

DEPARTMENT OF PERSONNEL ADMINISTRATION

OFFICE OF THE DIRECTOR
1515 "S" STREET, NORTH BUILDING, SUITE 400
SACRAMENTO, CA 95814-7243



June 6, 2007

The Honorable Denise Ducheny
Chair, Joint Legislative Budget Committee
State Capitol, Room 5035
Sacramento, California 95814

Re: Bargaining Unit 5 (California Association of Highway Patrol—CAHP)

Addendum to Memorandum of Understanding—Non-fiscal

This is to advise you that an addendum to a memorandum of understanding (MOU) has been recently agreed to by the Department of Personnel Administration and State Bargaining Unit 5. This addendum is intended to correct an error in a statute that was amended in 2006 as part of the State's MOU with Bargaining Unit 5 (AB 2936, Chapter 240).

The statute in question pertains to the retirement calculation for all CalPERS state patrol members, including rank-and-file, excluded, and exempt patrol members (G. C. section 20035.1). This statute was amended to include a phase out of this calculation formula over a 4 year period; however, the dates of the 4-year phase-out are off by one year. This addendum includes the corrected schedule and an agreement to support legislation to correct the schedule in statute. A more complete explanation of the background and issues related to the addendum is attached.

This addendum was agreed to on June 5, 2007. It proposes changes to statute that would be effective on July 1, 2008. This addendum will not result in any additional costs to those anticipated when the 2006 MOU was originally agreed to and ratified by the Legislature. Since this addendum, by its nature, requires legislative approval, it will be included in AB 754, one of DPA's sponsored MOU Addenda Omnibus bills.

If you have any questions regarding this addendum, please contact, Pamela Schneider, Legislative Coordinator (916) 327-2348.

Sincerely,

A handwritten signature in black ink, appearing to read "D. A. Gilb".

David A. Gilb
Director

Attachments

cc: Members of the Joint Legislative Budget Committee

Peggy Collins, Principal Consultant
Joint Legislative Budget Committee

Elizabeth Hill
Legislative Analyst

Tom Dithridge, Program Budget Manager
Department of Finance

Michael Pro시오, Deputy Legislative Secretary
Office of Governor Schwarzenegger

Dianne Cummins, Chief Fiscal Policy Advisor
Office of the Pro Tem

Charles Wright, Chief Consultant
Office of the Pro Tem

Craig Cornet, Budget Director
Office of the Speaker

Greg Campbell, Chief Consultant
Office of the Speaker

Seren Taylor, Staff Director
Senate Republican Fiscal Office

Chantele Denny, Consultant
Senate Republican Fiscal Office

Peter Schaafsma, Staff Director
Assembly Republican Fiscal Office

Chris Ryan, Consultant
Assembly Republican Fiscal Office

Daniel Alvarez, Staff Director
Senate Budget Committee

Brian Annis, Consultant
Senate Budget Committee

Chris Woods, Staff Director
Assembly Budget Committee

Janus Norman, Consultant
Assembly Budget Committee

Bob Franzoia, Staff Director
Senate Appropriations

Maureen Ortiz, Consultant
Senate Appropriations

Geoff Long, Chief Consultant
Assembly Appropriations

Brad Williams, Consultant
Assembly Appropriations

Suzanne Sutton, Consultant
Senate Republican Caucus

Terry Mast, Consultant
Assembly Republican Caucus

David Felderstein, Chief Cons.
Senate PE&R Committee

Karon Green, Chief Consultant
Assembly PERS&S Committee

Alene Shimazu, Fiscal Manager
Office of Financial Management
DPA

Diane Navarro, LRO
DPA

Jason Dickerson, Consultant
Office of the Legislative Analyst

The DPA and the CAHP mutually agree to support legislation to amend Government Code Section 20035.1 as follows:

20035.1. For patrol members in State Bargaining Unit 5, patrol members excepted from the definition of "state employee" in subdivision (c) of Section 3513, and patrol members who are officers or employees of the executive branch of state government who are not members of the civil service, the member's final compensation shall be increased as follows:

(a) For a member who retires or dies on or after July 1, 2001, and prior to July 1, 2004, the member's final compensation for patrol service subject to Section 21362.2 shall be increased by one-half of the normal rate of contribution specified in subdivision (a) of Section 20681.

