

**REPORT TO MAYOR AND COUNCIL****TO THE HONORABLE MAYOR AND COUNCIL:**

DATE: June 1, 2009

**SUBJECT: ADOPT RESOLUTION NO. 09-50 APPROVING A SUPPLEMENTAL RETIREMENT PROGRAM THROUGH THE PUBLIC AGENCY RETIREMENT SYSTEM (PARS) AND APPOINTING THE ASSISTANT CITY MANAGER AS THE PLAN ADMINISTRATOR**

**Report in Brief**

The City currently has a \$14 million dollar budget deficit. Consequently, the Council has directed the City Manager to pursue a supplemental retirement program (SRP) that will act as an incentive to encourage qualified employees to voluntarily retire from the City. By so doing, the City will reduce its workforce, creating budget savings that help address the City's structural budget shortfall. The SRP benefit would be offered through the Public Agency Retirement System (PARS), a private company that specializes in supplementary retirement plans for public agencies, and has been doing so since 1983. To be eligible for the SRP program an employee must be (1) employed by the City as of June 1, 2009, and (2) at least 50-years old, with 5-years of City of Concord service credit and eligible to retire under PERS as of September 1, 2009. As proposed, the SRP will be offered to eligible employees and would provide a benefit equal to 7% of the employee's base pay as a supplemental monthly retirement payment each year. Employees participating in the program would retire on or before August 31, 2009 and would receive their first payment through the program in October of 2009. PARS estimates that at least 33 employees will choose to participate in the SRP and that the City would save a minimum of \$720,000 in the first full year of the program, and a total of \$3.1 million after 3-years (assuming that no more than 50% of retiring employees are replaced).

**Discussion**

The City Council has held two study sessions on the budget and at both has endorsed the concept of using a retirement incentive program as a means of shrinking the City's workforce to help meet budget reduction goals. Staff evaluated the option of a CalPERS (California Public Employee Retirement System) retirement incentive program and the PARS retirement incentive program. Staff's research determined that the PARS SRP is preferable to the CalPERS' Two Additional Years of Service Credit Option because it does not add to the City's future CalPERS employer rates, will save more money for the City through higher employee participation rates, provides an equal to more generous benefit to participating employees, grants the participating employee more pay-out options, is easier for the City to implement, and avoids the strict statutory requirements imposed by the CalPERS program. PARS has been providing supplemental retirement programs since 1983 and their program is used by more than 228 agencies with over 15,000 participants in

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California. The PARS SRP program complements and is in addition to an employee's CalPERS retirement benefit.

If Council adopts the resolution establishing the SRP program at its June 1 meeting, all eligible employees will receive a packet of information within a week that explains the program in detail, provides specific information on the benefit payment amount based on the individual employee's base pay, invites the employee to attend an information session with PARS staff, and includes all of the necessary application materials. It is important to stress that this supplementary retirement program is a tool to shrink the size of the organization in order to address the City's structural budget deficit; consequently, it will be offered only once for a limited period of time

### **PARS SRP Program Description**

**Program Eligibility:** All Miscellaneous and Safety Employees, excluding the City Manager, City Attorney and Department Heads, that meet the following requirements:

- Are employed by the City as of June 1, 2009; and
- Are at least fifty (50) years of age with five (5) years of City service credit and are eligible to retire under PERS as of September 1, 2009; and
- Have resigned from City employment effective no later than August 31, 2009 and concurrently retire under CalPERS.

The City Manager has discretion to offer the PARS SRP to Department Heads that meet the eligibility requirements listed above.

**Participation Requirements:** Qualified employees who desire to participate in the program must submit all required PARS enrollment materials, and a letter of resignation from City employment, by July 17, 2009. Once this program enrollment deadline passes, an employee's resignation is irrevocable and may not be rescinded unless the City withdraws the PARS SRP program offer.

**Supplemental Retirement Benefit Payments:** The annual total payment would be equal to 7% of an employee's annual base pay as of June 1, 2009. There are a variety of options for how an employee may choose to receive his/her payments. All of the options will be explained in detail to the eligible employees, and are explained briefly below.

The basic unmodified benefit offered through this SRP shall be a monthly cash income for the lifetime of the participant equal to seven percent (7%) of the participant's base pay as of June 1, 2009. Base pay shall not include differentials, special duty, special assignment, or educational incentive pay. Alternative monthly forms of benefit payments will also be offered. Each alternative payment option has the equivalent present value as the basic benefit. Below is a brief description of the alternative payment models:

- 100% joint-and-survivor payments
- Payments made for the life of the participant, with a guaranteed 10-year minimum

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- Fixed term monthly payments ranging from five (5) to fifteen (15) years in duration. These payments are guaranteed to the participant for the full term selected and are eligible for a direct IRA rollover, which may be beneficial to some employees.

