

MAY 10 1994



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

EXECUTIVE SECRETARY

MAY 15, 1994

Dennis E. Duff
EXECUTIVE SECRETARY

(Organization & Personnel Committee--Action)

To: Board of Directors (Finance & Insurance Committee--Information)

From: General Manager

Subject: Early Retirement Program

Report

Last month, your Board authorized the development of an early retirement incentive program. The proposed program consists of an amendment to Metropolitan's contract with the Public Employees' Retirement System (PERS) to provide two years additional service credit to employees retiring during a specified window period (Government Code Section 20818) and a lump-sum payment by Metropolitan roughly equivalent to the present value of two years of service credit. The recommended window period is August 1 through October 31, 1994. The proposed PERS contract amendment would apply to all employees at Metropolitan who meet PERS' eligibility criteria for retirement (age 50 or more with a minimum of five years of service credit with PERS), regardless of their job classification or organizational unit.

In order to proceed with the amendment of Metropolitan's PERS contract, a Resolution of Intention to approve an amendment to the PERS contract must be adopted by the governing body at least twenty days before adoption of the final resolution. The Resolution of Intention is attached hereto (Attachment A). A final resolution will be brought back for your consideration at the July meeting. It is anticipated that unless approximately 80 employees indicate in writing by June 20, 1994, their intent to retire pursuant to this proposed program, implementation of the program will be canceled.

Government Code Section 7507 requires that the cost implications of a proposed increase in public retirement plan benefits be made public at a public meeting at least two weeks prior to the adoption of the increase. Although the proposed amendment to Metropolitan's PERS contract does not increase the monthly employer contribution rate to PERS, there is an upfront cost for the benefit. The total cost for the proposed PERS benefit for all eligible employees (individuals who are at least fifty years of age with a minimum of five years of PERS service)

is the cost implication required to be made public. By October 31, 1994, 526 of Metropolitan's employees will be eligible to retire. If all 526 employees were to take advantage of this program (a low probability that this would occur), the total dollar amount to provide the PERS benefit for this group is \$11,934,740. PERS would also assess an administrative fee of \$10 per employee who retires during the window period. This would amount to an additional \$5,260 for the 526 employees. At the expiration of the designated window period, Metropolitan will be billed by PERS for the exact cost based on the number of employees who actually retire during the period.

While PERS requires the cost implication be based on all eligible employees, it is extremely unlikely that all 526 eligible employees would retire at this time. It is expected that between 80 and 160 employees may retire pursuant to the proposed program. The approximate cost for providing the PERS two years of additional service credit to 80 employees is \$2.2 million and for 160 employees, \$3.3 million. Since it is not known which employees might retire, these calculations use an average age for retirees in this group (60) and an average annual salary for employees in this group (\$55,000). As reported to your Board last month, the estimated cost for providing the second component of the incentive, a lump-sum payment from Metropolitan, is \$3.1 million for 80 retirees, and \$6.2 million for 160 retirees. These amounts do not reflect offset savings anticipated to occur through "right-sizing" of the work force, filling of positions at lower classification levels, and filling positions at lower steps within a pay grade.

There are a number of additional documents which must be executed before PERS can process the final documents for consideration in July. These documents are the Certification of Governing Body's Action (Attachment B), Certification of Compliance with Government Code Section 7507 (Attachment C), and Certification of Compliance with Government Code Section 20818 (Attachment D).

The Certification of Compliance with Government Code Section 20818 requires the governing body to certify that it is electing to provide early retirement incentives under the PERS law because of impending transfers, demotions, and layoffs that constitute at least 1 percent of the applicable organizational unit, resulting from the curtailment of, or change in the manner of performing, its services. The governing body must also certify that at the time Section 20818 becomes operative, its intention is to keep at least one vacancy permanently unfilled.

Implementation of Metropolitan's objectives of "right-sizing," changing organizational structures from hierarchical to flat, re-deploying workers from supervisory to working levels, allowing the combination of functions across divisional lines, and related organizational objectives should result in changes sufficient to satisfy these criteria.

This action is exempt from the provisions of the California Environmental Quality Act in that there is no possibility that it may have a significant effect on the environment.

Board Committee Assignment

This letter is referred to:

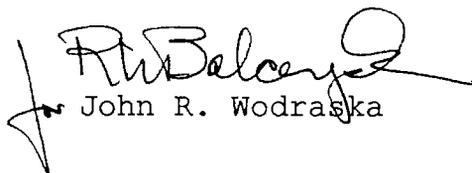
The Organization and Personnel Committee for action because of its responsibility to study, advise and make recommendations with regard to all matters affecting wages, hours, pension plans and other employee benefits, and other terms and conditions of employment pursuant to Administrative Code Section 2471 (c); and

The Finance and Insurance Committee for information because of its responsibility to study, advise and make recommendations with regard to disposition of funds pursuant to Administrative Code Section 2441(c).

Recommendation

ORGANIZATION AND PERSONNEL COMMITTEE FOR ACTION.

