

# Agenda Report

March 20, 2000

TO: CITY COUNCIL  
FROM: CITY MANAGER  
SUBJECT: **ADOPTION OF RESOLUTION TO IMPLEMENT THE PUBLIC AGENCY RETIREMENT SYSTEM (PARS) SEPARATION INCENTIVE PLAN (SIP)**

## **RECOMMENDATION:**

It is recommended that the City Council adopt the PARS SIP Resolution which would provide the City Manager with the flexibility to offer as options, voluntary retirement incentive plans and customized severance packages for eligible employees.

## **BACKGROUND:**

The City is a member of the Public Agency Retirement System. PARS is the administrator for the optional retirement benefit plan the City currently provides for all City Service Workers.

In the past the City has participated in the PERS "Golden Handshake" (GHP) early retirement program. We have learned that under PERS there are many restrictions and limitations in participating in the Golden Handshake program. For example, the City can participate in GHP only when it is offered during a specified window period, usually 120 days. Other restrictions include, PERS audits following each offering of the GHP; number of years for additional service credit, the eligibility limitation specific to a department, or position classifications that may be impacted by an impending curtailment, or change in the manner of performing service. The other restriction is that the City is prohibited from filling the position once vacated by a GHP recipient.

Under the Public Agency Retirement System (PARS) Separation Incentive Plan (SIP) the Plan Administrator is afforded more flexibility in both offering SIP and the administration of the same. For an example, the City can offer retirement incentive packages to select individuals, eligibility is not restricted by classification level or department. Another attractive feature of the Plan includes the ability to fill behind a position once it has been vacated for a period of perhaps two years (this could also result in savings to the City). We would be better able as an organization, to creatively address concerns such as restructuring a department to fit new operation requirements, workforce reduction due to budgetary limitations, constructively deal with problem employees leading to their departure on a positive basis, and the flexibility to customize a severance package for select employees. PARS Separation Incentive Plan avoids the administrative compliance burden and strict statutory requirements imposed by CalPERS Golden Handshake program.

PARS staff will perform the on-going administration of SIP. This would include retirement counseling with the participants and meeting Federal and State reporting requirements. We believe SIP's flexible design will foster a win-win approach for both the employer and the employee.

Before any offering is made to an employee, the Plan Administrator will be required to submit an agenda report to the City Council for approval.

The three-step process required to offer SIP to City employees would include:

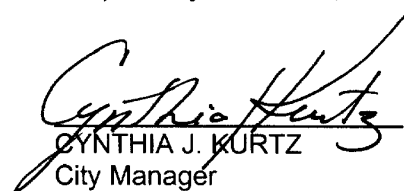
- Plan Administrator (or designee) would contact PARS and identify who is eligible to participate in the SIP and the desired benefit level.
- PARS would calculate the benefit cost to the City and provide counseling to the participant(s) about benefit options.
- The City would make a contribution to the PARS Trust according to a funding schedule, and PARS would distribute payments to the participant.

**FISCAL IMPACT:**

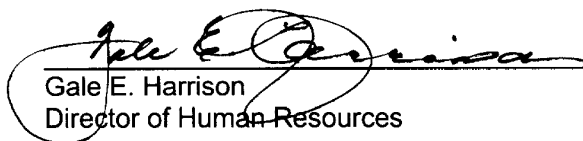
PARS administrative expenses will be five and one-half percent (5.50%) of all contributions made by the City on behalf of participants. PARS fees will be billed to the trustee as contributions are made by the City, and those fees will be paid from the assets of the plan. In addition, the PARS Trustee has a trustee fee of 0.12% of contributions. PARS guarantees, as a measure of cost containment, that their total administrative expenses will not exceed six percent (6.00%) of total contributions. This guarantee will be effective through April 1, 2001.

There is no fiscal impact associated with the adoption of this Resolution. The fiscal impact will occur once an offering is approved for an employee

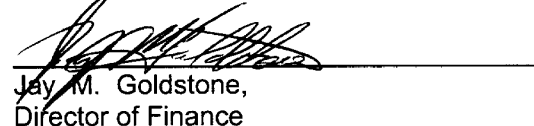
Respectfully Submitted,

  
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City Manager

Approved:

  
Gale E. Harrison  
Director of Human Resources

Concurred:

  
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