City of Woodland

REPORT TO MAYOR AND CITY COUNCIL

AGENDA ITEM

TO: THE HONORABLE MAYOR
AND CITY COUNCIL

DATE: November 14, 2009

SUBJECT: Receive Cost and Approve CalPERS Two Years Additional Service Credit (Golden Handshakes)

Report in Brief

Staff has evaluated offering “Golden Handshakes” (two additional years of service credit to eligible employees) as an incentive for employees to retire within a designated time period to alleviate and/or minimize layoffs and General Fund budget shortfalls. Seven employees have indicated they would accept a Golden Handshake if such program is approved by the City Council. The purpose of this report is to comply with Government Code Section 7507 which requires that the cost to provide this benefit be made public at a public meeting at least two weeks prior to the adoption of the Resolution authorizing the City to implement this program.

Staff recommends that the City Council receive the cost associated with implementing a Golden Handshake program, approve such program and direct staff to present a resolution and associated required certifications for adoption by the City Council on December 1, 2009 to implement this program.

Background

The City implemented a Golden Handshake program (two years of additional service credit) for employees that were eligible to retire, met specific requirements outlined by the City and CalPERS, and retired during a designated retirement window that concluded on August 31, 2009. Twelve individuals participated in this summer 2009 Golden Handshake program. The summer 2009 Golden Handshake program was identified as the “first” program to avoid layoffs and minimize impacts to the General Fund during the 2009/2010 fiscal year. During the preparation of the 2009/2010 budget, it was determined that two rounds of Golden Handshakes would be necessary to avoid layoffs and minimize impacts to the General Fund for that fiscal year. Additionally, some MOU’s implemented during summer 2009 include a provision to implement a Golden Handshake program during the fall 2009. Therefore, a fall 2009 Golden Handshake program is being proposed to help balance the 2009/2010 budget and reduce potential layoffs that could occur in the 2010/2011 fiscal year.

Government Code Section 20903 (California Public Employees' Retirement Law) allows the City to offer two additional years of service credit to eligible employees as an incentive to retire if the City Council determines that "because of an impending curtailment of, or change in the manner of performing service, the best interests of the City would be served", as long as several criteria are met, including:

- Individuals electing to participate in this program are employed in departments and/or classifications that are subject to impending layoffs, transfers, or demotions.

- The department or classification must end up with at least one vacancy in any position in the department or classification. This vacancy must remain permanently unfilled resulting in an overall reduction in the workforce in the department and/or classification.

- Individuals electing to participate in this program are actively employed and retire within a designated period after City Council adopts the resolution to implement the program. The tentative retirement time period (based on a December 1, 2009 City Council adoption of the Resolution) would be from December 2, 2009 through April 30, 2010.

- The City Council understands that the employer cost to the retirement fund resulting from this program would be added to the City's Miscellaneous and Safety PERS employer contribution rates.

Based on the above criteria, all retirement eligible employees (at least 50 years old with at least 5 years of PERS service credit) in the following departments would be eligible to receive Golden Handshakes if approved by the City Council:

- Community Development Department
- Parks and Recreation Department
- Library
- Administrative Services Department
- Fire Department

Staff evaluated how a Golden Handshake program would be implemented, who specifically would be eligible for this benefit based on the above criteria, and the financial impact/benefit of implementing this program. Outreach to eligible departments was done via email, direct mailing and group and individual meetings between Human Resources and eligible employees.

Discussion

Seven employees have indicated they will retire with a Golden Handshake if approved by City Council. Implementing a Golden Handshake program, as well as other budget saving measures, will minimize the need to lay off staff as previously presented to the City Council on March 31, 2009 and as anticipated based on the current General Fund shortage. By implementing this program, the City will be required to keep vacancies created by retirements or at least one vacancy in any position in any department unfilled thereby resulting in an overall reduction in the work force. Staff has evaluated existing staffing and proposed retirements and has determined that at least one vacancy in the designated departments will remain permanently vacant, thus resulting in the required minimum 1% reduction in workforce.

Government Code Section 7507 requires that the cost to provide this benefit be made public at a public meeting at least two weeks prior to the adoption of a Resolution to implement such program. Approximate employer costs were calculated based on a CalPERS formula and cost factor. The total cost to provide this benefit is approximately $337,700. The total cost would be amortized over twenty years.

This added cost for employees who retire during the designated time period would then be included in the City's Miscellaneous and Safety CalPERS employer contribution rates for the fiscal year that begins two years after the end of the designated retirement window (assumed to be April 30, 2012 based on December 1, 2009 Council approval). The Miscellaneous CalPERS employer contribution rate for 2009/2010 is 14.718%. The adjusted rate taking into consideration the summer 2009 Golden Handshake program is 15.04%. Implementing the Golden Handshake program would increase the employer contribution rate to approximately 15.23% beginning in 2012. The Safety CalPERS employer contribution rate for 2009/2010 is 19.496%. Implementing the Golden Handshake program would increase the employer contribution rate from 19.496% to approximately 19.547% in 2012.

