

**MONTEREY COUNTY BOARD OF SUPERVISORS
MONTEREY COUNTY WATER RESOURCES AGENCY**

MEETING:	June 15, 2010 – 10:30 a.m.	AGENDA NO.:	S-2
SUBJECT:	Introduce, waive reading, and set for adoption on June 22, 2010, an ordinance authorizing an amendment to the contract between the Monterey County Water Resources Agency Board of Supervisors and the Board of Administration of the California Public Employees' Retirement System (PERS) relating to Partial Service Retirement		
DEPARTMENT:	County Administrative Office		

RECOMMENDATION:

It is recommended that the Board of Supervisors introduce, waive reading, and set for adoption on June 22, 2010, an ordinance authorizing an amendment to the contract between the Monterey County Water Resources Agency Board of Supervisors and the Board of Administration of the California Public Employees' Retirement System (PERS) relating to Partial Service Retirement.

SUMMARY/DISCUSSION:

On May 25, 2010, a Resolution of Intent to amend the WRA PERS contract was approved by the Board of Supervisors. The final action necessary is the adoption of the Ordinance (Attachment A) on June 22, 2010 authorizing an amendment to the contract. A copy of the amended contract (Attachment B) is attached. Once the Ordinance is approved, the contract amendment will take effect on July 22, 2010.

The WRA has a PERS contract separate and apart from the Monterey County Miscellaneous and Safety PERS contract (when the WRA was formed an election was made not participate in Social Security). The recommended action is an ordinance to amend the WRA's PERS contract to make available Partial Service Retirement (PSR). If amended, the County Board of Supervisors retains the discretion, by its own policies and procedures, to offer or not offer PSR to member employees. Many PERS agencies have amended their PERS contract to allow PSR and not made PSR available to member employees. Since PERS allows agencies to manage the PSR program as the agencies see fit, no actuarial study is required to amend the contract.

The PSR program has the potential to assist in transitions to retirement and reduce County wage expenditures. A "fact sheet" summarizing the PSR program is attached (Attachment C).

Approval of the ordinance ensures the County's compliance with the timelines necessary for this amendment to provide potential cost savings in FY 2010-11.

OTHER AGENCY INVOLVEMENT:

County Counsel has reviewed the ordinance and contract.

FINANCING:

There are no costs associated with this action.

Prepared by:



Terri Cook
Management Analyst
796-3529

Approved by:



Keith Honda
Assistant County Administrative Officer

cc: Michael J. Miller, Auditor-Controller

Att: Ordinance
Copy of Amended PERS Contract
PSR Fact Sheet

ORDINANCE NO. _____

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE MONTEREY COUNTY WATER RESOURCES AGENCY AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE MONTEREY COUNTY WATER RESOURCES AGENCY BOARD OF SUPERVISORS AND THE BOARD OF ADMINISTRATION OF THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) RELATING TO PARTIAL SERVICE RETIREMENT

County Counsel Summary

This Ordinance authorizes and approves amendment of the contract between the Monterey County Water Resources Agency and the California Public Employees' Retirement System (PERS) to permit the County to offer partial service retirements as authorized by Article 4 (commencing with Section 21110) of Chapter 12 of Part 3 of Division 5 of Title 2 of the Government Code.

The Board of Supervisors of the Monterey County Water Resources Agency ordains as follows:

SECTION 1. The amendment to the contract between the Water Resources Agency Board of Supervisors and the Board of Administration, California Public Employees' Retirement System, a copy of which amended contract is attached hereto as Exhibit 1 and by this reference is made a part of this ordinance as if fully set forth herein, is hereby authorized and approved.

SECTION 2. The Chair of the Monterey County Water Resources Agency Board of Supervisors is hereby authorized, empowered, and directed to execute said amendment for and on behalf of the Monterey County Water Resources Agency.

SECTION 3. This ordinance shall become effective on the thirty-first day following its adoption.

PASSED AND ADOPTED this 22nd day of June, 2010, by the following vote:

AYES: Supervisors

NOES:

ABSENT:

Chair, Monterey County Board of Supervisors

A T T E S T :

GAIL T. BORKOWSKI
Clerk of the Board

By _____
Deputy

APPROVED AS TO FORM:



LEROY W. BLANKENSHIP
Assistant County Counsel

REF: PERS-CON-11A (Rev.8/94) (Amendment)



EXHIBIT

California
Public Employees' Retirement System



AMENDMENT TO CONTRACT

Between the
Board of Administration
California Public Employees' Retirement System
and the
Board of Directors
Monterey County Water Resources Agency



The Board of Administration, California Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of the above public agency, hereinafter referred to as Public Agency, having entered into a contract effective July 1, 1959, and witnessed June 22, 1959, and as amended effective December 22, 1973, June 21, 1975, May 22, 1976, January 14, 1978, April 19, 1980, March 14, 1990, December 16, 2000 and May 24, 2002 which provides for participation of Public Agency in said System, Board and Public Agency hereby agree as follows:

