



AGENDA REPORT

Meeting Date: June 22, 2010
Item Number: E-1
To: Honorable Mayor & City Council
From: Scott G. Miller, Director of Administrative Services/CFO
Neil A. Comelo, Personnel Manager 
Mark A. Brower, Senior Management Analyst
Subject: RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS
TO GRANT ANOTHER DESIGNATED PERIOD FOR TWO YEARS
ADDITIONAL SERVICE CREDIT FOR ELIGIBLE MISCELLANEOUS
EMPLOYEES OF THE CITY

Attachments:

1. Resolution
2. Certification of Compliance with Govt. Code Section 20903
3. Actuarial Letter

RECOMMENDATION

Staff recommends that the City Council adopt "Resolution of the Council of the City of Beverly Hills to Grant Another Designated Period for Two Years Additional Service Credit for Eligible Miscellaneous Employees of the City."

INTRODUCTION

The economic downturn has had a negative impact on the City's revenue sources and the City's budget in general. As a result, projections for FY 2010/11 are that the City will experience a General Fund budget gap of approximately \$9 million if corrective actions are not taken. Consistent with the direction of the Mayor and City Council, staff is undertaking a number of steps to address the projected gap both for the upcoming fiscal year and future years. As part of this budget strategy, staff is recommending the City Council offer eligible employees in certain job classifications the option of an early retirement incentive, which can result in an immediate and sustained cost savings. The Council's specific goal was to provide this cost saving measure only if the cost recovery from this program is possible within two years of its implementation.

Staff is seeking the City Council's approval of the attached resolution to implement the CalPERS retirement incentive option which adds two years of service credit to each eligible employee. The details are described further below.

A. CalPERS – 2 Years of Service Credit

The City of Beverly Hills contracts with CalPERS to provide retirement plans for employees. The City may provide early retirement incentives to eligible members who retire during a Council designated period. The CalPERS retirement incentive program adds two years of service credit to each eligible employee. The City has currently contracted with CalPERS to only offer this program to miscellaneous employees. Employees who elect this early retirement program must retire within a time period set by the City Council.

To provide the CalPERS additional service credit it must be the City's intention, under Government Code Section 20903, to keep all vacancies created by retirements under this section or at least one vacancy in any position in any department or other organizational unit permanently unfilled, thereby resulting in an overall reduction in the work force.

To be eligible for the early retirement incentive, an employee must have reached age 50, completed five years of service credit with CalPERS, and retire during the designated period. The estimated costs were based upon staff recommendations that the Council designate this period as June 23, 2010 to December 15, 2010. In order for the City to participate in the program, the following conditions must be met:

1. The City must certify the following:
 - A) Because of an impending curtailment of, or change in the manner of performing services, the best interests of the agency will be served by granting such additional service credit.
 - B) The added cost to the retirement fund for all eligible employees who retire during the designated window period will be included in the contracting agency's employer contribution rate for the fiscal year that begins two years after the end of the designated period.
 - C) It has selected to become subject to Section 20903 because of impending mandatory transfers, demotions, and layoffs that constitute at least 1 percent of the job classification, department, or organizational unit, as designated by the governing body, resulting from curtailment of, or change in the manner of performing, its services.
 - D) Its intention at the time Section 20903 becomes operative is to keep all vacancies created by retirements under this section or at least one vacancy in any position in any department or other organizational unit permanently unfilled thereby resulting in an overall reduction in the work force of such department or organizational unit.

2. The City must also make public the cost to provide the two year additional service credit benefit at least two weeks prior to the adoption of the resolution implementing the incentive. At the June 3, 2010 City Council meeting, the Council, consistent with Government Code Section 7507, made these costs public. Thus the City has complied with this requirement.

The resolution authorizing the benefit is the item before the City Council this evening for City Council approval.

The classifications included for the CalPERS retirement incentive program detailed in this report are listed below. Employees in the eligible classifications must retire from City employment during the designated window. The window to accept this early retirement benefit and retire is June 23, 2010 to December 15, 2010.

Administrative Clerk I – Public Works
 Executive Assistant I - Community Development Department
 Principal Planner
 Purchasing Specialist
 Senior Plan Review Engineer

As the City Council is aware, as part of the City’s overall strategy, the City is offering various retirement incentive options. At the June 3, 2010 City Council meeting, the City Council authorized a cash-out retiree incentive option as set forth in that agenda report. In general to qualify for the cash-out option, an employee (in the same classifications above) must resign from City service and thereafter retire from CalPERS by December 15, 2010. The incentive amount is calculated by multiplying the employee’s number of completed years of City of Beverly Hills service in a full time position as of the employee’s retirement effective date, by one week’s base pay, up to a maximum of \$60,000. The cash incentive is deposited into a 401(k), 457(b) or 415(m) account.

