M E M O R A N D U M

F i n a n c e   D e p a r t m e n t

DATE: September 14, 2010

TO: City Council

FROM: Dave Warren, Director of Finance

SUBJECT: Retirement Incentive Program-Two Years Additional Service Credit Option

RECOMMENDATION

That the City Council adopt a resolution that grants another designated period for two years additional service credit.

BACKGROUND

In response to the devastating affects the Great Recession had on City revenue streams, the Council amended its contract with CalPERS in Fiscal Year 2009/2010 to include the two years additional service credit option. A designated period was established, and the option was offered to eligible employees as an incentive to retire early in order to effectuate budget savings for the City. The lingering affects of the Recession continue to inhibit the City's revenues resulting in a forecasted General Fund budget deficit in Fiscal Year 2010/2011. Tonight, staff is requesting the Council to adopt a resolution that grants another designated period for two years additional service credit.

ANALYSIS:

The first designated period was very successful resulting in twelve retirements that generated much needed budget relief In Fiscal Year 2009/2010. At that time, the option was offered to all eligible miscellaneous employees due to magnitude of the $1.04 million forecasted General Fund deficit in Fiscal Year 2009/2010.

In developing the Fiscal Year 2010/2011 General Fund budget, the City began with a forecasted $217,873 deficit. Last spring, Administration began speaking with employees who are eligible to retire and provide material savings to the General Fund Budget. In doing so, staff identified three positions that are eligible and show strong interest in participating in the retirement incentive program. The net cost savings of the three positions is projected to be $84,186 which was assumed in the adopted Fiscal Year 2010/2011 General Fund Budget. By retiring within the designated period encompassing September 16, 2010 to January 7, 2011, employees would receive two additional years of service credit toward their retirement benefits. Employees who participate in the program are ineligible to receive unemployment benefits. Due to the smaller forecasted General Fund deficit in Fiscal Year 2010/2011, staff is recommending the proposed designated period be limited in scope to just the Director of Community Development, Director of Public Works, and employees who work in the Parks Division.

At its regularly scheduled meeting held August 24, 2010, staff presented the estimated costs associated with offering another designated period to eligible employees and the Council certified the City's compliance with Government Code 20903. The last step is the adoption of the attached resolution granting another designated period.

FISCAL IMPACT:

If approved by the Council, the retirement incentive program would provide up to five eligible employees including two additional years service credit thereby effectuating much needed budget savings. CalPERS requires the City to calculate and disclose the estimated present value of the additional employer costs due to the two years additional service credit based on all eligible employees who are eligible to retire with the City of Placerville. Generally, employees are eligible to retire if they are at least 50 years of age and have at least five years service credit with the City of Placerville. Currently there are five employees who have been identified and are eligible to elect this benefit and retire including the Director of Community Development, Director of Public Works, and three employees who work in the Parks Division. The present value of the benefit is estimated to be $218,604 which represents the total dollars needed today to fund the benefit in the future for all five employees. The benefit can be amortized for up to twenty-years, and the additional annual contribution would be approximately $16,511 or 0.54% of payroll.

Based on staff's conversation with interested employees, it is estimated that up to three employees will actually elect the benefit and retire. Based on these three employees retiring within the designated period, the estimated present value of the additional employer cost would be $157,504. The annual amortized contribution would be $11,896 or 0.39% of payroll, which is much less than the cost of just one position annually. If approved by the Council, the additional employer contribution would begin July 1, 2013.

Tonight, staff respectfully requests the Council to adopt the attached resolution as presented.

Prepared By:

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Dave Warren
Director of Finance

Reviewed and Approved for Submittal:

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John Driscoll
City Manager/City Attorney