

JUL 12 1994



MWD

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Karen E. Wolf
EXECUTIVE SECRETARY

June 16, 1994

To: Board of Directors (Organization & Personnel Committee--Action)
Board of Directors (Finance & Insurance Committee--Action)

From: General Manager

Subject: Implementation of the Early Retirement Program

Report

In April, 1994, your Board authorized the development of an early retirement incentive program which would consist of an amendment to Metropolitan's contract with the Public Employees' Retirement System (PERS) to provide two years of additional service credit (Government Code Section 20818) to employees retiring during the window period of August 1 through October 31, 1994, as well as a lump-sum payment by Metropolitan roughly equivalent to the present value of two years of additional service credit. In May, 1994, your Board adopted the Resolution of Intention to approve the amendment to the PERS contract to provide two years of additional service credit in the PERS formula. Execution of the final PERS amendment documents may occur as early as 20 days following the adoption of the Resolution of Intention; therefore, the final step can occur any time after May 30, 1994. Implementation of the program was made contingent on the receipt by June 20, 1994 of at least 80 employees' notices of intent to retire pursuant to the proposed program.

By June 20, 1994, 175 notices of intent to retire were received by employees eligible for the two components of the incentive program, and six notices of intent to retire were received by employees eligible for the PERS component only. Therefore, implementation of the proposed early retirement incentive program is now requested. While the number of interested employees exceeds 160, the number previously authorized by your Board to participate in the program, it is expected that approximately 10 to 15% of these employees may decide not to retire during the window period. If, however, the number of actual retirements exceeds 160, approval is requested to accommodate a maximum of 175 employees for Metropolitan's retirement incentive component. Attached for execution are the 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

(Attachment A), the Resolution Authorizing an Amendment to the Contract (Attachment B), and the Certification of Final Action of Governing Body (Attachment C).

While final costs and savings cannot be calculated until after the expiration of the window period (October 31, 1994) due to the fact that some individuals' plans may change, it is now possible to more closely project costs and savings based on the employees who have indicated their intent to retire pursuant to the program. The projected cost for the PERS component is approximately \$4.7 million, and the projected cost to provide the lump-sum payment is approximately \$6.2 million, for a total of \$10.9 million. Inclusion of the 15 employees who exceed the existing cap of 160 would increase the projected cost by approximately \$500,000. The reduction in payroll and additive costs resulting from the early retirement program (as shown in Attachment D) are projected to be approximately \$15.3 million. Net savings, after taking both the PERS and Metropolitan components into account, amount to \$4.4 million.

As soon as practicable following the end of the window period, the actual costs and savings will be reported to your Board, as well as the positions to be deleted from the budget. Metropolitan will be billed by PERS for the exact cost of the PERS component of the program after the expiration of the window period based on the actual participants in the program. As Metropolitan currently has surplus assets in its PERS employer account of approximately \$11.7 million, the surplus assets would be used to pay for the total PERS costs. The cash portion of the program is scheduled to be made in three annual installments commencing January, 1995, and such shall be paid from the Operations and Maintenance Fund.

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 Assignments

This letter is referred for action to:

The Organization and Personnel Committee 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 because of its responsibility to study, advise and made recommendations with regard to disposition of funds pursuant to Administrative Code Section 2441 (c).

Recommendations

ORGANIZATION AND PERSONNEL COMMITTEE AND FINANCE AND INSURANCE COMMITTEE FOR ACTION.

It is recommended that the General Manager be authorized to implement the proposed early retirement program as set forth above and that the Board adopt the attached 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; Resolution Authorizing an Amendment to the Contract; and Certification of Final Action of Governing body, as set forth in Attachments A, B, and C.

It is further recommended that the General Manager be authorized to increase the maximum number of participants in the program from 160 to 175.