Employees in the above classifications/organization units can either choose the 2 years of CalPERS service credit or choose the Cash-Out incentive. The costs and savings related to the two incentive programs are listed below.

CalPERS – 2 Years of Service Credit

Cost	1st Year Net Savings	2nd Year Net Savings	2-Year Savings Total
\$306,501	\$411,961	\$718,462	\$1,130,423

Cash Out (already authorized by City Council on June 3, 2010)

Cost	1st Year Net Savings	2nd Year Net Savings	2-Year Savings Total
\$144,648	\$573,814	\$718,462	\$1,292,276

B. Phase 2 of Early Retirement Incentive Program

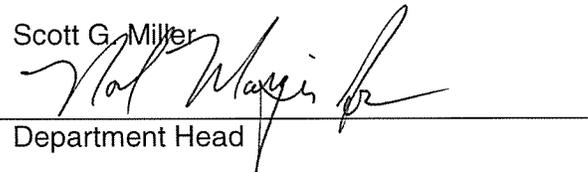
At the June 3, 2010, Staff also presented to the City Council “Phase 2” of the overall early retirement incentive program (in addition to the CalPERS 2 year credit or the cash-out option which is Phase 1). Phase 2 is still under development and Staff will return to the Council under a separate agenda in the following months to seek authorization for the Phase 2 program. Phase 2 of the Early Retirement Incentive will be open to wider range of employees. An important component of the Phase 2 program will be the substitution of the CalPERS 2 year credit with a Public Agency Retirement Services (PARS) benefit which will be offered along with the Cash-Out option. The agenda report will include plan documents, cost estimates, list of eligible classifications and governing resolution.

BUDGET/FISCAL IMPACT

The cost of the proposed retirement incentive is not to exceed \$2,500,000, and will be funded using general and enterprise fund reserves. The appropriation of these funds will be part of the FY 2010-2011 budget. The amount used to fund this program will be repaid within two years by the savings resulting from the elimination of the positions. Assuming that all six eligible employees take one of the two early retirement incentive options, the two year total savings is estimated to range between \$1,130,423 and \$1,292,276. It is anticipated however that only four of the six employees will avail of this incentive program. Since this is a voluntary program the exact cost of the savings cannot be determined until after the end of the enrollment period within which employees must retire.

Sandra Olivencia-Curtis

Human Resources

Scott G. Miller

Department Head

Attachment 1

Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE COUNCIL OF THE CITY OF
BEVERLY HILLS TO GRANT ANOTHER DESIGNATED
PERIOD FOR TWO YEARS ADDITIONAL SERVICE
CREDIT FOR ELIGIBLE MISCELLANEOUS EMPLOYEES
OF THE CITY**

WHEREAS, the City Council of the City of Beverly Hills is a contracting Public Agency of the Public Employees' Retirement System; and

WHEREAS, the City of Beverly Hills amended its contract with the Public Employees' Retirement System by Ordinance No. 09 – O - 2572 on November 17, 2009 to provide Two Years Additional Service Credit, pursuant to California Government Code Section 20903, to eligible Miscellaneous members of the City of Beverly Hills; and

WHEREAS, the City of Beverly Hills desires to provide another designated period for Two Years Additional Service Credit, pursuant to California Government Code Section 20903, based on the contract amendment included in said contract which provided for Section 20903, Two Years Additional Service Credit, for eligible Miscellaneous members.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF BEVERLY HILLS DOES HEREBY FIND, ORDER AND RESOLVE AS FOLLOWS:

Section 1. The City Council does seek to add another designated period, and does hereby authorize this Resolution, indicating a desire to add a designated period from June 23, 2010 to December 15, 2010 for eligible miscellaneous members in the following classifications/organization units:

Principal Planner,
Administrative Clerk I in the Public Works Department,
Purchasing Specialist,
Senior Plan Review Engineer, and
Executive Assistant I in the Community Development Department.

Section 2. The City Council authorizes the Mayor to certify to the City Council's compliance with the requirements of Government Code Section 20903.

Section 3. The City Council authorizes the City Manager to take all necessary, lawful and appropriate actions to implement the actions specified in Section 1 of this Resolution.

