

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF MARCH 25, 2009

REGULAR MEETING

TO: Francesca Loftis, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

AGENDA ITEM #5: **CONSIDER AMENDING THE PERSONNEL POLICIES AND
PROCEDURES RELATING TO CALPERS CONTRIBUTION
BENEFITS**

RECOMMENDATION

Staff recommends that the Commission receive the following information relating to a possible amendment to its Personnel Policies and Procedures on the employee benefit of LAFCO paying the employee share of CalPERS contribution.

REASON FOR RECOMMENDED ACTION

This was a request from the employee benefits ad hoc committee last fall. The Commission should revisit this policy given the current economic climate and before any staff impacted by this change is hired.

BACKGROUND

The Commission's current CalPERS benefits policies state that in the first year of employment, the employee is responsible for the 7% employee share of the CalPERS contribution and LAFCO is responsible for the employer's portion, which is 12%. On the second year of employment, LAFCO picks up 3.5% of the employee share in addition to the employer's 12% share. On the third year of employment, LAFCO pays both the employee and employer portions of the CalPERS contribution (refer to Attachment A, Section 3.1C).

The employee benefits ad hoc committee recommended that the Commission revisit this benefit last fall. Specifically, they were not only concerned about the overall cost of the benefit, but also whether LAFCO should be granting this benefit to employees whose tenure with the agency is so short. Staff brings this item for the Commission's consideration because of the timing. If amending the policy is where the Commission wants to go, it should do so before this agency hires any new employees.

Comparison With Other Public Agencies

County: The Commission's current policy mirrors the County's benefits policies for regular "Local 1" employees. The Commission's policy mirrors the CalPERS policy in the Local 1 Memorandum of Understanding. Consequently, LAFCO's benefits are on par with the County.

EID: The current MOU with its employee association calls for a 4% employee portion of the CalPERS contribution. Employees pay this percentage from day 1 of employment. The MOU expires at the end of this calendar year, so it is unknown what arrangements will be negotiated in the next pact.

Placerville: The City pays all of the employee contributions from day 1 of employment. Because of the current financial climate, however, employees have the option of paying a portion of that contribution as a cost-cutting measure imposed by the City. It is anticipated that the City will return to paying all of the CalPERS contribution once the financial situation improves.

Transportation

Commission: The EDCTC pays all of the retirement contributions.

Analysis

The question before the Commission is to balance fiscal reality versus remaining competitive in the recruitment market. Contributions to CalPERS are expensive, with the potential of being more so in the future: CalPERS has indicated that by 2011 the contribution rate could increase by 2% to 5% of the agency's payroll due to the failing market.

On the other hand, severely cutting back this benefit might hamper LAFCO's ability to recruit qualified individuals if the applicants have a choice between this agency and others for comparable positions. LAFCO salaries are already slightly lower than comparable positions in other agencies; so in otherwise normal times, the benefits package plays a significant role in a candidate's calculation on whether he or she accepts an offer of employment from this agency. Another consideration is that even if LAFCO is successful in recruiting a desirable candidate, it runs the risk of the employee leaving if another agency is perceived as having a better benefits package.

Of course, the County and EID will start negotiations on a new compact with their respective line item employees soon, so it is unknown what the benefits environment will look like a year from now. However, if the Commission is leaning towards altering this benefit, staff recommends against postponing a decision until a later time. The Commission should amend its policy before new employees are hired and impacted.

Options

Staff believes that there are three options available to the Commission on this question:

- 1) Leave the policy as is.
- 2) Lower the employee contribution portion but require that employees pay that percentage for their entire tenure with LAFCO. For example, the employee

contribution is lowered to 4% or 5% but the agency does not commit itself to paying any portion of that percentage. LAFCO still incurs costs because its employer share is larger; however, that portion is fixed and would not assume a larger percentage of the costs over time, except the growth that correlates with the employee's salary (the CalPERS contribution is a percentage of the employee's salary, so that the amount that must be paid to CalPERS grows as the salary does). This option would entail coordination with CalPERS, beginning with the Commission adopting a resolution stating its intention that employees will pay no more than x% of the retirement contributions. The language in Section 3.1C would read:

LAFCO provides, through the California Public Employees Retirement System (CalPERS), a retirement plan for eligible employees. *Existing employees hired before January 1, 2009 shall continue receiving all CalPERS benefits and allocation contributions they were receiving as of December 31, 2008.* ~~New employees~~ *Employees hired after January 1, 2009 shall pay the full 7.0% ___% employee share of PERS contribution for the first twenty-six (26) pay periods of continuous LAFCO service. At the expiration of twenty-six (26) pay periods of employment, LAFCO will pay 3.5% of the employee's contribution to PERS from the twenty-seventh (27th) to fifty-second (52nd) pay period of continuous LAFCO service. Beginning with the fifty-third (53rd) pay period of continuous LAFCO service, LAFCO will pay the full 7.0% of the employee's PERS contribution.* The Commission will review and establish the benefits annually at its discretion. A Benefits Summary Chart will be prepared annually setting forth these benefits and provided to all LAFCO employees

- 3) Alter the contribution formula so that the agency starts picking up the employee share one year later than Section 3.1C of the Personnel Policies and Procedures currently states. While the agency still incurs costs, it does so later in the employee's tenure. The language in Section 3.1C would read:

LAFCO provides, through the California Public Employees Retirement System (CalPERS), a retirement plan for eligible employees. *Existing employees hired before January 1, 2009 shall continue receiving all CalPERS benefits and allocation contributions they were receiving as of December 31, 2008.* ~~New employees~~ *Employees hired after January 1, 2009 shall pay the full 7.0% employee share of PERS contribution for the first ~~twenty-six (26)~~ fifty-two (52) pay periods of continuous LAFCO service. At the expiration of ~~twenty-six (26)~~ fifty-two (52) pay periods of employment, LAFCO will pay 3.5% of the employee's contribution to PERS from the ~~twenty-seventh (27th)~~ fifty-third (53rd) to ~~fifty-second (52nd)~~ seventy-eighth (78th) pay period of continuous LAFCO service. Beginning with the ~~fifty-third (53rd)~~ seventy-ninth (79th) pay period of continuous LAFCO service, LAFCO will pay the full 7.0% of the employee's PERS contribution.* The Commission will review and establish the benefits annually at its discretion. A Benefits Summary Chart will be prepared annually setting forth these benefits and provided to all LAFCO employees.

Staff does not have a recommendation on any of these three options except to state that, as mentioned earlier, the Commission should be aware that altering the benefits package will affect the agency's future ability to be competitive in recruiting desirable candidates.

Attachments

Attachment A: Extract from Appendix F of the Commission's Policies and Guidelines (Personnel Policies and Procedures) – Section 3.1 Insurance and Other Benefits