# MOORPARK CITY COUNCIL
# AGENDA REPORT

**TO:** Honorable City Council

**FROM:** Deborah S. Traffenstedt, Administrative Services Director DST

**DATE:** June 8, 2009 (CC Meeting of 6/17/09)

**SUBJECT:** Consider Authorizing Two Years Additional Service Credit Retirement Incentive Pursuant to Government Code Section 20903 and Consistent with the City's Contract with the California Public Employees' Retirement System (CalPERS)

## BACKGROUND

On July 2, 2003, the City Council adopted Ordinance No. 294, amending the CalPERS contract consistent with the requirements of Government Code Section 20903 (commonly referred to as the "Golden Handshake"). This benefit is intended to be utilized by CalPERS contracting agencies to encourage reduction of staffing levels, when needed due to impending curtailment of or change in the manner of performing service. The benefit currently offered by the Golden Handshake is two years of additional service credit.

As a result of the adoption of Ordinance No. 294, the City's current contract with CalPERS allows the City Council to adopt a resolution affirming that the two years of additional service credit retirement incentive is to be offered. The process requires the scheduling of a "public meeting" agenda item, including disclosure of the costs to the public agency, and designation of the job classification(s), department(s), or unit(s) eligible for this benefit. The CalPERS process also requires the City Council to adopt a resolution at a subsequent meeting (not less than two weeks following the public meeting agenda item), which resolution must include a designation of the time period of 90 to 180 days during which an eligible member must retire to receive the additional service credit.

## DISCUSSION

The future annual costs and the increase in retirement benefits are generally disclosed in the CalPERS "Procedures for Calculation of Additional Employer Contributions and Funding Therefore to be Disclosed at the Public Meeting." At this time, staff is proposing to designate the job classification of Public Works Superintendent in the Public Works Department. There

is only one potentially eligible employee. Staff is recommending the use of this employment reduction strategy, due to reduced revenue concerns. The continuing budget concerns require a proactive approach to reducing staff costs. If the recommended two years additional service credit is approved, the potentially eligible employee intends to retire by the end of calendar year 2009.

The total estimated cost to the City for the two years service credit for the Public Works Superintendent in the Public Works Department is shown in Attachment 1, and is approximately $50,144.64. This amount is calculated based on the formula in the CalPERS procedures manual, and is an estimate of the present value of additional employer contributions which will be required in the future for providing the two years service credit. The cost of the two years additional service credit will be included in the City's employer contribution rate commencing with the fiscal year starting two years after the end of the designated period. The increase in the employer contribution rate may continue for as long as 20 years. The increase in the City's contribution rate percentage is generally estimated to be a maximum of .0006732, based on the formula in the CalPERS procedures manual. The City's CalPERS employer contribution rate for Fiscal Year 2009-2010 is 10.990%. The contribution rate varies annually, based on various factors, including investment returns (for example, the 2009-2010 rate is actually lower than the rates in 2006, 2007, and 2008). The cost of the two years additional service credit benefit is offset by the elimination of the position and the reduction in staff costs.

Please note that pursuant to Government Code Section 20903 (and following a public meeting), if the City Council determines to adopt a resolution affirming that the two years of additional service credit retirement incentive is to be offered, that resolution will need to include the following certification:

- That the City Council is electing to be subject to the provisions of Government Code Section 20903 due to mandatory transfers, layoffs and/or demotions that constitute at least one percent of the job classification, department, or organizational unit.
- That it is the City Council's intention at the time Section 20903 of the Government Code becomes operative that any vacancies created by retirements under this section or at least one vacancy in any position in any department or organizational unit shall remain permanently unfilled, thereby resulting in an overall reduction in the work force of such department or organizational unit.
- That the City has complied with the provisions of Government Code Section 7507 and has disclosed the additional employer contributions and the funding of those employer contributions, at a public meeting.