(b) For a member who retires or dies on or after July 1, 2004, and prior to July 1, 2007~~8~~, the member's final compensation for patrol service subject to Section 21362.2 shall be increased by the normal rate of contribution specified in subdivision (a) of Section 20681.

(c) For a member who retires or dies on or after July 1, 2007~~8~~, and prior to July 1, 2008~~9~~, the member's final compensation for patrol service subject to Section 21362.2 shall be increased by three-fourths of the normal rate of contribution specified in subdivision (a) of Section 20681.

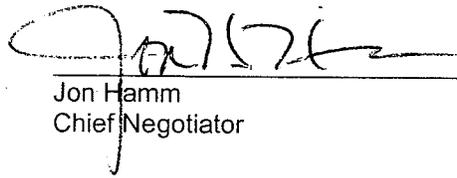
(d) For a member who retires or dies on or after July 1, 2008~~9~~, and prior to July 1, 2009~~10~~, the member's final compensation for patrol service subject to Section 21362.2 shall be increased by one-half of the normal rate of contribution specified in subdivision (a) of Section 20681.

(e) For a member who retires or dies on or after July 1, 2009~~10~~, and prior to July 1, 2010~~11~~, the member's final compensation for patrol service subject to Section 21362.2 shall be increased by one-fourth of the normal rate of contribution specified in subdivision (a) of Section 20681.

(f) This section shall remain in effect only until July 1, 2010~~11~~, and as of January 1, 2011~~12~~, is repealed, unless a later enacted statute, that is enacted before January 1, 2011~~12~~, deletes or extends that date.

It is recognized by both parties that the change to Government Code Section 20035.1, as provided for in the Bargaining Unit 5 MOU bill ratified in 2006, had an unintended negative consequence for Bargaining Unit 5 members' retirement benefits which resulted in a loss in retirement benefits for those members retiring on or after July 1, 2007. This unintended consequence did not come to light until May 2007. The change to Government Code section 20035.1, as indicated above, represents a technical correction which would accomplish the intended result as agreed to during the 2006 collective bargaining.

CALIFORNIA ASSOCIATION
OF HIGHWAY PATROLMEN

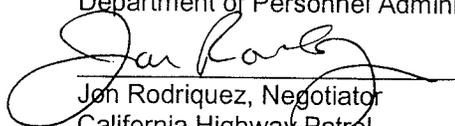


Jon Hamm
Chief Negotiator

STATE OF CALIFORNIA



Diane Navarro, Chief Negotiator
Department of Personnel Administration



Jon Rodriguez, Negotiator
California Highway Patrol

Date: 6/5/07

Date: 6/5/07

MOU Addendum: BU 5 CalPERS Retirement Contribution for Patrol Members

Background

Prior CHP MOU

The law states that the retirement contribution rate for state patrol members is 8 percent, but the rate is supersedable by MOU, and the terms of the MOU may apply to excluded and exempt patrol members¹. The prior CHP MOU, effective from 2002 until 2006, provided an employer pick-up of member contributions. This pick-up is not required by statute but by the MOU only. Patrol members agreed to take this pick-up in lieu of a raise in compensation. The pick-up was applied to all patrol members, including excluded members.

In tandem with the employer pick-up of contributions, the law was amended to require, for patrol members retiring or dying within the time frames specified, that any retirement or survivor benefit would be calculated to include the amount of the employer pick-up as part of the final compensation amount used in the CalPERS retirement calculation. This statute was intended to prevent members from losing a retirement benefit they would have otherwise had if they had received an actual salary increase instead of the employer pick-up.

Current CHP MOU

The current BU 5 MOU states the employer-paid contribution rate will phase out over 4 years and be replaced by salary increases. Beginning on July 1, 2007, the schedule will phase out at 2 percent per year with corresponding raises of approximately 2 percent per year. The final 2 percent will phase out on July 1, 2011.

