Agenda

Sacramento Suburban Water District

Employee Benefits Ad Hoc Committee

3701 Marconi Avenue, Suite 100 November 7, 2019
Sacramento, CA 95821 4:00 p.m.

Where appropriate or deemed necessary, the Committee may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the address listed above.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. Persons who wish to comment on either agenda or non-agenda items should fill out a Comment Card and give it to the General Manager. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits (3 minutes).

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Sacramento Suburban Water District Human Resources at 916.679.3972. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Pledge of Allegiance

Call to Order

Roll Call

Public Comment
This is an opportunity for the public to comment on non-agenda items within the subject matter jurisdiction of the Committee. Comments are limited to 3 minutes.

Items for Discussion and Action

1. **2020 Merit and COLA Evaluation of Comparable Agencies' Handling of Merit and Cost of Living Adjustments**
   Recommendation: Receive written staff report, discussion, and direct staff as appropriate.

2. **CalPERS Pension – Employer Paid Member Contribution (EPMC) – Options for District to Change Its Existing Obligation to Pay the EPMC**
   Recommendation: Receive written staff report, discussion, and direct staff as appropriate.

3. **Health Benefits – Options for Competitive Benefits for Active Employees and Retirees**
   Recommendation: Receive written staff report, discussion, and direct staff as appropriate.

Adjournment

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Upcoming Meetings

Monday, November 18, 2019 at 6:00 p.m., Regular Board Meeting

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I certify that the foregoing agenda for the November 7, 2019 meeting of the Sacramento Suburban Water District Employee Benefits Ad Hoc Committee was posted by November 5, 2019 in a publicly-accessible location at the Sacramento Suburban Water District office, 3701 Marconi Avenue, Suite 100, Sacramento, California, and was made available to the public during normal business hours.

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Dan York
General Manager/Secretary
Sacramento Suburban Water District

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 1

Date: November 1, 2019

Subject: 2020 Merit and COLA Evaluation of Comparable Agencies' Handling of Merit and Cost of Living Adjustments

Staff Contact: Dan York, General Manager

Recommended Committee Action:

Continue using the West Region index to be the indicator for Cost of Living Adjustments and use a minimum of 4% or Merit increases.

Background:

On October 20, 2003, the District adopted an Employee Performance Evaluation, Merit, and Cost of Living Adjustment (COLA) Policy (Policy). The Policy has been revised over the years with the last revision on October 16, 2017.

The purpose of the Policy is to establish a process to evaluate and assess employee job performance, assist employees in improving performance, provide the basis for merit increases and COLAs, and provide historical documentation of employee performance. It is the District's policy to use a merit system, based on performance, to advance staff in their respective salary bands.

Currently, the total merit increase pool must be approved by the Board of Directors with the annual labor budget. Individual merit increases are determined by the General Manager using the merit system during the performance review process.

Discussion:

The Board directed staff to bring Merit and COLA comparables from other agencies to the Employee Benefit Ad-Hoc Committee. Staff researched comparables from fourteen other local agencies (Attachment 1), which is summarized below:

- Merit – Thirteen of the agencies had information available for Merit increases, also known as Step Increases. Over half of the agencies (7) provide a 5% Merit increase. The other 6 agencies either negotiate Merit increases, provide a 4% Merit increase, or have a Merit increase ranging from 1% to 4% depending on performance.

- COLA's – Vary from 1% - 5%, with most agencies referencing indexes and are set annually or over the course of a few years.

Regarding the Merit increases, as a standard District practice 4% Merit increase is recommended. Over the last few years the Board has approved 3%. Looking at comparables, a 3% Merit increase is below average when comparing to other local agencies.

After the Merit increase is approved during budget time, the District's Employee Performance Evaluations are the mechanism to determine how to spread the pool of Merit increases amongst staff. The Evaluations require ratings from 1-5 (1 low, 5 High). The ratings are totaled and then converted into a Merit increase percentage. This Performance based Merit system has been an effective incentive program for the District.

Currently, it is a District policy to follow the West Region index for COLAs, which has averaged about 2.5% over the last 5 years. This seems to fall within the average range when comparing to other local agencies.

