

**TOWN OF
APPLE VALLEY, CALIFORNIA**

AGENDA MATTER

Subject:

TWO YEARS ADDITIONAL SERVICE CREDIT PROGRAM WINDOW PROGRAM APPROVAL FOR FY 2011/12

Summary Statement:

On June 22, 2011, staff presented the idea of adding the two year additional service credit retirement incentive benefit to allow for salary savings in lieu of layoffs. Over the last few months, staff has been working with representatives from the California Public Employees' Retirement System (CalPERS) to assemble the required paperwork to implement the pension reforms discussed with Council.

On September 27, 2011, Town Council approved Ordinance 423 amending the contract between the Town of Apple Valley and the Board of Administration of the California Public Employees' Retirement System which allows for Government Code Section 20903 – Two Years Additional Service Credit.

In an effort to continue to continue looking for cost savings measures, the Town of Apple Valley is looking at offering the two years additional service credit. The recommended retirement window period for this program is November 15, 2011 to March 15, 2012. The first step to process is for the Town Council to approve the window period and to make public the estimated cost of offering this benefit at the Town Council meeting. The next step in the process is bringing back the adoption of the resolution at the next council meeting.

(Continued)

Recommended Action:

Staff recommends the approval of the designated window period for implementation of the two years additional service credit for the miscellaneous unit in accordance with the CalPERS contract.

Proposed by: Nikki Salas, Director of HR/Risk Mgmt. **Item Number** _____

T. M. Approval: _____ **Budgeted Item** **Yes** **No** **N/A**

To be eligible to participate in this program, Town employees must have the following:

1. Work in an identified job classification
2. Have a minimum of five (5) years of CALPERS service credit with the Town
3. Be employed by the City for at least one day during the designated period and retire during the designated period.

The Town designed all miscellaneous classifications and those employees meeting the eligibility required are able to retire during the designated period.

Financial Impact:

By offering the additional two years service credit, the Town of Apple Valley will see an increase in the cost of the CalPERS employer contribution rate. The increase will be included in the fiscal year rate starting two years after the end of the designated retirement period. Therefore, should the Town Council approve this recommendation the Town would begin to pay the increased employer rate for the miscellaneous CalPERS contract on July 1, 2014.

If all eligible employees retire during the window period, the estimated increase to the Town's employer contribution rate is 1.58% which will be offset by the decrease in the Town's payroll. If all eligible staff members retire during the window period, the cost of the benefit over the lifetime of the retirees is \$1,685,748 and this amount will be amortized over twenty (20) years. The Town calculated these rates using the formula provided by CalPERS. The immediate cost savings for the remainder of Fiscal Year 2011-12 is up to \$513,340 including all applicable payouts at the time of retirement if all eligible employees leave during the designated window period.

Based on the actual number of staff that has indicated that they are planning on leaving during the retirement window, the Town expects to save \$110,371 for the remainder of FY 2011/12. Additionally, by not replacing all vacant positions the Town expects to save upwards of \$1,262,493 over five (5) years.