

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

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

DATE: June 13, 2013 (CC Meeting of 6/19/13)

SUBJECT: Consider Revised Estimate of Cost for 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

Reference the June 5, 2013, regular meeting agenda report for Item 9.H. for prior disclosure of the estimated cost for authorizing two years additional service credit retirement incentive for one Administrative Assistant position in the City's Public Works Department. Staff is rescheduling the required "public meeting" agenda item, in order to disclose a corrected estimate of cost to the City as further explained below. 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. That resolution will be scheduled for the July 17, 2013, regular meeting agenda. The planned retirement is intended to be effective by the end of the current calendar year.

DISCUSSION

The future annual costs and the increase in retirement benefits are generally disclosed in the CalPERS Procedures for Calculation of Estimated Employer Cost (see revised attachment to this agenda report). The reason for rescheduling this item is due to a calculation error in the June 5 agenda report. The CalPERS Cost Factor Chart, which was provided to the City for the current proposed retirement incentive action has a revision date of February 2006; however, after the June 5, 2013, regular meeting staff found that the cost factor chart had been revised in 2013 and the applicable cost factor has changed from .56 to .57. With this change, the total estimated cost to the City for the two years service credit for the one identified Competitive Service position is now estimated to be **\$33,812.13** (see revised calculation attached to this agenda report).

The previous calculation using the .56 cost factor was \$33,218.93. This is a small difference; however, staff felt it was necessary to disclose the corrected estimate before scheduling the adoption resolution. All other information contained in the attached June 5, 2013, agenda report remains the same.

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 on July 17, 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 **\$33,812.13**. 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 for the July 17, 2013, regular meeting to grant another designated period for two years additional service credit for the one identified position.

Attachment: Two Years Additional Service Credit, Section 20903, Revised Calculation of Estimated Employer Cost

ATTACHMENT

**Two Years Additional Service Credit
 Section 20903**

Procedures for Calculation of Estimated Employer Cost

(Calculations and responses are shown with italic type and bold font, below)

The cost of providing the two years additional service credit 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 employer cost may be estimated as follows:

1. Determine 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. "Pay Rate" 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	0.64	0.66	0.64
55-59	0.45	0.57	0.67	0.73	0.73
60-64	0.56	0.59	0.62	0.67	0.74
65+	0.54	0.54	0.55	0.60	0.67

4. Multiply the annual pay rate by the cost factor.

\$62,441.60 x .57 cost factor = \$35,591.712

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.

$\$35,591.712 \times 0.95 = \$33,812.126$ (rounded to $\$33,812.13$)

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

9. Please note the cost of any additional service credit benefits paid out of PERF (Public Employee Retirement Fund) is calculated as the amount of present value of those benefits. Any benefit amounts over the Internal Revenue Code (IRC) Section 415(b) limit will be paid from the Replacement Benefit Program (RBP) over the life of the participant. The RBP is a pay-as-you-go program. CalPERS will bill the employer annually for the benefits paid from the RBP. Refer to the following link for the details of the IRC Section 415 and CalPERS RBP: <http://www.calpers.ca.gov/eip-docs/about/pubs/member/internal-revenue-code-section415.pdf>