



DATE: February 22, 2017

TO: Waste Management Authority Board

FROM: Wendy Sommer, Executive Director

BY: Pat Cabrera, Administrative Services Director

SUBJECT: Workforce Strategy: Two-Year Service Credit

SUMMARY

At the February 22, 2017 Waste Management Authority (WMA) Board meeting, pursuant to the direction from the WMA Board, staff will present cost and other information required by CalPERS to offer two years additional service credit to eligible employees in the Program Manager I, Program Manager II and Senior Program Manager classifications (in exchange for early retirement) as a cost saving strategy. Board approval of this benefit is required prior to the adoption of the enacting resolution which will be presented at the March 22, 2017 WMA Board meeting.

DISCUSSION

Staff is committed to achieving long-term financial stability for the Authority, with the goal of matching ongoing or “core” expenditures with ongoing revenue. The Board has directed the Executive Director to think about long-term wind down plans for the agency, should we accomplish our tonnage goals. Scale-down plans will have to include staff reductions. Doing so now, and gradually, gives us more flexibility to adjust future budgets depending on our priorities.

At the January 25, 2017 closed session meeting, the WMA Board authorized the Executive Director to move forward with achieving ongoing labor savings by offering eligible employees the opportunity to retire with two years additional service credit, as allowed under CalPERS rules. Eligible employees are those 50 years or older, with at least five years of service. Those eligible to receive this benefit have served the agency well for many years, and acknowledging their contribution by offering this incentive is consistent with our employment philosophy. This benefit is offered as an option. We would not be “forcing” staff to take this offer.

CalPERS Requirements

The following are steps required by CalPERS:

1. WMA Board adopts a contract amendment to provide for this benefit (already done in June, 2008).
2. WMA Board defines the window period for which eligible employees can decide to retire under this option, designates the classifications, and states the maximum cost should all the eligible employees choose to retire with additional service credit.
3. WMA Board adopts the resolution specifying the window period and classifications, which will be put forth for consideration at the March 22, 2017 WMA Board meeting.
4. WMA Board President signs required documents (see Attachment A) certifying that : a) the two-year service credit is being granted in lieu of impending layoffs resulting in a permanent reduction in work force, and b) the future cost has been made public in a public meeting at least two weeks prior to adoption of the resolution.

Cost, Savings and Window Period

CalPERS provided the Authority with a formula to determine the cost of providing this benefit (see Attachment B). Based on this formula, along with additional information from the CalPERS actuary (as a result of the impending change in the discount rate), the table below illustrates the different scenarios:

Employees taking two-year service credit	Estimated One-Time Total Cost	Ongoing Annual Savings Includes backfill estimates as needed
9 (max)	\$892,000	\$635,000
5	\$509,000	\$557,000
3*	\$301,000	\$348,000

*Cost and savings based on three definite "opt ins"

As illustrated above, if all nine eligible employees chose to retire with this benefit the total cost would be approximately \$892,000, with ongoing annual salary savings of approximately \$635,000. We do not expect that all eligible employees would opt to retire early. We are anticipating that the maximum one-time cost based on the projected number of employees that may leave would total approximately \$509,000. Those positions would either be eliminated or replaced with a different and most likely lower classification or contractor. This amount would be paid from fund balance as opposed to paying it over time and accruing interest.

Once the one-time cost of \$509,000 is paid, we estimate a net savings of approximately \$557,000 per year, with replacement costs built in. In other words, we will be able to more than recoup the cost in one year. In addition, based on a proposed end date of September 30, 2017 for the designated window

period, the Authority would not receive the “bill” for this benefit from CalPERS until 2019. As such, we would realize immediate savings (based on estimated retirements).

CalPERS requires a window period of between 90 and 180 days for employees to make a decision and retire. In order to facilitate a smooth transition of duties and complete outstanding project deliverables, we are recommending a window period commencing May 1, 2017 through September 30, 2017. Since eligible employees are not required to make their decisions prior to the designated window period (September 30), staff will develop the FY 17/18 budget based on tentative commitments of those who will likely accept this offer.

RECOMMENDATION

Staff recommends that the WMA Board approve offering the two-year service credit to eligible employees in the Program Manager I, Program Manager II and Senior Program Manager classifications, and approve establishing the window period to begin May 1, 2017 and end September 30, 2017. Staff further recommends that the Board direct the Executive Director or designee to prepare the enacting resolution for action at the March 22, 2017 WMA Board meeting.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Financial Office | Pension Contract Management
Services & Prefunding Programs
P.O. Box 942703 Sacramento, CA 94229-2703
888 CalPERS (or 888-225-7377)
TTY: (877) 249-7442 | Fax: (916) 795-4673
www.calpers.ca.gov

CERTIFICATION OF GOVERNING BODY'S ACTION

I hereby certify that the foregoing is a true and correct copy of a Resolution adopted by the

_____ of the
(governing body)

(public agency)

on _____
(date)

Clerk/Secretary

Title

**BOARD OF DIRECTORS
OF THE
ALAMEDA COUNTY WASTE MANAGEMENT AUTHORITY
RESOLUTION
TO
GRANT ANOTHER DESIGNATED PERIOD
FOR
TWO YEARS ADDITIONAL SERVICE CREDIT**

WHEREAS, the Board of Directors of the Alameda County Waste Management Authority is a contracting Public Agency of the Public Employees' Retirement System; and

WHEREAS, said Public Agency desires to provide another designated period for Two Years Additional Service Credit, Section 20903, based on the contract amendment included in said contract which provided for Section 20903, Two Years Additional Service Credit, for eligible members;

NOW, THEREFORE, BE IT RESOLVED, that said Board of Directors does seek to add another designated period, and does hereby authorize this Resolution, indicating a desire to add a designated period from _____ through _____ for eligible _____ members in the _____.

