

RESOLUTION NO. 2020-55

RESOLUTION AUTHORIZING THE CITY OF FOREST GROVE (CITY) TO COMMENCE NEGOTIATIONS TO ADD PARTICIPATION IN THE PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) FOR NEWLY HIRED GENERAL EMPLOYEES AND GENERAL EMPLOYEES PARTICIPATING IN THE CITY'S DEFINED CONTRIBUTION PLAN

WHEREAS, the City and the International Brotherhood of Electrical Workers (IBEW) have agreed to put newly hired IBEW employees into PERS; and

WHEREAS, the City Council has agreed to put other newly hired general employees and participants of the City's Defined Contribution (DC) Plan pending budget approval and agreements with the American Federation of State County Municipal Employees (AFSCME) and the Forest Grove Police Association (FGPA) for their affected members; and

WHEREAS, PERS coverage for the above described employees would be effective after the effective date of the PERS coverage agreement; and

WHEREAS, PERS requires formal government body approval prior to beginning to negotiate a coverage agreement including designating a City contact person with PERS.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF FOREST GROVE AS FOLLOWS:

Section 1. The City of Forest Grove intends to add participation in PERS for newly hired general employees and employees in the City's Defined Contribution Plan once the six-month waiting period is completed for each employee after the effective date of a negotiated PERS coverage agreement. The City understands that this added participation is permanent and irrevocable once the coverage agreement goes into effect.

Section 2. The City designates Paul Downey, Director of Administrative Services, as the contact person authorized to develop a coverage agreement.

Section 3. The City will provide the unused sick leave benefit for Chapter 238 members.

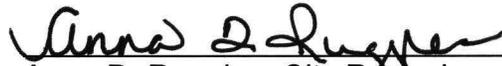
Section 4. The City does not intend to participate in the State and Local Government Rate Pool for Chapter 238 members at this time.

Section 5. The City will pay ("pick up") the six percent Individual Account Plan (IAP) contribution on applicable employees' behalf.

Section 6. The City authorizes the City Manager to execute the coverage agreement after final review and approval of the City Attorney.

Section 7. This resolution is effective immediately upon its enactment by the City Council.

PRESENTED AND PASSED this 8th day of June, 2020.



Anna D. Ruggles, City Recorder

APPROVED by the Mayor this 8th day of June, 2020.



Peter B. Truax, Mayor



A place where families and businesses thrive.

CITY RECORDER USE ONLY:

AGENDA ITEM #:	<u>9.</u>
MEETING DATE:	<u>06/08/2020</u>
FINAL ACTION:	<u>RESO 2020-55</u>

CITY COUNCIL STAFF REPORT

TO: *City Council*

FROM: *Jesse VanderZanden, City Manager*

MEETING DATE: *June 8, 2020*

PROJECT TEAM: *Paul Downey, Administrative Service Director*

SUBJECT TITLE: *Resolution Authorizing the City to Commence Negotiations for Certain General Employees to Participate in PERS*

ACTION REQUESTED:

<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Ordinance	Order	X	Resolution	Motion	Informational

X all that apply

ISSUE STATEMENT: The City has been researching putting all newly hired general employees and participants of the City’s Defined Contribution (DC) Plan into the state-operated Public Employees Retirement System (PERS). As part of the process, PERS requires that the City Council take formal action to notify PERS of the City’s intent to negotiate a coverage agreement. Staff has prepared a resolution for Council consideration.

DISCUSSION: The City currently has its own defined benefit plan for: 1) all regular full-time employees hired prior to July 1, 2011; 2) all sworn police officers and firefighters hired before February 1, 2016; 2) all regular full-time members of the International Brotherhood of Electrical Workers (IBEW); and 3) all regular full-time non-certified members of the Forest Grove Police Association (FGPA) hired on or before June 30, 2012. All sworn police officers and firefighters hired on or after February 1, 2016, are members of PERS.