The choice of payment model and the choice of beneficiary, if choosing a joint-and-survivor payment model, are final on July 17, 2009. The amount of the monthly cash payment is fixed as of July 17, 2009, and shall not increase thereafter. Benefit payments under this SRP plan commence in October of 2009.

**Final Decision on Implementing the Plan:** The City has until July 31, 2009 to determine if the PARS SRP will meet its fiscal objectives, and may withdraw the SRP as to some or all eligible employees if it does not. The City must notify enrolled employees of the withdrawal on or before July 31, 2009. If the City withdraws the incentive as to some or all eligible employees, all resignations of employees from whom the offer was rescinded will be automatically revoked. In addition, a decision by the City to withdraw the Plan in its entirety will result in a Five Thousand Dollar (\$5,000) charge from PARS for services rendered.

**Funding the SRP:** In order to join the SRP Program, the City will establish a plan within the PARS Trust. The cost of funding the Plan and paying the Plan management fees is roughly equivalent to one year of an employee's salary for each participating employee. The City can choose to fund the Plan all at once or over time, to a maximum time of 5-years. The City may choose to buy annuities to fund the Plan, self fund, or use some combination of both. The City will use general fund salary savings to fund the Plan. At this time, staff proposes to assume a 5-year funding schedule with year one being self-funded, because annuity rates are exceptionally low. PARS administration fees are 4.5% of the money invested in the Trust for the benefit of the Plan and collected by PARS only at the time money is placed in the Trust. Depending on the financial product or products utilized, there may be additional financial management fees. Once the SRP is annuitized, the insurance company assumes responsibility for all remaining benefit obligations of the program and PARS for the administration of the program.

**Administering the Plan:** Under the terms of the PARS SRP Program, the City is required to appoint a Plan Administrator, who, among other things, is authorized to finalize and execute necessary documentation pertaining to the Plan, and to serve as the primary contact at the City for communications from PARS. Assistant City Manager Valerie Barone has previously been named the Plan Administrator with respect to PARS's administration and financial guidance of the City of Concord Retirement System; naming her to the same post for the purposes of SRP Plan is a logical choice.

### **Fiscal Impact**

The cost of the program, including the 4.5% management fees payable to PARS, will approximately equal one year of salary for each participant, payable over five years. The PARS SRP, combined with strict control on the number of positions refilled will have a net, positive fiscal impact on the City's budget. PARS estimates, based on their extensive experience with local agencies and their SRP program, that at least 33 employees will enroll. If the City commits to refilling no more than 50% of the positions at 85% of the retiring employee's salary, the City will save approximately \$3.1 million over three years.

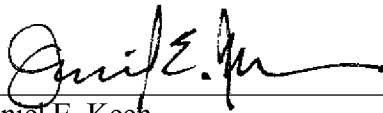
### **Public Contact**

Posting of the agenda.

**Recommendation for Action**

Staff recommends the City Council adopt Resolution No. 09-50 adopting a supplemental retirement program through the Public Agency Retirement System (PARS) and appointing the Assistant City Manager as the Plan Administrator.

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Daniel E. Keeh  
City Manager

Attachment #1: Resolution 09-50 with attachment

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD  
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**ADOPTION OF THE PARS SUPPLEMENTAL  
RETIREMENT PROGRAM**

**Resolution No. 09-50**

**WHEREAS**, the City of Concord’s 10-year Financial Plan currently identifies a \$14 Million structural budget deficit; and

**WHEREAS**, the City Council finds it to be in the fiscal interest of the City of Concord (the “City”) and its employees to provide a supplementary retirement program to eligible employees who wish to voluntarily exercise their option to separate from City service; and

**WHEREAS**, the City of Concord is a member of the Public Agency Retirement System (PARS) Trust for the purpose of providing tax qualified retirement benefits; and

**WHEREAS**, the PARS Trust has made available a Supplementary Retirement Plan (SRP), supplementing CalPERS and qualifying under the relevant sections of the Internal Revenue Code and the California Government Code.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES  
RESOLVE AS FOLLOWS**

**Section 1.** The City Council does hereby adopt the PARS Supplementary Retirement Plan (SRP), as described in the Exhibit to this Resolution, effective June 1, 2009; and

