

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Deborah S. Traffenstedt, Deputy City Manager *DST*

DATE: May 30, 2013 (CC Meeting of 6/5/13)

SUBJECT: Consider Authorizing Two Years Additional Service Credit Retirement Incentive for One Position Pursuant to Government Code Section 20903 and Consistent with the City's Contract with 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, which allows the City to provide a retirement incentive of two years additional service credit in compliance with the procedures established by CalPERS. 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.

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" (see attachment). At this time, staff is proposing to designate the job classification of Administrative Assistant, a

non-exempt Competitive Service position, in the Public Works Department. There is one potentially eligible employee. Staff is recommending that the City Council consider this action to elect to be subject to the provisions of Government Code 20903 due to reduced revenue concerns, as previously discussed with the adoption of the 2012-2013 Fiscal Year Budget, and the draft 2013-14 Fiscal Year Budget. The continuing budget concerns require a proactive approach to reducing staff costs.

The total estimated cost to the City for the two years service credit for the one identified Competitive Service position is approximately **\$33,218.93** (see attachment). 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 (or may be paid off earlier, as has been the City's practice). The City's CalPERS employer contribution rate may vary annually based on various factors, including investment returns. The cost of providing the additional service credit for one employee would be offset by the elimination of one position and the proposed reorganization of responsibilities. For example, some reorganization of staff assignments will be necessary following the proposed elimination of the Administrative Assistant position in the Public Works Department, and the intent is to fill the vacancy at a lower salary range and clerical classification. As previously discussed with and approved by the City Council, at the beginning of the new fiscal year in July 2013, the current Parks and Landscape Manager will be promoted into the Parks and Recreation Director position that was temporarily being filled by the Assistant City Manager. The Parks and Landscape Manager position is shown as deleted from the draft 2013-14 Fiscal Year Budget.

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:

- Because of an impending curtailment of, or change in the manner of performing service, the best interests of the agency would be served by granting such additional service credit.
- The added cost to the retirement fund for all eligible employees who retire during the designated window period will be included in the City's employer contribution rate for the fiscal year that begins two years after the end of the designated period.
- The City Council is electing to be subject to the provisions of Government Code Section 20903 because of mandatory transfers, demotions, and layoffs that constitute at least one percent (1%) of the job classification, department, or organizational unit, as designated by the City Council, resulting from the curtailment of, or change in the manner of performing its services.

- 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 other organizational unit shall remain permanently unfilled, thereby resulting in an overall reduction in the work force of such department or organizational unit.
- The City has complied with the provisions of Government Code Section 7507, and has disclosed and made public the future annual costs for the increase/change in retirement benefit(s) at a public meeting of the City Council at least two weeks prior to the adoption of a Resolution to Grant Another Designated Period for Two Years Additional Service Credit.

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 (including attachment). 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 a subsequent regular meeting in June or July 2013 to approve the designated period for two years additional service credit retirement incentive for the one eligible employee.

FISCAL IMPACT

The total estimated cost to the City for the two years additional service credit for the one identified position is approximately **\$33,218.93**. The cost of providing the additional service credit for one employee would be offset by the elimination of another position at a higher salary range and the overall reduction in staff costs through planned reorganization of responsibilities.

STAFF RECOMMENDATION

Direct staff to schedule the adoption of a resolution to grant another designated period for two years additional service credit for the one identified position.

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

ATTACHMENT

**Procedures for Calculation of “Additional Employer Contributions”
 and Funding Therefore to be Disclosed at the Public Meeting**
(Calculations and responses 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.

Administrative Assistant 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.

\$62,441.60 (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**

	<u>2% @ 60</u>	<u>2% @ 55</u>	<u>2.5% @ 55</u>	<u>2.7% @ 55</u>	<u>3% @ 60</u>
	<u>formula</u>	<u>formula</u>	<u>formula</u>	<u>formula</u>	<u>formula</u>
Ages	<u>All</u>	<u>All</u>	<u>All</u>	<u>All</u>	<u>All</u>
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.

\$62,441.60 x .56 cost factor = \$34,967.296

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.

$\$34,967.296 \times 0.95 = \$33,218.931$ (rounded to $\$33,218.93$)

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.

NA

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