INFORMATIONAL MEMORANDUM

TO: Agency Commissioners

FROM: Fred Blackwell
Executive Director

SUBJECT: Costs for Providing Two Years Additional PERS Service Credit

PURPOSE OF INFORMATION

Pursuant to Government Code Section 20903, the Two Years Additional Service Credit option can be made available to eligible employees affected by an Agency layoff. The Agency’s contract with the Public Employees’ Retirement System (PERS) was amended on June 28, 1988 to provide additional retirement service credit for eligible employees to take early retirement.

On September 15, 2009, staff will request that the Agency Commission grant an additional designated period pursuant to Government Section Code 20903 of the PERS law to provide two years additional PERS service credit. Government Code Section 7507 requires that the costs to provide this benefit be made public at a public meeting at least two weeks prior to the adoption of the Resolution.

DISCUSSION

The Agency has contracted with PERS for staff retirement benefits since April of 1961, and the Agency’s PERS contract has been amended several times since then to provide optional benefits that are available under the law. The California law sets certain procedures for contracting entities to amend their contracts. On June 28, 1988 by Resolution No. 144-88, the Agency Commission authorized an amendment to the Agency’s PERS contract to provide Two Years Additional Service Credit for eligible employees. At the time of its original adoption, it was made available to all Agency classifications and five individuals took advantage of the option. In 1991, the option was offered to two classifications and two employees exercised the option. In June of 1993 one employee exercised the option. The last time it was offered in April of 2003, two classifications and two employees exercised the option.

As the Commission is aware, the Agency along with other City departments has been instructed to reduce staffing levels. The Agency has reduced its personnel budget and provided notices of layoff to affected employees. Staff proposes to provide the retirement incentive to the Architect job family, specifically, the Senior Architect and the Architect Associate classifications.

In order to implement a new “window period” for the service credit option, the Agency needs to certify that:
1. Because of an impending curtailment of, or change in the manner of performing service, the best interests of the Agency would be served by granting such additional service credit.

2. It has elected to become subject to Section 20903 because of impending mandatory transfers, demotions, or layoffs that constitute at least one 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.

3. Payment shall be made of the amount equal to the actuarial equivalent of the difference between the allowance the member receives after receipt of such service credit and the amount the member would have received without such service credit with respect to all eligible employees who retire during the specified period.

The Agency meets the criteria set forth by PERS to implement a new “window period” option. Two positions have been eliminated from the Agency’s fiscal year 2009-2010 budget. Both positions are filled, and of the two affected employees, one is eligible for retirement. The elimination of one Senior Architect and one Public Information Officer meets the criteria set forth in #2 above which requires a layoff to constitute at least a one percent reduction of the classification, department or organizational unit.

In addition, given the need to minimize our expense and in relation to the workload, the Agency is also including an Architecture Associate classification. In total, three employees will retire (two Senior Architects and one Architecture Associate).

The cost of the option is calculated based upon an actuarial projection of the cost to the retirement system for the additional two-year service credit. The factors considered in calculating the employer cost are the age and annual salary of the employee. The current fiscal year 2009-2010 salary and benefit costs for the eligible employees are $426,114 prorated. The estimated cost of providing the option is $153,640 prorated, therefore, providing a savings to the Agency in the amount of $272,474 prorated for fiscal year 2009-2010. The cost of the retirement option would be paid by the use of the employer’s (Agency) assets held by PERS. All conditions of electing the retirement option are met by the Agency and the proposed action will establish the window period for the eligible classifications from September 16, 2009 through March 15, 2010.

By Steven Martinez, Human Resources Manager

Fred Blackwell
Executive Director
bc: Steve O’Keefe, IFPTE Local 21
    Steven Martinez
    Amy Lee
    Stephen Maduli-Williams
    Olson Lee
    James Morales