

**City of Culver City, California
Agenda Item Report**

Meeting Date: 8/10/09		Item Number: <u>A-1</u>	
CITY COUNCIL AGENDA ITEM: Receipt and Filing of the Information Related to the City's Intention to Provide Additional Service Credit for Local Miscellaneous Members of the California Public Employees Retirement System (CalPERS) and Certify Compliance with Government Code Sections 20903 and 7507			
Contact Person/Dept.: Serena Wright		Phone Number: 310-253-5640	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☒ Attachments: ☐	
Commission Action Required: Yes ☐ No ☒ Date: _____			
Public Notification: (E-Mail) Meetings and Agendas – City Council (08/05/09)			
Department Approval: Serena Wright (07/27/09)		City Attorney Approval: Carol Schwab (by H. Baker) (08/03/09)	
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (08/05/09)		City Manager Approval: Mark Scott (08/05/09)	
<u>RECOMMENDATION:</u> Staff recommends the City Council (1) receive and file the information related to the City's intention to provide additional service credit for Local Miscellaneous Members of the California Public Employees Retirement System (CalPERS) and (2) certify compliance with Government Code Sections 20903 and 7507. <u>BACKGROUND:</u> The City will be facing significant budget challenges over the next several years. During the recent budget presentations it was projected that the shortfall for FY 2009/2010 will be approximately \$5 - \$6 million in the General Fund. As one part of a comprehensive proposal to be presented to the City Council and the community, staff is recommending that payroll costs be reduced. One option to encourage the reduction in payroll costs is the CalPERS Early Retirement Incentive Program (Early Retirement Program). Through the Early Retirement Program, the City may encourage certain employees to retire by offering two additional years of service credit to specified classifications that retire during a designated time frame. <u>DISCUSSION:</u>			

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In accordance with the Public Employees Retirement Law, the Early Retirement Program may be offered to employees who have (1) at least five years of service with a CalPERS member agency and (2) meet the minimum age requirement for a service retirement (generally 50 years of age for a Miscellaneous Member). Additionally, an agency must be facing impending mandatory transfers, demotions or layoffs that constitute at least 1 percent (1%) of the job classification, department or organizational unit or change in the manner of performing service. Further, the City must certify that it intends to keep all vacancies created by retirements under this program or at least one vacancy in any position in any department or organizational unit permanently unfilled resulting in an overall reduction in the work force. As part of implementing the Early Retirement Program, the City must designate a window period between ninety and one hundred eighty (90 – 180) days during which eligible employees must retire to receive the early retirement incentive. Staff will be recommending that the designated window period be September 1 through December 31 2009. Each of these actions will be presented to the City Council for consideration and potential action on August 24, 2009.

To implement the Early Retirement Program, CalPERS requires the City follow certain procedures. Publicly acknowledging cost considerations is the first step in the process. This staff report has been prepared in compliance with Government Code Sections 7507 and 20903, which require the City to publicly disclose "...the additional employer contributions, and the funding therefor..." at least two weeks prior to the City Council adopting a resolution designating the window period. The required information is as follows:

Additional Employer Contributions (annual): \$11,523

Funding for Such Additional Employer Contributions – The funding for such additional employer contributions shall be provided by the projected annual salary savings resulting from the affected positions being vacated as a result of the Early Retirement Program.

As reported to the City Council in July, the City Manager is working with staff to re-evaluate the entire City budget and associated workplans. As part of this effort, the City Manager will be reviewing the Early Retirement Program for additional opportunities to offer a "second round" of early retirements to further reduce payroll costs.

FISCAL ANALYSIS:

Staff has identified the following positions that are eligible to receive the additional service credit benefit:

<u>Classification</u>	<u>Projected Annual Salary Savings (excluding benefits)</u>
Senior & Social Services Specialist	\$ 62,523
Assistant City Manager/Risk Manager	<u>\$177,172</u>

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Projected Annual Salary Savings:	\$239,695
Less Projected Annual City Cost to implement the Early Retirement Incentive:	(\$11,523)
Net Projected Annual Salary Savings:	\$228,172

In order to reduce the impact to the City, CalPERS allows the City to pay the annual cost through an increase in the employer contribution rate, starting two fiscal years after the end of the designated period, which may continue for as long as twenty (20) years. The impact of this change on the City's employer contribution rate is expected to be minor compared to the overall contributions. Also, such impacts are far less than the annual savings resulting from the positions being vacated.

In addition, the City will experience a one-time cost when the affected employees cash-out their accrual leave banks upon retirement in accordance with the terms of their respective Memorandum of Understanding.

ATTACHMENTS:

None

MOTION:

That the City Council:

1. Certify this report has been prepared in compliance with Government Code Sections 20903 and 7507; and,
2. Receive and file this report.