

**DATE:** September 23, 2008

**TO:** Mayor and City Council

**FROM:** Human Resources Director

**SUBJECT:** Resolution Changing the Method in which the City Pays the Employer Medical Contribution Rate for Certain Retirees of the Hayward Association of Management Employees, Hayward Fire Chiefs Association, Hayward Police Officers' Association, International Association of Firefighters, Police Management Unit, Unrepresented Management Unit and Elected Officials

### **RECOMMENDATION**

It is recommended that the City Council adopt the attached resolutions authorizing Public Employee's Retirement System (PERS) to adjust or change the method in which retiree medical benefits are paid.

### **BACKGROUND**

The City provides certain retiree medical benefits to employees retiring from the City of Hayward. All of the current Memorandum of Understandings (MOUs) with bargaining units, include a vesting provision or required number of years of service, in order for an employee to receive this retirement medical benefit. In order to properly implement these vesting provisions for each of the units, the City must change the process in which these benefits are paid.

These changes are necessary in order to provide the City with control and flexibility related to who is eligible for these benefits. The change in process will not change the amounts paid to current retirees and the City will not incur any additional direct costs to implement these changes.

### **DISCUSSION**

For some bargaining units, the City currently makes direct payments to eligible retired employees for reimbursement of a portion of the medical premiums that are charged to them directly by CalPERS Health, via their retirement checks. Other bargaining units are reimbursed by PERS directly, however PERS is not able to account for the City's vesting provisions. These vesting provisions require an employee to work at the City for a certain number of years before they are eligible for the benefit. The vesting provisions vary and are negotiated by each bargaining unit.

In order to insure that the vesting provisions are implemented properly, the City must make direct payments to all retirees, rather than having some units paid by PERS. This would also make the processing of all the retiree benefit payments consistent throughout the City. In order to bring these services in house PERS requires the Council to adopt a resolution for each bargaining unit. (See Attachment A)

The results of this change to retirees, effective January 2009, will be that the retiree will receive a direct payment from the City each month and the same amount will be reduced from their monthly retirement check provided by PERS. There will be a net zero (\$0) effect to the retiree. The City will continue to make the minimum contribution on behalf of the retiree, which is \$97 per month in 2008. The bargaining units have been notified of this potential change; and all retirees will be notified of this change by September 30, 2008.

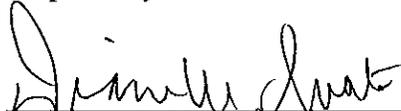
### **FISCAL IMPACT**

There is no additional cost to either the City or the retirees to make this change. This action has no impact on the contribution amounts provided to the current retirees. The City anticipates a reduction in its future retiree medical liability due to the implementation of the existing retiree medical vesting clauses. Staff will incur minimal administrative cost to implement these changes.

### **NEXT STEPS**

If the attached resolutions are approved, the City will notify the bargaining and unrepresented units and all affected retirees of this change. The effective date of the change will be January 1, 2009.

Prepared by:



Diane M. Iwata, Employee Benefits Administrator

Recommended by:



Debra C. Auker, Acting Human Resources Director

Approved by:



Gregory T. Jones, City Manager

Attachment: Draft Resolution (7)