John R. Wodraska
General Manager

By Liz Rojas
Liz Rojas
Executive Assistant for SPD

Concur:

JR Wodraska
John R. Wodraska
General Manager

BL\as

Attachments

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**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**

The Board of Administration, Public Employees' Retirement System, hereinafter referred to as Board, and the governing body of above public agency, hereinafter referred to as Public Agency, having entered into a contract effective January 1, 1945, and witnessed December 18, 1944, and as amended effective February 1, 1948, July 1, 1950, September 1, 1951, September 1, 1953, February 1, 1956, February 1, 1960, October 1, 1964, June 1, 1966, February 1, 1969, October 1, 1973, June 1, 1974, October 1, 1975, February 1, 1976, March 1, 1976, December 16, 1977, December 16, 1978, January 1, 1980, September 1, 1980, January 1, 1981, September 1, 1982, September 1, 1987, September 1, 1988, June 25, 1989 and December 1, 1990, 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 December 1, 1990, and hereby replaced by the following paragraphs numbered 1 through 11 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 60 for local miscellaneous members.
 2. Public Agency shall participate in the Public Employees' Retirement System from and after January 1, 1945 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. 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).
 4. 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.**
 5. 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 21251.13 of said Retirement Law (2% at age 60 Full).

6. Public Agency elected and elects to be subject to the following optional provisions:
 - a. Section 21222.1 (Special 5% Increase - 1970). Legislation repealed said Section effective January 1, 1980.
 - b. Sections 21380-21387 (1959 Survivor Benefits) including Section 21382.4 (Third Level of 1959 Survivor Benefits).
 - c. Section 21222.2 (Special 5% Increase - 1971). Legislation repealed said Section effective January 1, 1980.
 - d. Section 20024.2 (One-Year Final Compensation).
 - e. Sections 21263/21263.1 (Post-Retirement Survivor Allowance).
 - f. Section 21222.6 (Special 15% Increase for Local Miscellaneous Members).
 - g. Section 21389 (Second Opportunity to Elect 1959 Survivor Benefits). Legislation repealed said Section effective September 27, 1979.
 - h. Section 20818 (Two-Years Additional Service Credit), Statutes of 1976. Legislation repealed said Section effective January 1, 1979.
 - i. Section 21298 (Improved Non-Industrial Disability Allowance).
 - j. Section 21222.85 (Special 3%-15% Increase) for or on behalf of those local miscellaneous members who retired or died prior to January 1, 1974.
 - k. Section 21365.6 (Pre-Retirement Optional Settlement 2 Death Benefit).
 - l. Section 20862.8 (Credit for Unused Sick Leave).
 - m. Section 20818 (Two Years Additional Service Credit).
7. Public Agency, in accordance with Government Code Section 20740, ceased to be an "employer" for purposes of Section 20759 effective on October 1, 1975. Accumulated contributions of Public Agency shall be fixed and determined as provided in Government Code Section 20759, and accumulated contributions thereafter shall be held by the Board as provided in Government Code Section 20759.
8. 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.
9. Public Agency shall also contribute to said Retirement System as follows:
 - a. Public Agency shall contribute \$2.00 per employee, per month on account of the liability for the 1959 Survivor Benefits provided under Section 21382.4 of said Retirement Law. (Subject to annual change.) In addition, all assets and liabilities of Public Agency and its employees shall be pooled in a single account, based on term insurance rates, for survivors of all local miscellaneous members.

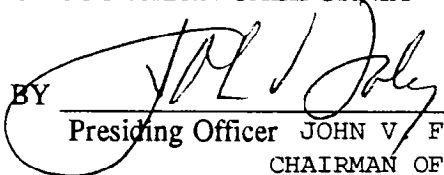
- b. A reasonable amount, as fixed by the Board, payable in one installment within 60 days of date of contract to cover the costs of administering said System as it affects the employees of Public Agency, not including the costs of special valuations or of the periodic investigation and valuations required by law.
 - c. 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.
10. 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.
11. 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 13th day of July, 19 94.


