City of Culver City, California

City Council Agenda Item Report

Meeting Date: 05/24/10	Item Number: A-1
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).	
Contact Person/Dept.: Serena Wright	Phone Number: (310) 253-5640
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: []
Public Notification: (E-Mail) Meetings and Agendas – City Council (05/19/10), Culver City Employees Association (05/20/10)	
Department Approval: Serena Wright (05/18/10)	City Attorney Approval: Carol Schwab (by H. Baker) (05/19/10)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (05/19/10)	City Manager Approval: P. Lamont Ewell (05/19/10)

RECOMMENDATION:

Staff recommends that the City Council receive and file information related to the City's intention to provide additional service credit for Local Miscellaneous Members of the California Public Employees Retirement System.

BACKGROUND:

On Monday, May 17, 2010 the City Council received the City Manager's Proposed Budget for Fiscal Year 2010-2011 (Proposed Budget) which includes a Two-Year Action Plan (Action Plan). The Proposed Budget and Action Plan outlined a number of measures intended to address the projected budget shortfall. One of the presented options includes staff reductions. In order to mitigate the severity of layoffs, staff is proposing that City Council offer eligible employees within affected job classifications an Early Retirement Incentive equal to two years of additional service credit through the California Public Employees Retirement System (CalPERS). This action will reduce staffing levels and, subsequently, costs.

DISCUSSION:

In accordance with the Public Employees Retirement Law, two years of additional service credit may be offered to employees who have at least five years of CalPERS service and meet the minimum age requirement for a service retirement. 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, as designated by the City. Further, the City must certify that it intends to keep all vacancies permanently unfilled, resulting in an overall reduction in the workforce. The City can choose to eliminate the position held by the retiree or another position in the department or organizational unit.

To provide this early retirement incentive, the City must designate a window period of between 90 and 180 days during which eligible employees must retire to receive the early retirement incentive. Staff is recommending that the designated window period for this third round of Early Retirement Incentives be June 8, 2010 to September 8, 2010. (**Important Note: This window period applies to this Third Round of Early Retirement Incentives. The window period for the Second Round of Early Retirement Incentives remains unchanged with a closing date of June 15, 2010 with the last day to retire being June 14, 2010)**.

To offer this early retirement incentive, CalPERS requires the City to 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(c)(1)(A) and 20903(i), which requires 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 implementing the early retirement program.

Projected Savings Through Implementing the Early Retirement Incentive (ERI)

This third round of ERI has been focused on those classifications that mirror those positions currently proposed to be laid-off. As noted in the Fiscal Impact section of this report, should all positions eligible for this third round of ERI accept the incentive, the City would reduce staffing costs (exclusive of benefits) by $476,148.

Staff will be bringing back a report for the City Council's consideration and potential action to adopt the two years additional service credit on June 7, 2010.

FISCAL ANALYSIS:

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

Classification	Department	Projected Annual Salary Savings (*excluding benefits*)
Administrative Clerk	Community Development	$47,829
Associate Analyst	Community Development	$70,112
Equipment Service Worker	Transportation	$48,310
Heavy Truck Driver (2)	Public Works	$113,180
Laborer	Public Works	$40,570
Legal Secretary	City Attorney	$68,049
Maintenance Worker I	Parks, Recreation & Community Services	$46,883
Mechanic	Transportation	$63,462
Total Projected Annual Salary Savings:		**Up to $498,395**
Less Projected Annual City Cost to implement the Early Retirement Program:		**Up to ($22,247)**
Net Projected Annual Salary Savings:		**Up to $476,148**

In order to reduce the impact to the City, CalPERS allows the annual cost to be paid through an increase in the employer contribution rate, starting two fiscal years after the end of the designated window 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 salary and benefit savings resulting from the positions being vacated. It should be noted that benefits represent an additional 35% – 40% of salary in costs to the City.

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

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MOTION:

That the City Council:

1. Receive and file this report.