



AGENDA REPORT

Meeting Date: November 30, 2010
Item Number: E-2
To: Honorable Mayor & City Council

From: Scott G. Miller, Director of Administrative Services/CFO
Neil A. Comelo, Personnel Manager
Mark A. Brower, Senior Budget & Financial Analyst

Subject: AUTHORIZE IMPLEMENTATION OF THE PUBLIC AGENCY RETIREMENT SYSTEM (PARS) EARLY RETIREMENT INCENTIVE PROGRAM

Attachments: None

RECOMMENDATION

Staff recommends the City Council

- Authorize implementation of the early retirement program through PARS with anticipated net annual savings of approximately \$1.7M over two years.
- Authorize the CFO to appropriate and transfer funds from the City's reserves of up to \$2.5M for the cost of offering this program and to appropriate and transfer back to reserves the amount taken from operating funds.

INTRODUCTION

The economic downturn has had a significant negative impact on the City's major revenue sources as with many California Cities. In addition, the City's fixed costs continue to increase. Per City Council direction, staff has been looking for various ways to reduce expenses without significantly hurting service levels. City staff brought forward the concept of early retirements during budget discussions earlier this year, which the City Council subsequently approved thus helping to narrow a projected budget deficit of approximately \$2 million for Fiscal Year 2011/12.

The early retirement program offered consists of two-phases, and provides a financial incentive for eligible employees to retire early. Per the City Council direction, the program results in net cost savings within two fiscal years of its implementation.

Phase I of the early retirement program, was implemented in FY 2009/10 (CalPERS and Cash-Out). Staff recommends the City Council approve Phase II of the early retirement program and offer eligible employees in certain job classifications the option of an early retirement incentive.

DISCUSSION

The City of Beverly Hills contracted with PARS to provide an early retirement program to eligible City employees. As a contracting agency, the City through PARS will provide early retirement incentives to eligible members who retire during a designated period.

To be eligible for the early retirement incentive, an employee must be a full-time Miscellaneous (non-sworn) employee (excluding the City Manager, Assistant City Manager, Deputy City Manager, Department Heads, Communication Dispatchers, Communication Supervisor, Civilian Rangemaster, and the City Clerk).

Additional eligibility criteria include:

- a) being employed by the City of Beverly Hills as of July 22, 2010;
- b) being fifty (50) years of age as of March 10, 2011;
- c) having at least one (1) year of City of Beverly Hills service as of March 10, 2011;
- d) resigning from City of Beverly Hills employment effective no later than March 10, 2011; and
- e) retiring under PERS effective no later than March 11, 2011.

Phase II of the Early Retirement Plan Incentive provides eligible employees the choice of one of two retirement incentive options:

1. PARS (Public Agency Retirement Services)

Since 1983, PARS, a private company that provides retirement programs tailored to public agencies has designed and implemented supplemental retirement programs to more than 228 agencies and has over 15,000 program participants in California.

The PARS program provides eligible employees with 7% of their final base pay which is paid over an actuarially determined lifetime, 5, 10, or 15 year options.

2. Cash Out Option

This option provides retirement eligible employees with a cash incentive to retire from City service. The incentive amount is calculated by multiplying the employee's number of completed full 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 will be deposited into a 401(k), 457 or 415(m) account.

BUDGET/FISCAL IMPACT

A total of 160 employees met the above criteria of whom 25 enrolled in the PARS early retirement option. The City's Department Heads in consultation with the City Manager have determined that all 25 individuals should be allowed to avail of the early retirement program. The annual cost of these 25 positions for salary and benefits is \$2.6 million. The Staff determined through extensive analysis that the value of only 40% of these positions will need to be replaced to keep departments operating efficiently and effectively. These replacements have an annual cost of approximately \$985,000 and results in a two year net savings of \$1.05 million and thus meets the City Council's direction of saving money within two fiscal years. The chart below details the costs and savings associated with the Departments who have employees participating in the early retirement incentive program:

Department	Current Salary and Benefits	PARS Costs	40% Annual Rehire Allowance	1st Year Projected Savings	2nd Year Projected Savings	Cumulative 2 Year Projected Net Savings
Community Development 1 position	\$92,475	\$46,836	\$36,990	\$8,649	\$56,317	\$64,966
Community Services 8 positions	\$691,808	\$368,162	\$276,723	\$46,922	\$421,311	\$468,233
Information Technology 1 position	\$120,248	\$74,129	\$48,099	(\$1,980)	\$73,231	\$71,251
Police Department 2 positions	\$185,382	\$95,947	\$74,153	\$15,282	\$112,898	\$128,180
Policy and Management 1 position	\$184,064	\$125,000	\$73,626	(\$14,562)	\$112,095	\$97,533
Public Works 12 positions	\$1,362,044	\$774,126	\$544,818	43,100	\$829,485	\$872,585
Totals (25 Positions)	\$2,636,021	\$1,484,200	\$1,054,408	\$97,412	\$1,605,337	\$1,702,749

The 25 employees who elected to participate in the early retirement program occupy the following positions:

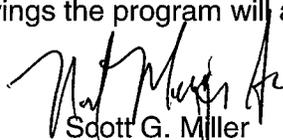
Department	Current Job Class Title
COMMUNITY DEVELOPMENT	DEVELOPMENT SERVICES TECHNICIAN II
COMMUNITY SERVICES	SENIOR LIBRARY TECHNICIAN
COMMUNITY SERVICES	PARK SERVICES WORKER
COMMUNITY SERVICES	LIBRARY CLERK II
COMMUNITY SERVICES	LIBRARIAN II
COMMUNITY SERVICES	LIBRARIAN III
COMMUNITY SERVICES	PARK SERVICES WORKER
COMMUNITY SERVICES	LIBRARY CLERK II
COMMUNITY SERVICES	PARK SERVICES WORKER
INFORMATION TECHNOLOGY	CLIENT SUPPORT ADMINSTRATOR
POLICE DEPARTMENT	TRAFFIC CONTROL OFFICER
POLICE DEPARTMENT	EXECUTIVE ASSISTANT I
POLICY AND MANAGEMENT	DIRECTOR OF ECONOMIC DEVELOPMENT AND MARKETING
PUBLIC WORKS	CIVIL ENGINEERING
PUBLIC WORKS	SUPERVISING PUBLIC WORKS INSPECTOR
PUBLIC WORKS	CENTRAL STOREROOM SUPERVISOR
PUBLIC WORKS	PARKING SERVICES TECHNICIAN
PUBLIC WORKS	PARKING ENFORCEMENT SUPERVISOR
PUBLIC WORKS	PARKING TECH SUPERVISOR
PUBLIC WORKS	PARKING OPERATIONS MANAGER
PUBLIC WORKS	STAFF ASSISTANT
PUBLIC WORKS	STAFF ASSISTANT
PUBLIC WORKS	PROJECT MANAGER
PUBLIC WORKS	CENTRAL STORES SPECIALIST
PUBLIC WORKS	ENVIRONMENTAL PROGOGRAM INSPECTOR

The cost of the program is projected to be \$1.5 million and the savings is estimated to be approximately \$1.6 million annually.

The City Council previously authorized funds not exceeding \$2.5 million towards the proposed retirement incentive program from general and enterprise fund reserves or other funds. The amount used to fund this program will be repaid to the appropriating funds within two years through the salary savings the program will achieve.


Sandra Olivencia-Curtis

Assistant Director of Administrative Services
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Scott G. Miller

Director of Administrative Services / CFO