Section 4. The City Clerk shall certify to the adoption of this resolution and shall cause this resolution and his certification to be entered into the Book of Resolutions of the Council of this City.

Adopted:

JIMMY DELSHAD
Mayor of the City of
Beverly Hills, California

ATTEST:

BYRON POPE
City Clerk (SEAL)

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:



SCOTT G. MILLER
Director of Administrative Services/
Chief Financial Officer

Attachment 2

Certification of Compliance with
Govt. Code Section 20903

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Employer Services Division
Contract Maintenance Unit
P.O. Box 942709
Sacramento, CA 94229-2709

**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 20903**

In accordance with Government Code Section 20903 and the contract between the Public Employees' Retirement System, the City Council of the City of Beverly Hills hereby certifies that:

1. Because of an impending curtailment of, or change in the manner of performing service, the best interests of the agency will be served by granting such additional service credit.
2. The added cost to the retirement fund for all eligible employees who retire during the designated window period will be included in the contracting agency's employer contribution rate for the fiscal year that begins two years after the end of the designated period.
3. It has elected to become subject to Section 20903 because of impending mandatory transfers, demotions, and layoffs that constitute at least 1 percent of the job classification, department or organizational unit, as designated by the governing body, resulting from the curtailment of, or change in the manner of performing, its services.
4. Its intention at the time Section 20903 becomes operative is to keep all vacancies created by retirements under this section or at least one vacancy in any position in any department or other organizational unit permanently unfilled thereby resulting in an overall reduction in the work force of such department or organizational unit.

THEREFORE, the City Council of the City of Beverly Hills hereby elects to provide the benefits of Government Code Section 20903 to all eligible members who retire within the designated period, _____ through _____.

CITY COUNCIL
OF THE
CITY OF BEVERLY HILLS

BY _____
Presiding Officer

Attest:

Clerk/Secretary

Date

Attachment 3

Actuarial Letter



May 26, 2010

Mr. Scott Miller
Administrative Services Director & Chief Financial Officer
City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, CA 90210-4817

Re: CalPERS – Cost Study of Two Years Additional Service Credit Program

Dear Scott,

As requested, we reviewed the estimated cost for the City of Beverly Hills to provide optional contract provisions under California Public Employees' Retirement Law through the California Public Employees' Retirement System (CalPERS).

In particular, we estimated the cost to provide Two Years Additional Service Credit (Section 20903) to certain employees. Under this provision, eligible participants who elect to retire immediately receive an additional two years of service credit towards their pension benefits.

Summary of Results

We were asked to estimate the additional cost for six named individuals, who all benefit under the Miscellaneous 2.5% @ 55 benefit program. Assuming all six participants elect the enhanced benefits, the estimated additional costs follow:

Actuarial Liability	\$290,000 to \$530,000
(spread over 20 year period)	
Total Annual Cost	up to \$40,000

This estimate is based on CalPERS' assumptions using Miscellaneous group mortality and a 7.75% interest rate.

Commentary

The range of liabilities results from the number of ways one could analyze the cost of the plan amendment, which include methodologies briefly discussed below:

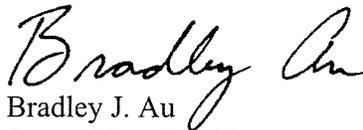
- *CalPERS' Procedure for Calculation of "Additional Employer Contributions"* – as described in the Optional Benefit Listing, this algorithm calculates additional total liability and annual cost estimates based on CalPERS' valuation methodologies and assumptions.

- *Actuarial Liability Increase* – this is the additional liability created strictly from additional years of service credit, assuming immediate benefit commencement. It is not necessarily the result based on actuarial valuation methodology.
- *Annual Cost Increase* – this can vary depending on whether annual costs changes are analyzed over a period of time (i.e., average costs), or for a particular year (e.g., next valuation year). The range of results shown represents an estimate of the varying cost increases over a number of years. The actual impact on the Annual Required Contribution (ARC), which is the City's funding requirement, is expected to be near the low end of the range initially and increase to the high end of the range over 20 years.

Average demographic information for the six participants used in this analysis includes: average age 56.1, average years of service 15.4, average salary \$80,000.

We would be pleased to discuss our analysis at your convenience. Please call me if you have any questions.

Sincerely,



Bradley J. Au
Senior Vice President

c: Neil Comelo
Mark Brower
Shella Phan
Kate Shiflett