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METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

*David Chiu*  
EXECUTIVE SECRETARY

June 17, 1996

**To:** Board of Directors (Organization and Personnel Committee--Information)

**From:** General Manager *William Home*

**Submitted by:** Liz Rojas  
Executive Assistant For Strategic Policy Development *Liz Rojas*

**Subject:** Report on Results of 1994 Early Retirement Program

**RECOMMENDATION(S)**

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For information only.

**EXECUTIVE SUMMARY**

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This letter represents the final report to your Board regarding the costs and savings of the Early Retirement Program offered at Metropolitan in 1994. The program generated a savings in excess of \$17 million and cost about \$11 million, exclusive of any costs of internal staff administration; therefore, the net program savings for the 18 month period ended April 30, 1996 was approximately \$6 million.

**DETAILED REPORT**

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In July, 1994, your Board adopted an Early Retirement Program for Metropolitan employees who voluntarily retired between August 1, 1994 through October 31, 1994. The maximum number of employees authorized to participate was 175. The program consisted of two components: (1) two years of additional service credit from the Public Employees' Retirement System (PERS) and (2) if eligible, lump-sum payments (in three installments) by Metropolitan equivalent to the present value of two years of additional PERS service credit for the participants.

Costs and savings projections were made by staff at the time the program was adopted in July 1994. It was projected that the charge from PERS for the two years of additional service credit would be approximately \$4.7 million, and that the cost of providing the lump-sum payments to participants would be approximately \$6.2 million, for a total of \$10.9 million. The savings, representing the net reduction in payroll and additive costs for the 18 month period

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following the early retirement window period, was projected to be approximately \$15.3 million; thus, the net program savings was estimated at \$4.4 million at that time.

The 18 month measurement period for tracking the program's costs and savings expired on April 30, 1996, and tracking has been discontinued as of that date. Actual program participants totaled 171, of whom 163 received both the PERS service credit and the lump-sum payments. The other eight retirees were ineligible to receive the lump-sum payment because they did not meet the established program eligibility criteria due to one of the following reasons: temporary employee status, less than five years service at Metropolitan, or under age 50 at retirement (retired on disability before age 50). The actual costs and savings of the Early Retirement Program were computed as follows:

18 Months Savings*	\$17,333,713
Less Costs:	-\$11,111,898
PERS Two Years Additional Service - \$4,481,943	
PERS Actuarial Fees - \$1,700	
Lump-Sum Payments - \$6,589,826**	
Consulting fees for actuarial and related services - \$38,429	
Net Program Savings	\$6,221,815

\* Payroll and additives savings offset by payroll and additives costs associated with replacement staff, temporary, or consultant services for such vacated positions.

\*\* Includes \$2,197, 809 in final payments to participants which will be made in January 1997.

BL/vp