



AGENDA REPORT

Meeting Date: October 27, 2009
Item Number: E-2
To: Honorable Mayor & City Council
From: Scott G. Miller, Director of Administrative Services/CFO
Neil A. Comelo, Personnel Manager 
Subject: ORDINANCE OF THE CITY OF BEVERLY HILLS ADOPTING AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF BEVERLY HILLS WHICH WILL PROVIDE TWO YEARS ADDITIONAL SERVICE CREDIT FOR LOCAL MISCELLANEOUS MEMBERS PER GOVERNMENT CODE SECTION 20903.

Attachments:

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

RECOMMENDATION

Staff recommends

- Approval of the attached Ordinance to amend the City's contract with the California Public Employees' Retirement System (CalPERS) to provide two Years Additional Service Credit for local miscellaneous members per Government Code Section 20903.
- Authorize the Mayor to execute a Certificate of Compliance per Government Code Section 20903.

INTRODUCTION

During the budget discussions Council had in May and June of 2009, one of the cost saving measures Council directed staff to review was an early retirement program. On June 16, 2009, staff brought to the Council the CalPERS early retirement program that met the cost savings goals the Council required. At that meeting, the City Council took the first step of the three step process to implement this program by approving a resolution of intention to amend the contract with CalPERS to provide two additional years of service credit for miscellaneous employees if they retire within the designated period.

Tonight's report and ordinance, is the second of the three required actions and complies with Government Code Section 7507 which requires that the cost to provide the two year additional service credit benefit be made public at least two weeks prior to the final adoption of the ordinance. Tonight's actions include the approval of the first reading of the ordinance, presents background information, lists the classifications/organization units which will be offered the benefit in this round, and cost estimates of offering this benefit. This is all included in the agenda report. Also as required by law, an actuary is present at this meeting to provide additional information as needed.

The third Council action will be the final reading of the Ordinance which will be submitted to the City Council for recommended adoption on November 17, 2009. If Council approves the final reading, then employees in classifications identified must retire during the designated period as approved by Council (recommended for December 21, 2009 to March 31, 2010), to receive the two years of service credit. This is part of the City's overall strategy to reduce staffing levels and thereby reduce General Fund costs.

DISCUSSION

The current economic downturn has had a negative impact on the City's major revenue sources. Consistent with the direction of the Mayor and City Council, staff is undertaking a number of steps to address this projected shortfall. As part of the strategy, staff is recommending that the City Council offer eligible employees in certain job classifications/organization units two years of additional retirement service credit with the California Public Employees' Retirement System (CALPERS) if they retire during a designated period.

To provide this 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. The conditions in this report meet CalPERS requirements. To be eligible, an employee must have reached age 50, completed five years of service credit with CalPERS, and retire during the designated period. The designated period to retire as recommend by staff is December 21, 2009 to March 31, 2010. In order for the City to participate in the program, the following conditions must be met:

1. An amendment to the City's contract with CalPERS must be made to allow for this provision.
2. 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.

- The City must disclose the costs associated with this action at a public meeting two weeks prior to adopting the ordinance.

Only the employees in the following classifications//organization units are recommended to be offered participation in the two-year service credit retirement incentive benefit.

- LI Assistant City Clerk
- LF Executive Assistant I in the City Clerk Dept
- DA Human Resources Specialist
- GQ Recreation Services Manager in the Senior Adult organizational unit of the Community Services Dept
- LW Senior Library Clerks in the Circulation organizational unit of the Community Services Dept.
- DL Training and Organizational Development Manager

Staff also recommends that the Council authorize the Mayor to execute a Certificate of Compliance with Government Code Section 20903. This information is required pursuant to that section and sets forth the City's intention to comply with the provisions of Section 20903.

BUDGET/FISCAL IMPACT

Position Title	Annual Cost of Position	Annual Cost of Buy Out (Per Year for 20 Years)	Two Year Savings with Position Vacant
Assistant City Clerk	\$ 136,504	\$ 3,932	\$ 257,280
Executive Assistant I - City Clerk	\$ 89,077	\$ 2,408	\$ 168,522
Human Resources Specialist	\$ 101,407	\$ 2,692	\$ 192,044
Recreation Services Manager - Senior Adult Unit of Community Services	\$ 139,857	\$ 3,365	\$ 266,254
Senior Library Clerk - Circulation Unit of Community Services	\$ 78,224	\$ 2,187	\$ 147,700
Training and Development Manager	\$ 173,092	\$ 5,158	\$ 325,552
TOTAL	\$ 718,161	\$ 19,742	\$ 1,357,352

The estimated two year savings of this program is \$1,357,352. Total savings are based upon the positions listed above electing the benefit and being kept vacant for two years.

Attached is the state required letter from an actuary. The annual estimated cost of this program is \$14,000 - \$30,000 and the financial impact is noted above.


 Neil A. Comelo
 Personnel Manager
 Approved By


 Scott G. Miller, Director of
 Administrative Services, CFO
 Approved By

ORDINANCE NO. 09-_____

AN ORDINANCE OF THE CITY OF BEVERLY HILLS ADOPTING AN AMENDMENT TO THE CONTRACT BETWEEN THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM AND THE CITY OF BEVERLY HILLS WHICH WILL PROVIDE TWO YEARS ADDITIONAL SERVICE CREDIT FOR LOCAL MISCELLANEOUS MEMBERS PER GOVERNMENT CODE SECTION 20903

The Council of the City of Beverly Hills does hereby ordain as follows:

Section 1. That an amendment to the contract between the City Council of the City of Beverly Hills and the Board of Administration, California Public Employees' Retirement System is hereby authorized, a copy of said amendment being attached hereto, marked "Exhibit", and by such reference made a part hereof as though herein set out in full.

Section 2. The Mayor of the City of Beverly Hills is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the City; and to certify the City Council's compliance with Government Code Section 20903.

Section 3. This Ordinance shall go into effect and be in full force and effect at 12:01 a.m. on the thirty-first (31st) day after its passage.

Adopted:

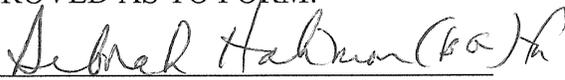
Effective:

NANCY KRASNE
Mayor of the City of Beverly Hills, California

ATTEST:

(SEAL)
BYRON POPE
City Clerk

APPROVED AS TO FORM:



LAURENCE S. WIENER
City Attorney

APPROVED AS TO CONTENT:

RODERICK J. WOOD
City Manager



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

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Branch
Public Agency Contract Services
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (225-7377)

**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

October 20, 2009

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	\$275,000 to \$325,000
(spread over 20 year period)	
Total Annual Cost	\$14,000 to \$30,000

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

Commentary

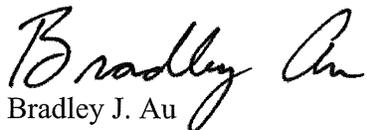
The range of liabilities results from the number of ways one could analyze the cost of the plan amendment, which include methodologies briefly discussed below:

- *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.

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: Mark Brower
Shella Phan
Kate Shiflett