

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Senior Human Resources Analyst

Subject: Changing Memorandum of Understanding Language from the Medical After Retirement Account to a 457 plan.

Date: February 7, 2011

Purpose:

Replace existing language within the current General Employee Association's MOU so the City can provide a defined contribution retirement plan for health care assistance.

Recommendation:

Approve the attached resolution changing the language within the current Memorandum of Understanding from a Medical After Retirement Account to a 457 contribution.

Background:

The City signed agreements with the Confidential Management, Confidential, Executive Management, Mid-management/Professional, and General Employee Group to provide for a Medical After Retirement Account (MARA) beginning July 1, 2008. This provision provided for all new employees to come under this section and existing employees could opt out of the defined benefit supplemental stipend for this defined contribution option. The provision stated the City would contribute a minimum amount per employee and then if the employee chose to contribute a portion of their salary to the account the City would provide a match.

After this was agreed to the IRS finalized its regulations as it related to this type of account. The IRS determined that employees could not have a choice as to the amount of contribution that they would make to the account. Since this was not the intent of the City at the time of the agreement staff has been working with all the bargaining units to provide the same type of benefit but in a fashion allowed by the IRS.

Discussion:

In January 2011, four bargaining groups agreed to switch the language to use IRS code section 457 to provide the same type of benefit. The General Employees Association is now ready to move forward with switching their language as well. Since this was agreed to and was supposed to be in place in July 2008 staff recommends opening up a window of time where employees can opt out of the defined benefit plan and have it retroactive to July 2008. The anticipated time frame is two months.

The more employees who opt out of the defined benefit plan and move to the defined contribution plan the more defined our future costs will be.

Fiscal Impact:

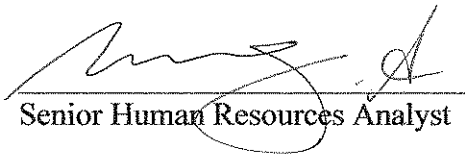
There is no change to the financial condition of the City based on this change since it is the same benefit previously agreed to.

Measure of Success

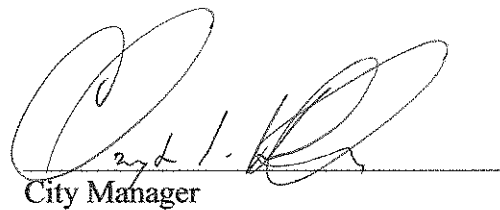
If the long term costs of other post retirement benefits are reduced

Attachments:

Resolution 2011-10



Senior Human Resources Analyst



City Manager

RESOLUTION 2011-10

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BRISBANE AMENDING THE CURRENT MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF BRISBANE AND THE GENERAL EMPLOYEES ASSOCIATION EFFECTIVE FEBRUARY 7, 2010 THROUGH JUNE 30, 2011

WHEREAS, on April 9, 2001, the City Council approved Resolution 2001-20 concerning the Memorandum of Understanding between the City of Brisbane and the General Employees Association; and

WHEREAS, on July 12, 2006, the City Council approved Resolution 2006-37 amending the Memorandum of Understanding between the City of Brisbane and the General Employees Association; and

WHEREAS, since the adoption of Resolution 2006-37, the City of Brisbane and the General Employees Association have since met and conferred in accordance with the requirements of the Meyers-Milias-Brown Act; and

WHEREAS, the City of Brisbane and the General Employees Association have reached an agreement regarding revising retiree benefits;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Brisbane that the Memorandum of Understanding between the City of Brisbane and the General Employees Association as adopted by Resolution 2001-20 and 2006-37 be amended as follows:

- A. Article 14. Supplemental Stipend and Medical After Retirement Account shall be replaced with the following language:

ARTICLE 14. SUPPLEMENTAL STIPEND

In recognition of long-term service with the City of Brisbane, an employee hired before July 1, 2008 and who retires after July 1, 2002, will be paid a stipend that is equal to the single party premium rate charged the City by Kaiser. All of the following conditions shall be met for the employee to be eligible to receive this benefit:

- 1) The employee has 15 years or more service with the City of Brisbane.
- 2) The employee retires from service with the City of Brisbane.
- 3) The effective date of the retirement is within one-hundred twenty (120) days of separation from the City of Brisbane.

In addition, it is agreed that an employee will no longer be eligible for such stipend should the employee elect to be covered by another medical plan other than that

provided at the time of retirement. Medicare for the purposes of this Article is not considered another medical plan except at that time a retired employee is covered by Medicare, the stipend will be equal to the cost the City would need to pay for Kaiser Medicare part B coverage. In addition, an employee that is participating in a medical plan through PERS Health may elect during the annual open enrollment another health plan through PERS Health without losing their eligibility for such stipend. Furthermore, it is agreed that an employee who once waives his/her participation in the supplemental stipend program, it shall be irrevocable.

Employees hired after July 1, 2008 will not be eligible for the supplemental stipend benefit. Such employees will be eligible to receive a benefit as noted in Article 46.

B. Article 46 will be added and will read as follows:

ARTICLE 46. DEFERRED COMPENSATION-EMPLOYER CONTRIBUTION

Effective February 8, 2011, for employees hired on or after July 1, 2008 the City will contribute one point five percent (1.5%) of the employee's base monthly salary toward one of the City's 457 deferred compensation plans and the above Article 14. Supplemental Stipend will not apply. In the event the employee makes a voluntary contribution of up to two point five (2.5%) percent of the employee's base monthly salary toward the 457 deferred compensation plan the City will match such contribution at the rate of forty cents (\$0.40) per dollar (\$1.00) up to one percent (1.0%). The City's total contribution toward any employee will not exceed two point five percent (2.5%).

Employees hired on or before July 1, 2008 shall have the option of contributing to their 457 deferred compensation plan without forfeiting any rights to the retiree medical supplemental stipend.

For individual employees hired on or before July 1, 2008 that are eligible for the supplemental stipend who voluntarily elect to irrevocably opt out of the supplemental stipend benefit, the City will contribute three percent (3.0%) of the employee's base monthly salary toward their 457 deferred compensation plan and the above supplemental stipend will not apply. In the event the employee makes a contribution up to five percent (5.0%) of the employee's base monthly salary towards their 457 plan, the City will match such contribution at the rate of forty cents (\$0.40) per dollar (\$1.00) up to two percent (2.0%). The City's total contribution toward any employee will not exceed five percent (5.0%). This benefit will terminate upon separation from service with the City. Furthermore, it is agreed that an employee who once waives his/her participation in the supplemental stipend program, it shall be irrevocable. Total contribution to 457 deferred compensation plans will be limited to annual maximum contributions dictated by IRS code.

CYRIL G. BOLOGOFF
Mayor

I hereby certify that the foregoing Resolution No. 2011-10 was duly and regularly adopted at a regular meeting of the Brisbane City Council on February 7, 2011, by the following vote:

AYES:
NOES:
ABSENT:

SHERI MARIE SPEDIACCI
City Clerk