**Section 2.** The Supplementary Retirement Plan must have sufficient plan participation to meet the City’s fiscal and operational objectives. If the objectives are not reached, the City may withdraw the retirement incentive. If the City withdraws the incentive as to some or all eligible employees, all resignations of employees from whom the offer was rescinded will be automatically revoked; and

**Section 3.** The City Council hereby appoints the Assistant City Manager as the City’s Plan Administrator for the PARS Supplementary Retirement Plan; and

**Section 4.** The City's PARS SRP Administrator is hereby authorized to execute the PARS legal and administrative service documents on behalf of the City to implement a PARS Supplemental Retirement Program. In addition, if the City's PARS Administrator finds that the PARS SRP benefit

1 must be limited under Section 415 of Internal Revenue Code, then the Plan Administrator will  
2 implement replacement benefit programs at no additional cost to the City.

3 **PASSED AND ADOPTED** by the City Council of the City of Concord on June 1, 2009, by  
4 the following vote:

5 **AYES:** Councilmembers -

6 **NOES:** Councilmembers -

7 **ABSTAIN:** Councilmembers -

8 **ABSENT:** Councilmembers -

9 **I HEREBY CERTIFY** that the foregoing Resolution No. 09-50 was duly and regularly  
10 adopted at a regular joint meeting of the City Council and the Redevelopment Agency of the City of  
11 Concord on June 1, 2009

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Mary Rae Lehman, CMC  
City Clerk

15 **APPROVED AS TO FORM:**

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Craig Labadie  
18 City Attorney

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20 Exhibit A: Description of the PARS SRP  
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**Exhibit A to Concord City Council Resolution No. 09-50**  
**June 1, 2009**

**Concord PARS Supplemental Retirement Program Description**

**1.0 Eligibility**

- 1.1 Miscellaneous and Safety Employees (excluding City Manager, City Attorney and Department Heads) that meet all of the following requirements:
  - a. Are employed by the City as of June 1, 2009; and
  - b. Are at least fifty (50) years of age with five (5) years of City service and eligible to retire under PERS as of September 1, 2009;
  - c. Resign from City employment effective no later than August 31, 2009 and concurrently retire under CalPERS.
- 1.2 The City Manager has the discretion to offer this supplemental retirement program to Department Heads that meet the requirements (a-c) above.

**2.0 Participation Requirements**

- 2.1 The resignations of participants are irrevocable as of the enrollment deadline and may not be rescinded unless the City withdraws the incentive pursuant to Paragraph 2.2 below.
- 2.2 If the plan does not meet the fiscal objectives of the City, the City may withdraw the incentive, provided it notifies enrolled employees of the withdrawal on or before July 31, 2009. If the City withdraws the incentive as to some or all eligible employees, all resignations of employees from whom the offer was rescinded will be automatically revoked.
- 2.3 Participation in the retirement incentive requires:
  - a. Submission of required PARS enrollment materials and City Letter of Resignation to PARS by July 17, 2009; and
  - b. Resignation from City employment effective on or before August 31, 2009; and
  - c. Retirement under CalPERS effective on or before September 1, 2009.

### **3.0 Incentive Payments**

- 3.1 Regarding the basic incentive under this plan:
- a. For eligible participants, the basic, unmodified benefit shall be a monthly cash income for the lifetime of the participant equal to seven percent (7.00%) of Final Base Pay.
  - b. For purposes of this plan, Final Base Pay shall be defined as the current PERSable monthly wage, exclusive of differentials, special duty, special assignment, or educational incentive pay, as of June 1, 2009 multiplied by 12.
- 3.2 Alternative monthly forms of payment of equivalent present value to the basic benefit shall be offered. They shall include:
- a. 100% Joint-and-survivor payments
  - b. Payments made for the life of the participant, subject to a ten year minimum
  - c. Fixed term monthly payments ranging from five (5) to fifteen (15) years in duration. These payments are guaranteed to the participant for the full term selected.
- 3.3 The amount of monthly cash payment shall be fixed (no cost of living adjustment) as of July 17, 2009 and shall not increase thereafter.
- 3.4 The choice of form of payment (and the choice of payment beneficiary if choosing a joint-and-survivor form of payment) shall become final upon July 17, 2009 and shall not be subject to change thereafter.
- 3.5 City PARS benefits are scheduled to commence October 1, 2009.

### **4.0 Trust Administrator**

- 4.1 The Trust Administrator for the Retirement Incentive shall be Public Agency Retirement Services (PARS).
- 4.2 Administration fees for this program shall be equal to 4.5% of plan contributions. If the City rescinds the program, a one-time fee of \$5,000 shall apply.