



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 15, 2010

ITEM NUMBER:

SUBJECT: DISCLOSURE OF COSTS TO PROVIDE TWO YEARS ADDITIONAL SERVICE CREDIT FOR LOCAL FIRE SAFETY MEMBERS

DATE: JUNE 10, 2010

FROM: ADMINISTRATIVE SERVICES DEPARTMENT (HUMAN RESOURCES DIVISION) AND FINANCE DEPARTMENT

PRESENTATION BY: DEBRA YASUI, HUMAN RESOURCES ADMINISTRATOR
BOBBY YOUNG, BUDGET AND RESEARCH OFFICER

FOR FURTHER INFORMATION CONTACT: DEBRA YASUI, HUMAN RESOURCES ADMINISTRATOR
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RECOMMENDATION:

Receive and file notice of Cost Disclosure to provide two years additional service credit for local Fire Safety members.

BACKGROUND:

The City contracts with CalPERS for retirement benefits for all full-time and some eligible part-time employees who qualify for retirement benefits. One of these options, under Government Code Section 20903, allows a contracting agency to provide "Two Years Additional Service Credit" to qualifying employees. In order to be eligible for this benefit, an employee must reach the minimum retirement age (50) and be vested with CalPERS (i.e., have attained five membership years).

The provision for the "Two Years Additional Service Credit" is designed to assist agencies during periods of economic or financial crisis. In particular, it provides an incentive for retirement through additional service credit and may only be offered in the event of impending mandatory transfers, demotions or layoffs. The decision to retire and accept this benefit is strictly voluntary. This benefit was last offered to the City's Miscellaneous and Safety (Police and Fire) groups in window periods from August through December 2009.

The current Memorandum of Understanding (MOU) between the City of Costa Mesa and the Costa Mesa Firefighters Association provides that the CalPERS contract will be amended to provide the 3%@50 retirement formula for the Fire group. This process was completed, and on June 6, 2010, the CalPERS contract amendment became effective. Article 6.1 of the CMFA MOU provides that "After the CalPERS contract has been amended to provide the 3%@50 benefit, the City also agrees to amend the CalPERS Safety Plan to provide CalPERS Section 20903 (Two Years Additional Service Credit) option as soon thereafter as permitted by CalPERS." As the CalPERS Safety Plan has

been amended to provide the Section 20903 benefit, the City will proceed with the steps necessary to designate a new window period for this benefit.

ANALYSIS:

Two steps are required to grant another window period for two years additional service credit for the Fire safety group. This item represents the first step which requires that the costs to provide the benefit be made public at a public meeting at least two weeks prior to the adoption of the Resolution granting the window period. The second step in the process will occur at the July 6, 2010 City Council meeting with the adoption of the Resolution. At that time, staff will also request that the City Council authorize the City Clerk to execute required CalPERS certifications and documents to ensure compliance with CalPERS' regulations

If adopted at that meeting, the retirement window period will open July 7, 2010 and will remain open for 90 days, until October 4, 2010.

ALTERNATIVES CONSIDERED:

Requirements of Meet and Confer as referenced in Government Code Section 3500 et seq. (Meyers-Milias-Brown Act) and Meet and Consult have been fulfilled. If CalPERS adoption requirements are met, no other alternatives are being considered.

FISCAL REVIEW:

A total of 22 Fire employees within the classifications identified above are of retirement age and would be eligible for the "Two Years Additional Service Credit" benefit. Government Code Section 20903 requires that the cost implications of the proposed amendment be made public at a public meeting at least two weeks prior to the adoption of the Resolution. The City is to certify compliance for said action. Implementation of this benefit is only possible if the governing body certifies that it is the intention that at least one position remains permanently unfilled.

Using cost factors supplied by CalPERS based on age for eligible employees to estimate the total cost of this benefit, it is estimated that if all 22 eligible employees elected to retire, the present value of the additional actuarially accrued liabilities would amount to **\$2,339,043** (from \$124.6 million to 126.9 million). The actual effect on the Employer Required Contribution (ERC) will not be known until after the election period is completed. However, no increase in the (ERC) rate would occur for two years. If in year three the ERC rate increases 1% the approximate cost would be \$8,000 (plus the relative value of any wage increases granted to employee groups during the ensuing two years).

The FY10-11 Proposed Budget assumes that 12 employees would take advantage of the CalPERS retirement incentive and that 12 of those positions vacated would not be replaced. Based upon the average budget impact of \$150,000 for vacated positions, the average annual payroll savings would be \$1,800,000. Additionally, more savings could be generated if more than 12 individuals take the retirement incentive and the City is required to hire new employees at a lower step on the wage scale than those that retired.

Again, it is important to note that the actual savings and additional costs due to the CalPERS retirement incentive will not be known until the time period to accept the retirement incentive has lapsed and the employees electing to retire are known.

LEGAL REVIEW:

This has been reviewed for compliance with legal requirements by the City Attorney.

CONCLUSION:

The CMFA MOU provides that a designated period for two years additional service credit be opened for eligible Fire safety members as soon after their retirement formula amendment is effective as permitted by CalPERS. Staff recommends that the City Council authorize and approve the procedural steps required by CalPERS, and the first step is the disclosure of the costs (to provide the benefit) at a public meeting at least two weeks prior to the adoption of the Resolution granting the window period.

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