For illustrative purposes, if the City was charged the increased employer contribution rate for the upcoming fiscal year, the contribution rate would have changed from 15.04% of payroll ($2,026,679) to 15.23% ($2,051,254). This represents an increased contribution of $24,575 of which $11,386 would be from the General Fund.

The Safety contribution rate would have changed from 19.496% of payroll ($1,873,810) to 19.547% ($1,878,685). This represents an increased contribution from the General Fund totaling $4,875.

Fiscal Impact

The annual structural savings resulting from seven Golden Handshakes is $688,186, of which $477,795 is from the General Fund. The budgeted FY2010 savings resulting from the Golden Handshake program is less than this amount. This difference relates to varying retirement dates of the participants with most retiring closer to the end of the fiscal year. This results in FY2010 savings totaling $145,120, of which $118,137 is from the General Fund.

The total cost to provide this benefit is $337,700 which will be amortized over twenty years starting in 2012. The approximate annual cost, starting in 2012, would be $29,450, of which $16,261 is from the General Fund. The cost to implement the Golden Handshake program will be financed by cost savings from positions vacated by employees and/or other budget savings measures/revenue sources at the time.

Public Contact

Posting of the City Council agenda.

Recommendation for Action

Staff recommends that the City Council receive the cost associated with implementing a Golden Handshake program, approve such program and direct staff to present a resolution and associated required certifications for adoption by the City Council on December 1, 2009 to implement this program.

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Attachment: Government Code Section 20903

Attachment

Government Code Section 20903. Notwithstanding any other provisions of this part, when the governing body of a contracting agency determines that because of an impending curtailment of, or change in the manner of performing service, the best interests of the agency would be served, a local member shall be eligible to receive additional service credit if the following conditions exist:

(a) The member is employed in a job classification, department, or other organizational unit designated by the governing body of the contracting agency and retires within any period designated in and subsequent to the effective date of the contract amendment, or any additional period or periods designated in any subsequently adopted resolution of the governing body of the contracting agency, provided the period is not less than 90 days nor more than 180 days.

(b) The governing body agrees that the added cost to the retirement fund for all eligible employees who retire during the specified period shall be included in the contracting agency's employer contribution rate, as determined by Section 20814.

(c) The governing body shall certify that it is electing to exercise the provisions of this section, because of impending mandatory transfers, demotions, and layoffs that constitute at least1 percent of the job classification, department, or organizational unit as designated by the governing board, resulting from the curtailment of, or change in the manner of performing, its services.

(d) The governing body shall certify that it is its intention at the time that this section is made operative that if any early retirements are granted after receipt of service credit pursuant to this section, that any vacancies thus created 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 workforce of the department or organizational unit.

(e) The amount of additional service credit shall be two years regardless of credited service.

(f) This section is not applicable to any member otherwise eligible if the member receives any unemployment insurance payments during the specified period.

(g) Any member who qualifies under this section, upon subsequent reentry to this system shall forfeit the service credit acquired under this section.

(h) This section does not apply to any member who is not employed by the contracting agency during the period designated in subdivision (a) and who has less than five years of service credit.

(i) This section does not apply to any contracting agency unless and until the agency elects to be subject to the provision of this section by amendment to its contract made in the manner prescribed for approval of contracts, except an election among the employees isn't required, or, in the case of contracts made after January 1,2000, by express provision in the contract making the contracting agency subject to the provisions of this section. Before adopting this provision, the governing body of a contracting agency shall, with timely public notice, place the consideration of this section on the agenda of a public meeting of the governing body, at which time disclosure shall be made of the additional employer contributions, and the funding therefor, and members of the public shall be given the opportunity to be heard. The matter may not be placed on the agenda as a consent item. Only after the public meeting may the governing body adopt this section. The governing body shall also comply with the requirements of Section7507. The employer shall notify the board of the employer's compliance with this subdivision at the time of the governing body's application to adopt this section.

(j) The contracts of contracting agencies that adopted the provisions of former Section 20903, prior to the repeal of that section on January 1, 1999, shall remain in full force and effect in accordance with their terms and the terms of this section. Notwithstanding subdivision (i), those contracting agencies need not amend their contracts or otherwise comply with the requirements of subdivision (i) to be subject to this section. Without limiting the foregoing, eligibility periods under subdivision (a) of former Section 20903, designated by the governing body of a contracting agency by resolution pursuant to the terms of its contract or contract amendment, shall remain in effect in accordance with their terms as if designated pursuant to this section.

(k) Notwithstanding Section 20790, an election to become subject to this section may not exclude an agency from the definition of" employer" for purposes of Section 20790.