BOARD OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BOARD OF DIRECTORS
OF THE
METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

BY _____
CHIEF, CONTRACT SERVICES DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM

BY 
Presiding Officer JOHN V. FOLEY
CHAIRMAN OF THE BOARD

July 12, 1994
Witness Date

Attest:

Clerk EXECUTIVE SECRETARY

40935

The Metropolitan Water District of Southern California

 (name of agency)

RESOLUTION 8444
AUTHORIZING AN AMENDMENT TO THE CONTRACT

WHEREAS, the Board of Administration of the Public Employees' Retirement System and the

 Board of Directors of the

 (governing body)
 Metropolitan Water District of Southern California entered

 (public agency)
 into a contract effective on January 1, 19 45,
 providing for the participation of said Metropolitan Water District of So. California

 (public agency)
 in the Public Employees' Retirement System; and

WHEREAS, it is now desirable to take advantage of certain benefits provided under said
 Retirement System and not included in said contract;

NOW, THEREFORE, BE IT RESOLVED, that said Board of Directors

 (governing body)
 authorized, and it does hereby authorize, an amendment to said contract, a copy of
 said amendment being attached hereto marked Exhibit and by such reference made
 a part hereof as though herein set out in full; and

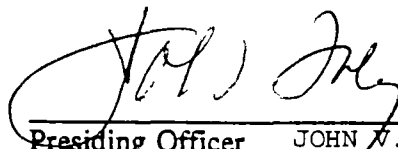
NOW, THEREFORE, BE IT FURTHER RESOLVED, that the presiding officer of said

 Board of Directors be, and the presiding

 (governing body)
 officer is hereby authorized, empowered and directed to execute said amendment for
 and on behalf of said Metropolitan Water District of So. California

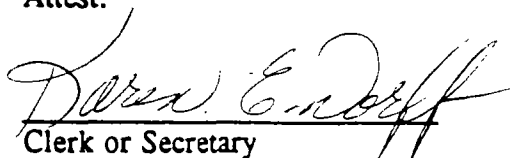
 (public agency)

Adopted this 12th day of July, 1994.



 Presiding Officer JOHN V. FOLEY
 CHAIRMAN OF THE BOARD

Attest:



 Clerk or Secretary

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)

40935

**CERTIFICATION
OF
FINAL ACTION OF GOVERNING BODY**

I hereby certify that the Board of Directors of the
(governing body)
Metropolitan Water District of Southern California
adopted on
(public agency)

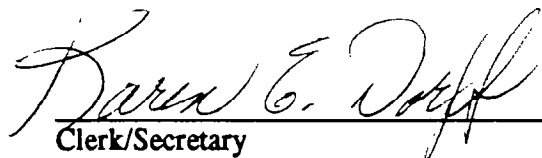
July 12, 1994, by an affirmative vote of a majority of the members of said Governing Body,
(date)

Resolution No. 8444 approving the attached contractual agreement between
(Ordinance/Resolution)

the Governing Body of said Agency and the Board of Administration of the Public Employees' Retirement
System, a certified copy of said Resolution in the form furnished by said
(Ordinance or Resolution)

Board of Administration being attached hereto.

Date July 12, 1994


Clerk/Secretary

Executive Secretary
Title

EARLY RETIREMENT SAVINGS

MWD TOTAL

181 RETIREES*

AVERAGE ANNUAL SALARY = \$61,445

AVERAGE MONTHLY SALARY & ADDITIVES \$6,349

		31 NOT REPLACED	85 REPLACE SAME LEVEL	65 REPLACE LOWER LEVEL
1994	NOV	3-MONTH \$196,829	\$539,692	\$412,706
	DEC	EVALUATION 196,829	539,692	412,706
1995	JAN	PERIOD 196,829	539,692	412,706
	FEB	196,829	2-MONTH 539,692	2-MONTH 412,706
	MAR	196,829	BID 539,692	BID 412,706
	APR	196,829	2-MONTH 464,135	2-MONTH 412,706
	MAY	196,829	BID 464,135	BID 412,706
	JUN	196,829	7-MONTH 399,156	7-MONTH 354,927
	JUL	196,829	RECRUIT 399,156	RECRUIT 354,927
	AUG	196,829	399,156	354,927
	SEP	196,829	399,156	354,927
	OCT	196,829	399,156	354,927
	NOV	196,829	399,156	354,927
	DEC	196,829	399,156	354,927
1996	JAN	196,829		
	FEB	196,829		
	MAR	196,829		
	APR	196,829		
		\$3,542,919	\$6,420,823	\$5,373,427

TOTAL 18-MONTH SAVINGS = \$15,337,168

* Includes 175 retirees eligible for both PERS and MWD components, and 6 retirees eligible for only the PERS portion.