



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jennifer Schembri

**SUBJECT:** SEE BELOW

**DATE:** May 1, 2018

Approved

Date

5-3-18

**SUBJECT: ORDINANCE MODIFYING THE DEFINITION OF COMPENSATION TO EXCLUDE NON-PENSIONABLE WAGE INCREASES FOR THE FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM**

## RECOMMENDATION

Adopt an ordinance to amend section 3.28.030.05 of Chapter 3.28 of Title 3 of the San José Municipal Code to modify the definition of "Compensation" to exclude non-pensionable wage increases in the Federated Employees Retirement Plan.

## OUTCOME

Adoption of an ordinance amending San José Municipal Code Sections 3.28.030.05 will exclude any non-pensionable wage increases from the definition of "Compensation" in the Federated City Employees Retirement Plan.

## BACKGROUND

On April 17, 2018, the City Council approved the terms of the successor Memoranda of Agreement with the Municipal Employees' Federation (MEF), AFSME Local 101 and the three bargaining units that comprise the International Federation of Professional and Technical Engineers, Local 21 (IFPTE); the Association of Engineers and Architects (AEA), the Association of Maintenance Supervisory Personnel (AMSP), and the City Association of Management Personnel (CAMP). The City Council also approved compensation and benefit changes for Executive Management (Unit 99) employees on April 17, 2018.

As part of these negotiated agreements with the above bargaining units, and the changes approved for Unit 99 employees, the City and the above bargaining units agreed to a five percent (5%) non-pensionable wage increase for Fiscal Year 2018-2019, effective July 1, 2018. There will not be any defined benefit retirement (pension and/or retiree healthcare) contributions made on the 5% non-pensionable increase.

### **ANALYSIS**

The current Municipal Code Section (3.28.030.05) regarding “Compensation” for the Federated City Employees’ Retirement System currently does not exclude non-pensionable wage increases from the definition of Compensation. The ordinance addresses this issue by adding Section 3.28.030.05 (E) to clarify that any non-pensionable increases effective on or after July 1, 2018 are not included in the definition of Compensation. In other words, the non-pensionable increase will not be subject to retirement contributions from the City and employees. This change is necessary to ensure that the above negotiated non-pensionable wage increases and any subsequent increases in non-pensionable compensation thereafter will be excluded from the definition of “Compensation.” This modification applies to any other non-pensionable wage increases that may be negotiated with the other Federated bargaining units that take effect on or after July 1, 2018.

A Memorandum regarding the draft ordinance for the modification of the Municipal Code will be presented at the May 17, 2018 Federated Retirement Board (“Federated Board”) meeting. If the Federated Board has comments, those will be submitted in a supplemental memo before the second reading of the ordinance.

### **EVALUATION AND FOLLOW-UP**

If the Council approves the proposed ordinance for publication, the ordinance will be placed on the Council agenda for final approval on May 22, 2018 and become effective 30 days later.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City’s website in advance of the May 15, 2018 City Council Agenda.

### **COORDINATION**

This memorandum was coordinated with the City Attorney’s Office.

### **COMMISSION RECOMMENDATION/INPUT**

The Federated Retirement Board will be reviewing the Municipal Code changes, as noted above.

### **COST SUMMARY/IMPLICATIONS**

There are no anticipated costs associated with the adoption of this Ordinance.

HONORABLE MAYOR AND CITY COUNCIL

May 1, 2018

**Subject: Ordinance Modifying the Definition of Compensation to Exclude Non-Pensionable Wage Increases**

Page 3 of 3

**CEQA**

CEQA: Not a Project, File No. PP17-008, General Procedure or Policy Making.



JENNIFER SCHEMBRI

Director of Employee Relations

For questions please contact Jennifer Schembri, Director of Employee Relations, at (408) 535-8150.