent (8.25%) of the employee's retirement eligible earnings.~~

~~d. Effective the first full pay period following July 1, 2007, the County shall pay an amount equal to the total of the employee's retirement contribution rate (Basic and COLA) to STANCERA based on the employee's retirement eligible earnings. At this time the employee will no longer pay any portion of their employee retirement contribution rate.~~

~~3. County contributions towards an employee's retirement contribution rate shall not exceed the actual employee retirement contribution rate being charged by STANCERA at any time. If an employee's retirement contribution rate falls below the amounts provided in Section 2 (A-D), the County contribution amount will be lowered to equal the actual employee retirement contribution rate being charged by STANCERA.~~

Safety Employees Tier 5 Retirement Plan. Members of the bargaining unit employed prior to January 1, 2011 and with service retirement credit greater than zero, shall receive upon retirement, three percent (3%) of base salary at age fifty (50) calculated on the single highest twelve (12) consecutive months.

Safety Employees Tier 2 Retirement Plan. The Tier 2 retirement plan for all newly hired members of the bargaining unit is reinstated effective between January 1, 2011 and December 31, 2012. Safety Tier 2 benefits include the two percent (2%) at age fifty (50) retirement benefit per Government Code Section 31664 and final average compensation calculated on the highest thirty-six (36) consecutive months.

Safety Employees PEPRA Tier 6 Retirement Plan. Pursuant to California Public Employees' Pension Reform Act of 2013 (PEPRA),the County shall provide the StanCERA Tier 6 retirement plan (2.7% @ 57) for Safety employees hired on or after January 1, 2013. Final compensation will be based on the average of the highest wages earned in any thirty-six (36) consecutive months.

Employees who are rehired/reinstated with the County after the implementation of Tier 2 on January 1, 2011 or Tier 6 on January 1, 2013 and have met the necessary membership criteria to be placed in their former retirement tier shall be eligible for placement in that former tier. In general, current legal standards allow rehired employees the opportunity to reinstate into their former retirement tier as long as the individual member either has left his retirement contributions on deposit since his prior period of County service or elects the redeposit of withdrawn retirement contributions plus applicable interest. The membership tier will depend on the employee's/member's individual circumstances and prior retirement selections. Employees who are rehired/reinstated with the County after January 1, 2011 are encouraged to confirm their membership status and retirement tier reinstatement options with StanCERA.

Public Employees' Pension Reform Act (PEPRA)
On January 1, 2013 the Public Employees' Pension Reform Act (PEPRA) went into effect. Included in this act is a provision that requires New Members to pay at least 50% of normal cost and prohibits employers from paying this contribution on the employee's behalf, [Govt. Code Sect. 7522.30 (c)]. This measure defines a new member as: an individual who has never been a member of any public retirement system prior to January 1, 2013; an individual who moved between retirement systems with more than a 6-month break in service; and, an individual who moved between public employers within a retirement system after more than a 6-month break in service.

Employee retirement contribution rates are established by the Stanislaus County Employee Retirement Association (STANCERA).

In order to become compliant with PEPRA all members of the bargaining unit will pay the full employee retirement contribution rate and the County will no longer pay the

Employer Paid Member Contribution (EPMC). The specific employee retirement contribution will vary for each employee based on their individual retirement tier and age of entry into the retirement system. The current average member contribution for all Safety employees is 13.37% of retirement contributable income. In exchange for the County eliminating the current EPMC, the County will increase base compensation by 1% (One percent) for each one percent of the overall average employee retirement contribution that will now be paid by each employee in the bargaining unit. For those safety units where the County currently pays 100% of the employee's retirement contribution, the County will use the overall average 13.37% safety employee contribution rate to calculate the wage increase, for a total base wage adjustment of 13.37% (13.37% x 1%). The parties recognize this wage adjustment and the elimination of the EPMC will have varying impacts on bargaining unit members, as some members will have individual retirement contribution rates below or above the average for all safety members.

The elimination of EPMC and corresponding increase in base wages will occur on January 11, 2014.

In the event the County reaches agreement for the elimination of the EPMC that includes an exchange rate above the one to one, the County agrees to extend this same exchange rate to the SSDA.

~~Effective July 1, 2014, all members of the SSDA Bargaining Unit will pay at minimum 50% of the normal cost of retirement.~~

Employees in retirement Tier 4 (formerly Tier 1), shall maintain the retirement benefit known as "30-year pay." Tier 4 employees are eligible for this benefit as determined by STANCERA when an employee has reached thirty (30) years of service and is no longer required to make contributions to the retirement system. The County will use three and three quarters percent (3.75%) as the retirement pick-up amount utilized in the "30-year pay" calculation to determine the level of compensation the employee will receive.

~~5. All payments made by the County to STANCERA on behalf of the employee's retirement contribution rate shall be vested in the employee.~~

TENTATIVE AGREEMENT

County Rep. ____________

Union Rep. ____________

Date 12-20-13