It is recommended that the Board adopt the attached Resolution of Intention to Approve an Amendment to Contract Between the Board of Administration of the Public Employees' Retirement System and the Board of Directors of The Metropolitan Water District of Southern California and certify compliance with Government Code Sections 7507 and 20818 as set forth in Attachments A, B, C, and D.


John R. Wodraska

RESOLUTION 8441

**RESOLUTION OF INTENTION
 TO APPROVE AN AMENDMENT TO CONTRACT
 BETWEEN THE
 BOARD OF ADMINISTRATION
 OF THE
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 AND THE
 BOARD OF DIRECTORS
 OF THE
 METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

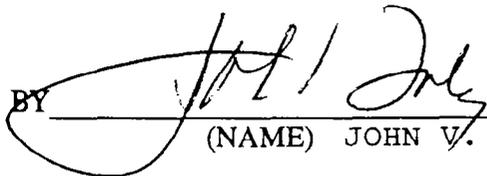
WHEREAS, the Public Employees' Retirement Law permits the participation of public agencies and their employees in the Public Employees' Retirement System by the execution of a contract, and sets forth the procedure by which said public agencies may elect to subject themselves and their employees to amendments to said Law; and

WHEREAS, one of the steps in the procedures to amend this contract is the adoption by the governing body of the public agency of a resolution giving notice of its intention to approve an amendment to said contract, which resolution shall contain a summary of the change proposed in said contract; and

WHEREAS, the following is a statement of the proposed change:

To provide Section 20818 (Two Years Additional Service Credit)
for local miscellaneous members.

NOW, THEREFORE, BE IT RESOLVED that the governing body of the above agency does hereby give notice of intention to approve an amendment to the contract between the said governing body and the Board of Administration of the Public Employees' Retirement System, a copy of said amendment being attached hereto, as an "Exhibit" and by this reference made a part hereof.

BY  _____
(NAME) JOHN V. FOLEY

CHAIRMAN OF THE BOARD
(TITLE)

MAY 10, 1994
(Date adopted and approved)

PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Contract Services Division
Public Agency Contract Services
P. O. Box 942709
Sacramento, CA 94229-2709
(916) 326-3420
(916) 326-3240 (TDD)

ATTACHMENT B

40840

CERTIFICATION OF GOVERNING BODY'S ACTION

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

BOARD OF DIRECTORS of the
(governing body)

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
(public agency)

on MAY 10, 1994
(date)


Clerk/Secretary KAREN E. DORFF

EXECUTIVE SECRETARY
Title

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Contract Services Division
 Public Agency Contract Services
 P. O. Box 942709
 Sacramento, CA 94229-2709
 (916) 326-3420
 (916) 326-3240 (TDD)

**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 and/or the increase in retirement benefit(s) have been made public at a public meeting of the BOARD OF DIRECTORS
 (governing body)

of the METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
 (public agency)

on MAY 10, 1994 which is at least two weeks prior to the adoption of the
 (date)

Resolution/Ordinance.

Date May 10, 1994


 Clerk/Secretary KAREN E. DOREFF

EXECUTIVE SECRETARY
 Title

Contract Services Division
Public Agency Contract Services
P. O. Box 942709
Sacramento, CA 94229-2709
(916) 326-3420
(916) 326-3240 (TDD)

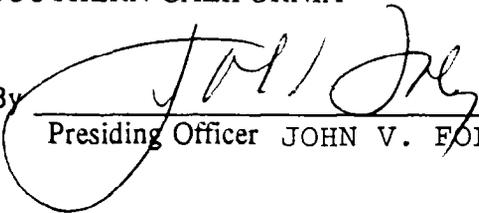
**CERTIFICATION
OF COMPLIANCE WITH
GOVERNMENT CODE SECTION 20818**

In accordance with Government Code Section 20818 and the contract between the Public Employees' Retirement System, the Board of Directors of the Metropolitan Water District of Southern California hereby certifies that:

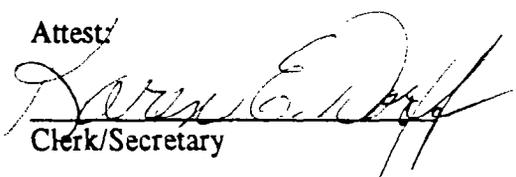
1. Because of an impending curtailment of, or change in the manner of performing service, the best interests of the agency will be served by granting such additional service credit.
2. Payment shall be made of the amount equal to the actuarial equivalent of the difference between the allowance the member receives after receipt of such service credit and the amount the member would have received without such service credit with respect to all eligible employees who retire during the specified period.
3. It has elected to become subject to Section 20818 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 20818 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 Metropolitan Water District of Southern California hereby elects to provide the benefits of Government Code Section 20818 to all eligible members who retire within the designated period, AUGUST 1, 1994 through OCTOBER 31, 1994.

BOARD OF DIRECTORS
OF THE
METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

By 
Presiding Officer JOHN V. FOLEY

Attest:


Clerk/Secretary

May 10, 1994
Date