For the purposes of the first two certifications, as listed above, the Public Works Department is the organizational unit for the purposes of determining eligibility with the provisions of Government Code Section 20903, and the intent is to reduce overall City staffing by any vacancy created by a retirement pursuant to Government Code Section 20903. The required disclosure pursuant to Government Code Section 7507 is accomplished by disclosing an estimate of the present value of the additional employer contributions, which is included in this report. The disclosure is required to be made at least two weeks prior to the adoption of an increase in any retirement plan benefit. The two-week time period will be achieved by scheduling the adoption resolution for the July 1, 2009, regular meeting to approve the

designated period for two years additional service credit retirement incentive for the one eligible employee.

**STAFF RECOMMENDATION**

Direct staff to schedule for the July 1, 2009, regular meeting consideration of adoption of a resolution to grant another designated period for two years additional service credit retirement incentive for the designated position.

Attachment: Procedures for Calculation of Additional Employer Contributions and Funding Therefore to be Disclosed at the Public Meeting

## ATTACHMENT 1

**Procedures for Calculation of "Additional Employer Contributions" and Funding Therefore to be Disclosed at the Public Meeting**
*(Calculations are shown with italic type and bold font, below)*

The "additional employer contributions" that the agency discloses at its public meeting is an *estimate* of the present value of additional employer contributions which will be required in the future for providing the two years service credit. This amount is calculated based on the member's annual reportable compensation, the cost factor and whether the agency's contract provides the Post-Retirement Survivor Allowance (Survivor Continuance) and/or an increased Cost-of-Living Allowance of 3%, 4% or 5%. The "additional employer contributions" is calculated as follows:

1. Identify all individuals who meet the minimum eligibility for retirement and who are employed in the designated classification, department or organizational unit.

***Public Works Superintendent in the Public Works Department (1 employee potentially eligible)***

2. Determine the annual pay rate for each person. "Payrate" indicates that amount of compensation a member is paid for a full unit of time. Always use the member's FULL TIME pay rate.

***$89,544 (x 1 employee)***

3. Determine the age for each person and locate the appropriate factor on the Cost Factor Chart.

**COST FACTOR CHART**
**MISCELLANEOUS MEMBERS**

| Ages | 2% @ 60 formula All | 2% @ 55 formula All | 2.5% @ 55 formula All | 2.7% @ 55 formula All | 3% @ 60 formula All |
|---|---|---|---|---|---|
| 50-54 | 0.35 | 0.47 | 0.63 | 0.65 | 0.63 |
| 55-59 | 0.44 | 0.56 | 0.67 | 0.72 | 0.72 |
| 60-64 | 0.55 | 0.57 | 0.61 | 0.66 | 0.73 |
| 65+ | 0.53 | 0.53 | 0.54 | 0.59 | 0.65 |

4. Multiply the annual pay rate by the cost factor, (annual pay rate) X (cost factor) = estimated cost.

***$89,544.00 x .56 cost factor = $ 50,144.64***

5. Determine whether your agency's contract provides for the Post-Retirement Survivor Allowance. If yes, proceed to step #7.

***NA***

6. If your agency's contract does not provide for the Post-Retirement Survivor Allowance, multiply the value determined in step #4, above, by 0.95.

***$50,144.64 x 0.95 = $47,637.41***

7. Determine whether your agency's contract provides for the increased Cost-of-Living Allowance of 3%, 4% or 5%. If not, no further calculations are needed.

8. If your agency's contract provides the 3%, 4%, or 5% cost-of-living allowance, multiply the value determined above by 1.09 to estimate the cost of providing the additional service credit.

***NA***

The "additional employer contributions" are paid by the agency through an increase in the employer contribution rate, starting two fiscal years after the end of the designated period. The increase in the employer contribution rate may continue for as long as 20 years.

To estimate the increase in the employer contribution rate percent:

1) Take the "additional employer contributions" calculated above, and

2) First divide by 13.24 (the 20-year amortization factor), and

***$47,637.41 / 13.24 (20-year amortization factor) = $3,597.9916***

3) Then divide by annual payroll of the plan.

***$3,597.9916 / $5,344,226 (City's current annual payroll for CalPERS Retirement) = .0006732***