The City has a defined contribution plan for: 1) all other regular full-time employees; 2) regular part-time members of American Federation of State County Municipal Employees (AFSCME) and non-represented employees hired on or after July 1, 2014, who are regularly scheduled to work at least 20 hours per week; and 3) effective January 1, 2015, part-time non-certified employees of the FGPA who are regularly scheduled to work at least 20 hours per week.

Staff has proposed moving all members of the DC Plan and putting all newly hired general employees into PERS. The reasons have been presented to the City Council and the Budget Committee and are: 1) recruitment and retention of general employees; and 2) to close the City’s DB Plan to new members.

The Council and IBEW signed an agreement to put newly hired members of IBEW into PERS. This provision would be effective once the agreement with PERS is completed. The Proposed

Budget includes the funding to make the proposed change which will also require agreements with AFSCME and the FGPA for their affected members. The Proposed Budget had not been approved when this staff report was finalized. A coverage agreement must also be negotiated with and approved by PERS.

Staff is requesting that Council authorize staff to negotiate with PERS to put the general employees described above into PERS. As the City already has a current coverage agreement with PERS for public safety employees, PERS staff think this coverage agreement could be completed fairly quickly depending on the necessary review and approval process. PERS staff is researching the approval process needed for this agreement.

The authorization today will only allow staff to start negotiations with PERS. The City and PERS are not bound by any coverage agreement negotiated before final approval by City and PERS. However, once the coverage agreement goes into effect, participation by the City in PERS for the covered classes of employees is permanent and irrevocable.

PERS requires the City to include the following in its resolution declaring its intent to join PERS:

- A contact person authorized to work with PERS to develop a coverage agreement.
- Whether the City will participate for all employees or for a specified class or classes of employees.
- Whether the City will provide the unused sick leave benefit for Chapter 238 members (can elect to provide the benefit at a later date).
- Whether the City will participate in the State and Local Government Rate Pool for Chapter 238 members (can elect to join the pool at a later date).
- Whether the City will pay the six percent Individual Account Program (IAP) contributions on employees' behalf.

Paul Downey will be the designated contact person for PERS although the City Attorney and HR Manager will also be part of the process. The City's DB Plan and the DC Plan will also have to be modified if this change to PERS is implemented.

As discussed above, the covered classes of employees will be all members of the City's DC Plan and all newly hired general employees.

The City is electing to include the unused sick leave benefit for Chapter 238 members as this is similar to the sick leave conversion at retirement for employees covered by the City's defined benefit plan. Chapter 238 members (commonly known as Tier 1 or Tier 2 members) are those members who worked for a PERS employer before August 29, 2003. All other are Oregon Public Service Retirement Program (OPSRP) members. The City is anticipating hiring few employees who would be Tier 1 or Tier 2 members under this agreement.

The City is electing not to participate in the State and Local Government Rate Pool (SLGRP) for Chapter 238 members. The City will most likely not participate in the SLGRP for OPSRP members either as it does not participate in the SLGRP for public safety employees. The purpose of not participating in the SLGRP is so the City does not have to help pay for the long-term

accumulated liabilities of other PERS employers. PERS estimated the beginning employer contribution rate will be 10.90% of covered payroll although this rate is subject to change based on periodic actuarial valuations just as with the City's current defined benefit plan.

The City is electing to pay the six percent IAP contribution on the employees' behalf as the City is currently paying the seven percent employee contribution to the City's defined benefit plan.

This resolution also authorizes the City Manager to execute the coverage agreement after final review and approval of the City Attorney. If required, staff will bring the coverage agreement to the Council for final approval.

FISCAL IMPACT: Staff has calculated the additional total cost of this proposed change would be \$149,000 for FY 2020-21 with a cost to the General Fund of \$70,000 and the costs to the other funds with employees of \$79,000. This will be an ongoing cost in future years.

STAFF RECOMMENDATION: Staff is recommending the City Council approve the attached resolution so staff can negotiate the coverage agreement for these employees with PERS.

ATTACHMENT(s): Resolution Authorizing the City to Commence Negotiations to Add Participation in PERS for Newly Hired General Employees and General Employees Participating in the City's Defined Contribution Plan