- A. Paragraphs 1 through 11 are hereby stricken from said contract as executed effective May 24, 2004, and hereby replaced by the following paragraphs numbered 1 through 12 inclusive:
1. All words and terms used herein which are defined in the Public Employees' Retirement Law shall have the meaning as defined therein unless otherwise specifically provided. "Normal retirement age" shall mean age 55 for local miscellaneous members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after July 1, 1959 making its employees as hereinafter provided, members of said System subject to all provisions of the Public Employees' Retirement Law except such as apply only on election of a contracting agency and are not provided for herein and to all amendments to said Law hereafter enacted except those, which by express provisions thereof, apply only on the election of a contracting agency.

3. Public Agency agrees to indemnify, defend and hold harmless the California Public Employees' Retirement System (CalPERS) and its trustees, agents and employees, the CalPERS Board of Administration, and the California Public Employees' Retirement Fund from any claims, demands, actions, losses, liabilities, damages, judgments, expenses and costs, including but not limited to interest, penalties and attorneys fees that may arise as a result of any of the following:
 - (a) Public Agency's election to provide retirement benefits, provisions or formulas under this Contract that are different than the retirement benefits, provisions or formulas provided under the Public Agency's prior non-CalPERS retirement program.
 - (b) Public Agency's election to amend this Contract to provide retirement benefits, provisions or formulas that are different than existing retirement benefits, provisions or formulas.
 - (c) Public Agency's agreement with a third party other than CalPERS to provide retirement benefits, provisions, or formulas that are different than the retirement benefits, provisions or formulas provided under this Contract and provided for under the California Public Employees' Retirement Law.
 - (d) Public Agency's election to file for bankruptcy under Chapter 9 (commencing with section 901) of Title 11 of the United States Bankruptcy Code and/or Public Agency's election to reject this Contract with the CalPERS Board of Administration pursuant to section 365, of Title 11, of the United States Bankruptcy Code or any similar provision of law.
 - (e) Public Agency's election to assign this Contract without the prior written consent of the CalPERS' Board of Administration.
 - (f) The termination of this Contract either voluntarily by request of Public Agency or involuntarily pursuant to the Public Employees' Retirement Law.
 - (g) Changes sponsored by Public Agency in existing retirement benefits, provisions or formulas made as a result of amendments, additions or deletions to California statute or to the California Constitution.

4. Employees of Public Agency in the following classes shall become members of said Retirement System except such in each such class as are excluded by law or this agreement:
 - a. Employees other than local safety members (herein referred to as local miscellaneous members).

5. In addition to the classes of employees excluded from membership by said Retirement Law, the following classes of employees shall not become members of said Retirement System:
 - a. **SAFETY EMPLOYEES.**
6. The percentage of final compensation to be provided for each year of credited prior and current service as a local miscellaneous member shall be determined in accordance with Section 21354 of said Retirement Law (2% at age 55 Full).
7. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 20042 (One-Year Final Compensation).
 - b. Section 21319 (One-Time 15% Increase for Local Miscellaneous Members Who Retired or Died Prior to July 1, 1971). Legislation repealed said Section effective January 1, 2002.
 - c. Section 21571 (Basic Level of 1959 Survivor Benefits).
 - d. Section 21325 (One-Time 3% to 15% Increase For Local Miscellaneous Members Who Retired or Died Prior to January 1, 1974). Legislation repealed said Section effective January 1, 2002.
 - e. Section 21326 (One-Time 1% to 7% Increase For Local Miscellaneous Members Who Retired or Died Prior to July 1, 1974). Legislation repealed said Section effective January 1, 2002.
 - f. Section 21024 (Military Service Credit as Public Service).
 - g. Section 21548 (Pre-Retirement Option 2W Death Benefit).
 - h. Section 21023.5 (Public Service Credit for Peace Corps, AmeriCorps VISTA, or AmeriCorps Service).
 - i. Section 21118 (Partial Service Retirement).
8. Public Agency, in accordance with Government Code Section 20790, ceased to be an "employer" for purposes of Section 20834 effective on June 21, 1975. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20834, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20834.
9. Public Agency shall contribute to said Retirement System the contributions determined by actuarial valuations of prior and future service liability with respect to local miscellaneous members of said Retirement System.

10. Public Agency shall also contribute to said Retirement System as follows:

a. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.

b. A reasonable amount, as fixed by the Board, payable in one installment as the occasions arise, to cover the costs of special valuations on account of employees of Public Agency, and costs of the periodic investigation and valuations required by law.

11. Contributions required of Public Agency and its employees shall be subject to adjustment by Board on account of amendments to the Public Employees' Retirement Law, and on account of the experience under the Retirement System as determined by the periodic investigation and valuation required by said Retirement Law.

