

Exhibit to Agenda Item #2

Side Letter Agreements between SMUD and the **Public Safety Officers' Association** for the **California Public Employees' Retirement System (CalPERS)** reporting of their holiday pay as required by the Fair Labor Standards Act and documenting the monetary value for the maintenance of required clothing.

Board Finance & Audit Committee and Special SMUD Board of Directors Meeting
Tuesday, December 9, 2025, scheduled to begin at 6:00 p.m.

SMUD Headquarters Building, Auditorium

Background

- The prior Public Safety Officers Association (PSOA) Memorandum of Understanding (MOU) (effective October 28, 2019 through December 31, 2022) does not meet the criteria required for reporting Special Compensation to CalPERS as defined in CalPERS Government Code Section 20636, and California Code of Regulations (CCR), Title 2, Section 571(a) and Section 571(b)(1), specifically:
 - The definition of holiday pay
 - The compensation for the maintenance of required clothing
- Recently, CalPERS has been excluding the above-reported earnings for retiring SMUD employees because they are not approved in writing by SMUD's Board.

SMUD's Corrective Actions

- Negotiated side letters with affected union to update holiday pay and uniform maintenance allowance articles in the prior MOU.
- Coordinated with CalPERS to ensure the side letters will correct the documentation issues.
- Notified affected employees about the issues and proposed fixes.
- Now seeking board approval of the side letters and resolution.

Anticipated Outcomes

- Board approval of the side letters will likely prompt CalPERS to include the updated holiday pay and uniform maintenance allowance for PSOA retirees in their final pension determinations.
- Those who already retired and were unable to have these earnings included in their final pension determinations will be able to ask CalPERS for a redetermination to have them included.

Requested Action

- SMUD requests the Board approve the following items:
 - PSOA Side Letter Agreements