Attachment:
1 - MERIT / COLA Data - October 2019

MERIT / COLA Data - October 2019

	SSWD	ELK GROVE WD	City of Woodland	EID	PCWA	SAC COUNTY	SJWD	CHWD	AMADOR WATER AGENCY	Reclamation District 108	State of California	Calaveras County WD	Carmichael WD	City of Roseville
MERIT	Performance Based. Merit percentage approved by the Board in the annual Budget. 2018 Merit = 3.0%	5% Step Increases (5 Steps)	"Promotional Pay" negotiated in contract "minimum of 5%" 5% Step (6 steps)	5% Step Increases (5 Steps)	5% Step Increases (6 steps)	5% Step Increases	Step Increases based on Performance	Tied to Performance Eval: 7 Scores. Anyone higher than "Meets Expectations 3rd Score) will receive a Merit	Performance Based 1-4%	2.5% Step Increases (10 Steps) Automatic unless perf. issues	5% Step Increases	5% Step Increase	MOU for represented employees states a 4% step increase with either 4 or 8 steps dependent on position	MOU – Negotiated Step Increases
COLA	Approved by Board in annual budget. Based on CPI –Western Region 2018 COLA = 3%	Approved by Board. Based on average of CPI – All Cities, Western, and San Francisco	Negotiated in contract: 2019=3% 2020=3% 2021=3% Mid-Mgmt Contract: 2019=2% 1/2021=2% 7/1/2021=2% 1/1/2022=1%	2%-5% based on CPI	Use CPI-U + 2% (variable) for EPMC change	Named "Salary Increases" FY 18/19 3%; FY 19/20 and 20/21 CPI-U. Shall not be less than 2% or more than 4%	CPI – West Last COLA = 2.6%	CPI – U (for all Urban West Consumers) Last COLA was 3.4%	In MOU	1.5%	Named "General Salary Increases" negotiated in Contract Ex/ SEIU 1000 4% 2017; 4% 2018; 3.5%	Negotiated in Contract. FY 19/20 = 2%	CPI using West A category of the previous year to a max of 3%	Negotiated in Contracts. Last COLA was 2%
NOTES	2019 there was a Salary Adjustment to bring the District to median salaries based off a 2018 compensation study.		2% to deferred compensation Mid-Mgmt Contract = 96 hours of Admin Leave Longevity Pay	5 Step Process / MOU			Budget for Salary (COLA and Merit) Increases based off the CalPERS Valuation Report	Budget for a combined COLA and Merit. 2020 = 4.5% Employees who are at the max are eligible for "extended range" merit pay of 1-5%	They do an estimate during budget each year, which is then adopted. They did a 2% COLA, then usually a 3-3.5% merit			7% Total Raise for eligible employees	Deferred Comp "one-time initial contribution" dependent on years of service Has a "District Match Incentive" for retirement dependent on years of service	

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SACRAMENTO SUBURBAN WATER DISTRICT

Agenda Item: 2

Date: November 1, 2019

Subject: CalPERS Pension – Employer Paid Member Contribution (EPMC) – Options for District to Change Its Existing Obligation to Pay the EPMC

Staff Contact: Dan York, General Manager

Recommended Committee Action:

1. Leave the District's current practice of paying the Employer Paid Member Contribution for pre and post merger employees until any options are thoroughly and legally reviewed for the District to change its existing obligation to pay the Employer Paid Member Contribution.
2. Prospectively require new employees to begin paying Employer Paid Member Contribution.

Background:

On November 4, 2011, there was a District Board Workshop to discuss the employee share of the District's pension Employer Paid Member Contribution (EPMC). Board President Schild asked to discuss the results of the analysis during the Board Workshop. In this workshop it was discussed that providing matching salary increases in exchange for employees paying a similar percentage in EPMC would cost the District more – approximately $10,000 more per year. This included pension costs, employer paid social security and Medicare taxes, and workers' compensation insurance premiums. Meeting minutes from this workshop included staff commenting on taking lower pay to get benefits offered by the District (i.e. EPMC), stating pre-merger employees having certain protections by a LAFCo resolution, and suggesting to consider making changes prospectively.