Adopted and approved this _____ day of _____, _____.

**BOARD OF DIRECTORS
OF THE
ALAMEDA COUNTY WASTE MANAGEMENT
AUTHORITY**

BY _____
Presiding Officer

Attest:

Clerk/Secretary

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Pension Contract Management Services & Prefunding Programs
P.O. Box 942703 Sacramento, CA 94229-2703

**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 Board of Directors of the Alameda County Waste Management Authority 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 Board of Directors of the Alameda County Waste Management Authority hereby elects to provide the benefits of Government Code Section 20903 to all eligible members who retire within the designated period, _____ through _____

**BOARD OF DIRECTORS
OF THE
ALAMEDA COUNTY WASTE MANAGEMENT
AUTHORITY**

BY _____
Presiding Officer

Attest:

Clerk/Secretary

Date

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

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Services & Prefunding Programs

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**CERTIFICATION OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 7507**

I hereby certify that in accordance with Section 7507 of the Government Code the future annual costs as determined by the System Actuary for the increase/change in retirement Benefit(s) have been made public at a public meeting of the _____
(governing body)

of the _____ on _____
(public agency) (date)

which is at least two weeks prior to the adoption of the Resolution / Ordinance.

Adoption of the retirement benefit increase/change will not be placed on the consent calendar.

Clerk/Secretary

Title

Date _____

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Pension Contract Management Services & Prefunding Programs
(888) CalPERS (225-7377)

TWO YEARS ADDITIONAL SERVICE CREDIT
Section 20903

PROCEDURES FOR CALCULATION OF ESTIMATED EMPLOYER COST

The cost of providing the two years additional service credit is calculated based on the member's annual reportable compensation, the cost factor and whether the agency's contract provides the Post-Retirement Survivor Allowance (Survivor Continuance) and/or an increased Cost-of-Living Allowance of 3%, 4% or 5%.

The employer cost may be estimated as follows:

1. Determine all individuals who meet the minimum eligibility for retirement and who are employed in the designated classification, department or organizational unit.
2. Determine the annual pay rate for each person. "Pay Rate" indicates that amount of compensation a member is paid for a full unit of time. Always use the member's FULL TIME pay rate.
3. Determine the age for each person and locate the appropriate factor on the Cost Factor Chart.
4. Multiply the annual pay rate by the cost factor.
5. Determine whether your agency's contract provides for the Post-Retirement Survivor Allowance. If yes, proceed to step #7.
6. If your agency's contract does not provide for the Post-Retirement Survivor Allowance, multiply the value determined in step #4, above, by 0.95.
7. Determine whether your agency's contract provides for the increased Cost-of-Living Allowance of 3%, 4% or 5%. If not, no further calculations are needed.
8. If your agency's contract provides the 3%, 4%, or 5% cost-of-living allowance, multiply the value determined above by 1.09 to estimate the cost of providing the additional service credit.
9. Please note the cost of any Golden Handshakes' benefits paid out of PERF is calculated as the amount of present value of those benefits. Any benefit amounts over the IRC Section 415(b) limit will be paid from the Replacement Benefit Program (RBP) over the life of the participant. The RBP is a pay-as-you-go program. CalPERS will bill the employer annually for the benefits paid from the RBP. Please refer to the following link for the details of the IRC Section 415 & CalPERS RBP:

<http://www.calpers.ca.gov/eip-docs/about/pubs/member/internal-revenue-code-section415.pdf>

COST FACTOR CHART

TWO YEARS ADDITIONAL SERVICE CREDIT

MISCELLANEOUS MEMBERS

	<u>2% @ 60 formula</u>	<u>2% @ 55 formula</u>	<u>2.5% @ 55 formula</u>	<u>2.7% @ 55 formula</u>	<u>3% @ 60 formula</u>	<u>2% @ 62 formula</u>
Ages	All	All	All	All	All	All
50-54	0.36	0.48	0.65	0.67	0.65	0.34
55-59	0.45	0.58	0.69	0.74	0.74	0.41
60-64	0.57	0.60	0.63	0.68	0.76	0.50
65+	0.55	0.55	0.56	0.61	0.68	0.56

SAFETY MEMBERS

	<u>2% @ 55 formula</u>	<u>2% @ 50 formula</u>	<u>3% @ 55 formula</u>	<u>3% @ 50 formula</u>
Ages	All	All	All	All
50-54	0.49	0.68	0.79	0.90
55-59	0.56	0.76	0.85	0.85
60-64	0.52	0.70	0.78	0.78
65+	0.47	0.63	0.70	0.70

	<u>2% @ 57 formula</u>	<u>2.5% @ 57 formula</u>	<u>2.7% @ 57 formula</u>
Ages	All	All	All
50-54	0.48	0.64	0.66
55-59	0.56	0.70	0.76
60-64	0.52	0.65	0.70
65+	0.47	0.59	0.63