City of Culver City, California

Agenda Item Report

Meeting Date: 1/23/12	Item Number: A-1
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	
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 (01/19/12), Culver City Management Group (01/19/12), Culver City Employees Association (/19/12)	
Department Approval: Serena Wright (01/18/12)	City Attorney Approval: Carol A. Schwab (by H. Baker) (01/19/12)
Chief Financial Officer Approval: Jeff Muir (01/19/12)	City Manager Approval: John M. Nachbar (01/19/12)

RECOMMENDATION:

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

BACKGROUND:

As discussed over the past several months, the City is facing significant budgetary challenges due to a number of economic issues, including the elimination of the Redevelopment Agency. In light of this, staff is undertaking a number of measures to address the projected budget shortfall. One part of this strategy is recommending that City Council offer eligible employees within certain job classifications 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 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.
In order 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 be February 14, 2012 – May 14, 2012.

To offer this early retirement incentive, 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(c)(1)(A) and 20903(i), 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 implementing the early retirement program.

The projected salary savings, the increased costs due to an increase in the employer contribution rate, and the net savings are contained in the Fiscal Analysis section of this report. If all positions proposed to be offered the early retirement incentive were to take the incentive, then the following significant annual savings would be realized:

Gross Salary Savings:	$3,699,252
Less: Increased Costs:	$ 168,285
Net Salary Savings:	$3,530,967

The funding for the additional employer contributions shall be provided by the projected annual salary and benefit savings resulting from the affected positions being vacated as a result of early retirement.

Staff will be bringing back a report and resolution for the City Council's consideration and potential action to adopt the two years additional service credit on February 13, 2012.

Should the City Council ultimately adopt the resolution on February 13, 2012, this would be the fourth round of early retirement incentives offered by the City since the economic downturn began in 2008. Since 2009, through a combination of elimination of vacant positions and offering the prior rounds of early retirement incentives, the City has reduced its workforce by a total of 67 positions.

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)***
Deputy City Attorney I	City Attorney's Office	$124,993
Legal Operations Manager	City Attorney's Office	$98,889
Deputy City Clerk	City Clerk's Office	$79,023
Records Management Coordinator	City Clerk's Office	$66,046
Executive Assistant to City Manager	City Manager's Office	$77,463
Administrative Clerk	Community Development	$47,829
Administrative Secretary (2)	Community Development	$116,612
Associate Analyst	Community Development	$70,112
Associate Planner	Community Development	$83,060
Events Coordinator	Community Development	$89,506
Housing Assistant (2)	Community Development	$130,128
Occupancy Specialist	Community Development	$38,983
Management Analyst	Community Development	$83,060
Redevelopment Project Manager (2)	Community Development	$222,904
Structural Rehabilitation Specialist	Community Development	$76,695
Accountant II	Finance	$78,239
Accounting Division Manager	Finance	$107,099
Accounting Technician (2)	Finance	$117,198
Payroll Technician (2)	Finance	$129,480
Senior Account Clerk	Finance	$52,775
Treasury Division Manager	Finance	$107,099
Human Resources Analyst	Human Resources	$83,060
Safety Officer	Human Resources	$77,076
Information Systems Analyst	Information Technology	$87,305
Senior Computer Programmer Analyst	Information Technology	$101,385
Telecommunication Analyst	Information Technology	$81,827
Administrative Secretary (2)	Parks, Recreation & Community Services	$116,612

Classification	Department	Projected Annual Salary Savings (*excluding benefits)*
Senior and Social Services Specialist	Parks, Recreation & Community Services	$65,064
Senior Management Analyst	Parks, Recreation & Community Services	$98,889
Administrative Secretary	Police	$58,306
Property Technician	Police	$56,028
Secretary	Police	$52,251
Administrative Clerk/RPT	Public Works	$43,286
Administrative Secretary (2)	Public Works	$116,612
Clerk Typist/RPT	Public Works	$37,271
Permit Technician	Public Works	$52,251
Sanitation Crew Supervisor (2)	Public Works	$125,044
Senior Civil Engineer	Public Works	$119,510
Senior Management Analyst	Public Works	$98,889
Management Analyst	Transportation	$83,060
Secretary	Transportation	$52,251
Senior Management Analyst	Transportation	$98,889
Total Projected Annual Salary Savings:		**Up to $3,699,252**
Less Projected Annual City Cost to implement the Early Retirement Program:		**Up to ($168,285)**
Net Projected Annual Salary Savings:		**Up to $3,530,967**

It is unlikely that all eligible employees within the above listed classifications will retire within the designated window period. However, if 10% were to take advantage of the early retirement incentive, the City would realize the following savings:

Gross Salary Savings:	$369,925
Less: Increased Costs:	$ 16,828
Net Salary Savings:	$353,097

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 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.

The City will also 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.

ATTACHMENTS:

None

MOTION:

That the City Council:

Receive and file this report.