Stemming from the Board Workshop in November 2011, a suggestion was made in January 2012 to discuss the EPMC. Therefore the District continued looking into a change to its practice of the District paying the full amount of the EPMC, which is made on a tax deferred basis in accordance with the requisite provisions of the Internal Revenue Code. *The Board supported putting this topic on the March, 2012 agenda for discussion.*

On March 19, 2012, the Board continued contemplating a change to its practice of paying the full amount of the EPMC. The District posed a list of questions for a CalPERS actuarial office representative, Ms. Fritzie Archuleta, to answer. It was decided to submit the questions to CalPERS in advance so CalPERS staff could have more time in preparing appropriate responses. *No questions were received from the Directors and the questions in the staff report were to be provided to CalPERS for discussion at the April, 2012 meeting.*

On April 16, 2012, the Board met again to discuss EPMC and staff asked for Board direction. Ms. Archuleta was present to answer questions posed by the District to CalPERS. Questions were related to scenarios for employees paying pension contributions, savings to the District, liabilities to the District, steps needed to make changes to the EPMC, and the optimal time to make changes to EPMC. Director Schild commented that he does not want the District to be a member of PERS and prefers having 401k retirement plans for employees and let the employees handle their retirement. He also believed the employee should pay additional EPMC costs. The public commented and felt the topic was put to rest and that pensions are less than 3% of the budget. The review was appreciated, but there are no real savings to be realized. The General Manager asked the Board for direction, and Director Schild stated he has nothing more to discuss at this time. *The Board took no action, had no additional information requests, and provided no additional direction to staff.*

On January 1, 2013, the California Public Employee Retirement Reform Act (PEPRA) went into effect. The new law set limits on pension benefits for public employees, established minimum contributions by employees to their pension plans, and defined pensionable compensation among other requirements. PEPRA does not affect the pension plans of employees who are members of any public retirement system prior to January 2013, unless that system does not have reciprocity with CalPERS, or the member joins after a break in service exceeding 6 months.

On August 19, 2013, staff sought Board direction regarding EPMC and equitable compensation treatment amongst its employees in the differing District pension plans. At this time, all but one employee fell under either the 3% at 60 or the 2% at 55 pension plan. Per District legal counsel, EPMC paid on behalf of staff employed as of the date of merger (February 1, 2002) is a vested right. Legal counsel concluded that the District cannot require such employees to make the necessary member contributions without offering in turn a “comparable benefit”. In addition, while categorically separate, but nevertheless closely related, employees hired subsequent to merger were hired with an understanding and a District resolution on file with CalPERS stating the District will “pick-up” the EPMC for all its employees hired between February 2002 and December 2012. *The Board voted unanimously to leave the District’s current practice of paying EPMC unchanged.*

On December 15, 2014, at the request of the Board, staff brought information regarding EPMC. Key aspects of EPMC brought to the Board included legal counsel’s conclusion that the District cannot require such employees to make the EPMC contribution without offering a “comparable benefit”, the understanding the EPMC would be paid by the District at the time of hire for staff hired subsequent to the merger, and the financial impact to the District for offsetting paying the EPMC with matching salary increases costs the District about $96,000 more per year. *This was an information item, so there was no action or direction provided by the Board.*

Discussion:

Staff and the Board have discussed modifying the EPMC numerous times since 2011. On August 19, 2013, five Options were discussed – (1) Do Nothing (Status Quo), (2) Phase-in over 4 years with employer salary matching, (3) Phase-in over 4 years without salary matching, (4) Full payment of EPMC with employee salary matching, and (5) Full payment of EPMC with no salary matching. The Board voted unanimously to choose Option 1 and leave the District’s practice of paying EPMC unchanged. In 2013, when this item was brought to the Board, 59 of 60 employees qualified for EPMC. Today, 38 of 68 employees qualify for EPMC, a decrease of about 35% over six years, which will continue declining as staff retires or leaves the District.

Staff supports the evaluation and decisions since 2011 and proposes to leave the District's current practice of paying EPMC unchanged. This aligns with legal's opinion and the District's commitment to employees at the time of hire. Another option is to consider changing the EPMC prospectively so future hires would pay EPMC for all retirement tiers.

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Agenda Item: 3

Date: November 4, 2019

Subject: Health Benefits – Options for Competitive Benefits for Active Employees and Retirees

Staff Contact: Dan York, General Manager

Recommended Committee Action:
Discuss and receive appropriate direction from Committee.

Discussion:
The Committee will provide direction to staff.