



Ethics, Organization, and Personnel Committee

# Resolution to Adopt the Value of Reporting Employer Paid Member Contributions (EPMC)

Item 7-11

March 13, 2023

# Purpose

- Board Approval of Two New Resolutions to Establish the Continued Reporting of the Value of Employer Paid Member Contributions (EPMC) to CalPERS as Earnable Compensation for both Represented and Unrepresented Employees.

# Background

- December 12, 2000, based on Board resolution 8722, MWD began paying the 7% employee pension contribution for AFSCME members and included the 7% contribution as part of earnable compensation on January 1, 2001.
- May 27, 2001, this arrangement was extended to ACE, MAPA, SA and unrepresented employees.
- This arrangement is called Employer Paid Member Contributions (EPMC)
- EPMCs are included in calculating the monthly retirement allowance.

# Background

- In 2011, MWD agreed to time-in-grade provisions for all represented employees hired after January 1, 2012, and continued to report the value of EPMC.
- Time-in-Grade provisions allow an employer to pay employee contributions after the first five years of employment. This provision only applies to employees hired before January 1, 2013.
- Employees that become members on or after January 1, 2013, must pay their own contributions, and not subject to EPMC.

# Background

- Unrepresented employees deemed Classic members are not subject to time-in-grade requirements, and their contributions are covered by EPMC.
- Unrepresented employees deemed New members, must pay their own contributions – in the same manner as for represented staff deemed New members.
- About 54% of our employees are Classic members receiving EPMC.

# CalPERS Audit

- In 2021, CalPERS audited 60 agencies with EPMC. MWD was selected as one of the agencies for review under Job No 3P20-049.
- Historically, CalPERS required Board-approved resolutions related to pension reforms and provisions such as EPMC and time-in-grade.
- Following the audit, CalPERS advised that MWD's Resolutions 8722, 8740 and 9129 be revised to maintain the status quo on EPMC.

## Why an Updated and 2<sup>nd</sup> Resolution are Required?

- CalPERS advised MWD to update **Resolution 9129** for Represented and to implement a **2<sup>nd</sup> Resolution** for Unrepresented employees to replace 8740.
- Resolution 9129 must be revised to show EPMC is reported as compensation earnable.
- Resolution 8740 must be replaced to show unrepresented employees hired before January 1, 2013 receive EPMC.
- Neither resolution would provide an additional retirement benefit to any individual or group.

# Board Options

## Option #1

- Adopt a Resolution to replace 9129 to continue EPMC with 5-year time-in-grade provision under GC 20636 (e)(1) for Represented employees first hired on or after 1/01/2012 and continue paying and reporting the value of EPMC as earnable compensation pursuant to GC 20961 to remain compliant with current MOUs and CalPERS requirements of GC 20636.
- Adopt a new Resolution to replace 8740 for Unpresented employees to continue to receive EPMC and reporting the value of EPMC as earnable compensation pursuant to GC 20961 to remain compliant with CalPERS requirements of GC 20636.



# Board Options

## Option #2

Do not adopt two resolutions to remain compliant with the language in the current MOUs and CalPERS Government Code Section (GC) 20636 for adopting a Resolution when paying the 7% employee contributions, reporting the value of EPMC under the provisions of GC 20961, and implementing the 5-year Time-in-Grade provision under GC 20636 (e)(1) for Represented employees first hired on or after 1/01/2012.

# Staff Recommendation

- Option #1