In tandem with the phase-out of employer contributions, the CalPERS retirement calculation statute was amended to phase out the calculation increase. In other words, as salaries are increased, and the corresponding employer contributions drop off, the retirement calculation increase is also scheduled to phase out over 4 years at 2 percent per year. The intent of this amendment was to keep members whole with regard to their retirement benefits, neither higher or lower than they would otherwise be.

Unfortunately, when the statute for the retirement calculation was amended, it was incorrectly amended to include the same phase-out schedule years as required by the MOU for the phase out of employer contributions and corresponding salary increases. This has resulted in a loss to patrol members who die or retire in this time period because the salary increases will not have been in place for 12 months prior to the phase-out of the calculation increase.

Thus, the patrol members will not have the full benefit of the increase in salary (one-year highest compensation) prior to the loss in retirement calculation. In other words, the schedule for the phase-out of the retirement calculation should have lagged the schedule for the phase out of employer pick-up and corresponding salary increases by 1 year.

¹ See G.C. section 20681.

The MOU agreement was never intended to cause a loss to patrol members or their survivors of retirement benefits. The intent was to phase out the various components of the agreement in a way that would keep the patrol members whole.

The addendum corrects the schedule in the statute by moving the entire schedule forward by one year. Thus, patrol members will have the full retirement value of salary increases prior to the phasing out each following year of the 2 percent increase in final compensation calculation by CalPERS.

Fiscal Issues

The statute being amended applies only to patrol members who retire or die during the phase-out period. It only applies to the final compensation amount used to calculate their retirement benefits. It does not in any way change or delay the phase-out of employer pick-up of member contributions as agreed to in the MOU. Nor does it change the schedule of corresponding salary increases.

There is no change in costs estimated for the MOU. The intent of all parties was always to phase out the employer contribution while ensuring that patrol members remain whole for purposes of retirement, and this corrected schedule ensures that intent.

Unpublished
Side Letter Between
California Correctional Peace Officers Association (CCPOA)
And
State of California (Department of Personnel Administration)
Upon ratification by both parties in 2002 through July 2, 2006

Benjamin
12/12/01
5:55P
J. Wilson

The purpose of this side letter is to confirm the parties' intent with regard to Section 15.01 (A) (General Salary Increases) of the Unit 6 collective bargaining agreement in effect upon ratification by both parties in 2002 through July 2, 2006. It shall also constitute the "law enforcement comparative methodology" requiring mutual agreement by the parties as referenced in Section 15.01.

Intent

Section 15.01(A) is intended to preserve the relationship between the total compensation package for Units 5 and 6 which was in effect on June 30, 2001. The parties agree the pre-existing relationship to be maintained as a result of Section 15.01(A) is a total compensation package for Unit 6 which is \$666.00 less than the total compensation package received by Unit 5. (See Attachment #1 for items within package and comparison between units.)

Comparative Law Enforcement Methodology

The parties agree that Unit 5 shall be the basis for comparison when determining increases in total compensation for Unit 6. Application of this methodology shall preserve the difference between Units 5 and 6 as discussed above and depicted on Attachment #1.

Formula For 8.59% & Comparative Law Enforcement Increases

Attachment #2 is the formula that establishes the relationship between, and application of the 8.59% increase referenced in Section 15.01(A) and increases due as the result of the comparative law enforcement methodology.

Attachment #2 assumes (for the sole purpose of illustrating the formula) that the weighted average in total compensation for the local jurisdictions surveyed for purposes of determining total compensation increases for Unit 5 increases 4% annually.

Relationship Between Unit 5 and 6 Total Compensation Increases

Attachment #3 depicts how the increases described in Section 15.01(A) would be applied to preserve the pre-existing relationship between Units 5 and 6.

Attachment #3 assumes (for the sole purpose of illustrating application of Section 15.01(A)) that the weighted average in total compensation for the local jurisdictions surveyed for purposes of determining total compensation increases for Unit 5 increases 4% annually.

Binding Effect of Unit 5 MOU

CCPOA acknowledges and agrees that interpretation and application of the Unit 5 collective bargaining agreement, and side letters thereto, may not be grieved, arbitrated or otherwise enforced by Unit 6 in any forum, administrative or judicial.