

**MOORPARK CITY COUNCIL
AGENDA REPORT**

TO: Honorable City Council

FROM: Deborah S. Traffenstedt, Assistant City Manager *DST*
Teri Davis, Program Manager *TD*

DATE: February 3, 2016 (CC Meeting of 02/17/16)

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 estimated pursuant to the CalPERS "Procedures for Calculation of Estimated Employer Cost" (see Attachment 1). At this time, staff is proposing to designate the job classification of Senior Information Systems Analyst, an exempt Non Competitive Service position, in

the Administrative Services 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. The continuing budget concerns require a proactive approach to reducing staff costs. The retirement would occur at the end of Fiscal Year 2015/16.

The total estimated cost to the City for the two years service credit for the one identified Competitive Service position is approximately \$56,662.20 (see Attachment 2). 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 one Economic Development and Housing Manager position in the Community Development Department that is vacated and will not be filled.

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 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 \$56,662.20. The cost of providing the additional service credit for one employee would be offset by the elimination of one position in the Community Development Department.

STAFF RECOMMENDATION

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

Attachments: 1. Procedures for Calculation of Estimated Employer Cost
2. Two Years Additional Services Credit Estimated Cost Calculator

ATTACHMENT 1

**TWO YEARS ADDITIONAL SERVICE CREDIT
Section 20903
PROCEDURES FOR CALCULATION OF ESTIMATED EMPLOYER COST**

The cost of providing two years additional 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.
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.
3. Determine the age for each person and locate the appropriate factor on the Cost Factor Chart.
4. Multiply the annual pay rate by the cost factor.
5. Determine whether your agency's contract provides for the Post-Retirement Survivor Allowance. If yes, proceed to step #7.
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.
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.
9. Please note the cost of any Golden Handshakes' benefits paid out of CalPERS is calculated as the amount of present value of those benefits. Any benefit amounts over the 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 RBP. Please refer to the following link for the details of the IRC Section 415 & CalPERS RBP:

<http://www.calpers.ca.gov/eip-docs/about/pubs/member/internal-revenue-code-section415.pdg>

**COST FACTOR CHART
TWO YEARS ADDITIONAL CREDIT**

MISCELLANEOUS MEMBERS

	2% @ 60 formula	2% @ 55 formula	2.5% @ 55 formula	2.7% @ 55 formula	3% @ 60 formula	2% @ 62 formula
Ages	<u>All</u>	<u>All</u>	<u>All</u>	<u>All</u>	<u>All</u>	<u>All</u>
50-54	0.36	0.48	0.65	0.67	0.65	0.34
55-59	0.45	0.58	0.69	0.74	0.74	0.41
60-64	0.57	0.60	0.63	0.68	0.76	0.50
65+	0.55	0.55	0.56	0.61	0.68	0.56

ATTACHMENT 2

**City of Moorpark
Two Years Additional Service Credit Estimated Cost Calculator**

1.	Identify eligible individual (title, department, number)	Senior Information Systems Analyst in the Administrative Services Department		1 employee
2.	Determine Annual Rate of Pay	Enter Hourly Rate of Pay Here:	\$ 49.44	\$ 102,835.20
3.	Determine Age and Cost Factor	55-59 Cost Factor	0.58	
4.	Determine Estimated Cost	Multiply Annual Pay Rate by the Cost Factor		\$ 59,644.42
5.	Determine Survivor Allowance	Does not Apply to City of Moorpark (proceed to Step 6 and skip Steps 7, 8, & 9)		
6.	If no Survivor Allowance	Multiply Value in Step 4 by 0.95		\$ 56,662.20