12. Contributions required of Public Agency and its employees shall be paid by Public Agency to the Retirement System within fifteen days after the end of the period to which said contributions refer or as may be prescribed by Board regulation. If more or less than the correct amount of contributions is paid for any period, proper adjustment shall be made in connection with subsequent remittances. Adjustments on account of errors in contributions required of any employee may be made by direct payments between the employee and the Board.

B. This amendment shall be effective on the _____ day of _____, _____.

BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
MONTEREY COUNTY WATER
RESOURCES AGENCY

BY _____
LORI MCGARTLAND, CHIEF
EMPLOYER SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY _____
PRESIDING OFFICER

Witness Date

Attest:

Clerk

Fact Sheet

California Public Employee Retirement System -- Partial Service Retirement (PSR) Program

Eligibility

An employee is eligible for the PSR program if they meet the criteria established by CalPERS. The employee must meet all of the following 4 requirements: (1) be characterized as a full-time employee; (2) have reached the normal retirement age of 55; (3) have vested with 5 years of continuous service; AND (4) the employee's age and years of service total at least 65. The PSRP appears to limit the program to non-safety State employees. No such restriction applies to local government safety employees.

Mitigating Impacts of Retiring Employees

The PSR Program might be most helpful in mitigating the impacts of retiring employees. The County may desire to have managers or other key personnel work part-time over a period of time to transition the department or division to new personnel. Offering PSR permits eligible employees to continue working part-time and at the same time begin to draw down their retirement.

Example

To the degree that an employee under PSR is partially retired, they are not being paid by the County and are not a County expense. An employee retired 40% can reduce the County's wage costs by 40%. Benefits costs may or may not be reduced, depending on the applicable County policy.

The following example is from the CalPERS Brochure on PSR Program (for an employee enrolled in Social Security):

	1		2		3		4		5		6		7
<ul style="list-style-type: none"> ▪ Age at partial service retirement = 55 ▪ Years of service credit = 25 ▪ Final compensation = \$3,000 ▪ Reduction of work time = 40% 	25	x	2.000%	=	50%	x	\$2,866.67	=	\$1,433.34	x	40%	=	\$573.34
	Years of Service		Benefit Factor		Benefit		Final Compensation (\$3,000 - 133.33 for Social Security)		Full Service Retirement Allowance		Work Time Reduction		Partial Retirement Allowance

In this example, if there are 20 working days in a month (160 hours), the employee is "retired" for 8 days (40% or 60 hours - column 6) per month and working 12 days (60%) per month. The employee receives \$573 (column 7) from PERS and is paid his or her regular rate for 96 hours worked (\$1,588), for a total of \$2,161. If the employee was not retired, he or she would be paid approximately \$2,645.

After the amendment is complete, the County will draft a new policy to determine how to treat employee benefits. Under PSR an employer might elect to pro-rate the benefits (health insurance, vacation, etc.) or not provide them at all. The wages earned continue to be treated as regular wages and are taxed at the same rate as other employees. The employee remains enrolled in CalPERS, albeit "partially," and retirement premiums are assessed against the 60% earned (column 7).

PERS Restrictions

CalPERS requires that the employee be "retired" for at least 20% of the time, but no more than 60%. So an employee must work at least 40% of the time, but not more than 80%. Decreases to the percentage of time worked are allowed only once per year. Increases are permitted only every 5 years. An employee with the approval of the employer may revert to full time (and end the partial service retirement) at any time and return to full time employment. The employee who reverts to full time cannot reapply for partial service retirement for 5 years. An employee may apply for *full* service retirement at any time. An employee may transfer from one agency to another and continue the partial service retirement as long as the employer approves.

**Before the Board of Supervisors in and for the
County of Monterey, State of California**

Introduces, waives reading, and sets for adoption on June 22,)
2010, an ordinance authorizing an amendment to the contract)
between the Monterey County Water Resources Agency Board)
of Supervisors and the Board of Administration of the)
California Public Employees' Retirement System (PERS))
relating to Partial Service Retirement)

Upon motion of Supervisor _____, seconded by Supervisor _____, and
carried by those members present, the Board hereby introduced, waived reading, and set for
adoption on June 22, 2010, an ordinance authorizing an amendment to the contract between the
Monterey County Water Resources Agency Board of Supervisors and the Board of Administration
of the California Public Employees' Retirement System (PERS) relating to Partial Service
Retirement

PASSED AND ADOPTED on this _____ day of _____, 2010 by the following vote, to-
wit:

AYES:

NOES:

ABSENT:

I, GAIL T. BORKOWSKI, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby
certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the
minutes thereof of Minute Book ___ for the meeting on _____.

Dated:

Gail T. Borkowski, Clerk of the Board of Supervisors
County of Monterey, State of California

By: _____
 , Deputy

