



Administrative Report

H.7., File # 21-2463

Meeting Date: 5/18/2021

To: MAYOR AND CITY COUNCIL

From: DIANE STRICKFADEN, DIRECTOR OF HUMAN RESOURCES

TITLE

REVIEW AND APPROVE THREE RETROACTIVE SIDE LETTERS BETWEEN THE CITY OF REDONDO BEACH AND THE REDONDO BEACH POLICE OFFICERS ASSOCIATION - POLICE MANAGEMENT UNIT TO ADDRESS CALPERS AUDIT FINDINGS REGARDING LANGUAGE AMENDMENTS IN ACCORDANCE WITH CALPERS REPORTING GUIDELINES

ADOPT BY TITLE ONLY A SIDE LETTER AGREEMENT AMENDING THE JULY 1, 2015 TO JUNE 30, 2018 MEMORANDUM OF UNDERSTANDING BETWEEN THE REDONDO BEACH POLICE OFFICERS ASSOCIATION (POLICE MANAGEMENT UNIT) AND THE CITY REDONDO BEACH

ADOPT BY TITLE ONLY A SIDE LETTER AGREEMENT AMENDING THE JULY 1, 2018 TO DECEMBER 31, 2019 MEMORANDUM OF UNDERSTANDING BETWEEN THE REDONDO BEACH POLICE OFFICERS ASSOCIATION (POLICE MANAGEMENT UNIT) AND THE CITY REDONDO BEACH

ADOPT BY TITLE ONLY A SIDE LETTER AGREEMENT AMENDING THE JANUARY 1, 2020 TO DECEMBER 31, 2022 MEMORANDUM OF UNDERSTANDING BETWEEN THE REDONDO BEACH POLICE OFFICERS ASSOCIATION (POLICE MANAGEMENT UNIT) AND THE CITY REDONDO BEACH

EXECUTIVE SUMMARY

On September 15, 2015, the City Council approved a Memorandum of Understanding (MOU) between the City of Redondo Beach and the Redondo Beach Police Officers Association - Police Management Unit (POA-MU) with a term from July 1, 2015 - June 30, 2018. One of the deal points in that MOU allowed for Lieutenants and Captains to begin to earn special compensation in the form of up to 5% merit pay, for outstanding performance as determined by the Police Chief. The intent of the MOU provision was to allow said merit pay, if earned, to be reportable to CalPERS as special compensation, which is part of a member's PERSable salary and applies towards their retirement.

The merit pay provision was carried forward into two subsequent MOU's (July 2018 - December 2019 and January 2020 - December 2022) until it was negotiated away in the current January 2020 - December 2022 POA-MU MOU. In the existing POA-MU Memorandum of Understanding, merit pay

as special compensation was effectively eliminated and rolled into base pay on March 28, 2020.

In February 2020, CalPERS began an audit on certain types of City of Redondo Beach retroactive special compensation, as part of a statewide audit of 60 randomly selected public agencies. Audit findings indicated that the language regarding merit pay in the three MOU's (2015-2018; 2018-2019; and 2020-2022), needed to be further refined in order to maintain compliance with CalPERS reporting requirements. CalPERS representatives met with City staff and approved amendments to the language that would allow it to remain as reportable special compensation, if said amendments became part of the MOU retroactively. Attached for Council review are three retroactive side letters amending Sections 5.02, "Merit Pay" in each of the associated POA-MU MOUs.

BACKGROUND

On September 15, 2015, the City Council approved a Memorandum of Understanding (MOU) between the City of Redondo Beach and the Redondo Beach Police Officers Association - Police Management Unit (POA-MU) with a term from July 1, 2015 - June 30, 2018. In Section 5.02 of that MOU, a merit pay plan was established to recognize and reward outstanding performance. Goals to be met were established by the Police Chief, and members were required to achieve said goals prior to receiving merit pay.

The special compensation was established as being available to both lieutenants and captains, after they had reached the "top of the pay range". This specific language also carried forward into the July 2018 - December 2019, and January 2020 - December 2022 MOU's, until it was negotiated away and rolled into base pay on March 28, 2020.

The CalPERS audit had a three year look back period, and was limited to findings from 2017 through 2019. When the audit was performed, CalPERS stated that the way the merit pay language was drafted restricted it to only certain members of the POA-MU. Specifically, the language regarding "top of the pay range" was important to CalPERS, and led to the audit finding. CalPERS stated that in order for merit pay to be reportable special compensation that can be applied towards retirement, the MOU had to specifically provide for the pay to be equally available to all members in the group (not just available to members at the top of the pay range).

CalPERS representatives stated that the City would either need to amend the language, or change the pensionable reporting status of each member's contribution retroactively. Even though the audit was limited to a three year "look back" period (2017 - 2019), the MOU that covers the 2017 time period was adopted in 2015. In addition, the audit didn't specifically address the 2020 - 2022 MOU (and merit pay ceased in March 2020), yet the language was non-compliant with CalPERS rules. Therefore staff recommends amendment of all three MOUs. Attached for Council review are three retroactive side letters which amend each of the MOUs where the merit pay language occurs. Specifically, the attached side letters remove the merit pay language regarding "top of the pay range", no longer restricting the merit pay to only certain PMU members, in compliance with CalPERS regulations.

All three side letters were ratified by the Redondo Beach Police Officers Association and Police

Management Unit on April 16, 2021.

COORDINATION

The side letters were prepared by Human Resources in cooperation with the City Attorney's Office.

FISCAL IMPACT

As the previously adopted City budgets for the period of time covered by these side letters (2015 - 2020) included funding for the POA-MU merit pay described in this report to be PERS-eligible, no additional City funding is needed as a result of these recommended side letter agreements.

APPROVED BY:

Joe Hoefgen, City Manager

ATTACHMENTS

Side Letters