



Report to Board of Administration

Agenda of: **AUGUST 3, 2009**

From: Tom Moutes, Assistant General Manager

ITEM: **IX-A**

SUBJECT: SUPPLEMENTAL BUDGET DUE TO ANTICIPATED IMPLEMENTATION OF THE CITY'S EARLY RETIREMENT INCENTIVE PROGRAM

Recommendation:

That the Board approve the supplemental budget for fiscal year 2009-10 and authorize the General Manager negotiate and execute a lease for additional space, as necessary.

Discussion:

On June 9, 2009, the Board adopted LACERS fiscal year 2009-10 budget. That budget includes a total administrative expense of \$15,511,600, representing 0% growth from the 2008-09 fiscal year budget. In its report to the Board, staff indicated that:

We understand that the City is currently negotiating with the bargaining units on a workforce reduction plan which may include Early Retirement Incentives. If Early Retirement Incentives are offered, additional resources will be needed to process the potentially large volume of retirement applications. A supplemental budget will be provided for Board consideration if an Early Retirement Incentive Program is adopted.

The City Council has given conceptual approval to an Early Retirement Incentive Program (ERIP) in the hope of having 2,400 LACERS members retire within a relatively short period of time. The Coalition of Unions representing a majority of LACERS members ratified the ERIP and the first presentation of the proposed ERIP ordinance tentatively is scheduled to be presented to Council on August 4, 2009. Pursuant to the City Charter, the ordinance would need to be approved by not less than two-thirds of Council, subject to the veto of the Mayor and override by three-fourths of the Council. Also, the ordinance cannot be finally adopted by the Council until at least 30 days after the first presentation. Both the Charter and Government Code require that Council hold a public hearing when considering whether to modify or increase retirement benefits and require advice from an enrolled actuary. If the Council finally adopts the ERIP ordinance in approximately 30 days after the first presentation, the election window for eligible LACERS members presumably would open shortly thereafter (early to mid-September) and run for 45 days. Concurrent with that election window, LACERS would work closely with the City Administrative Officer's staff to help determine the eligibility of members and the prioritization of their retirements.

Even though, from the proceeding paragraph, it may appear as though there is ample time after final Council adoption of the ERIP for LACERS to gear up to retire a high volume of members, there are factors that

necessitate that LACERS' personnel, equipment, and possibly leased space issues begin to be addressed immediately. These factors include:

- LACERS has the staffing and other resources necessary to retire approximately 500 members on service retirements **each year** as opposed to the possible retirements of 350 **each month** for approximately seven consecutive months.
- In June, Council adopted a motion to allow for potential retroactivity of ERIP benefits to qualifying LACERS members who retire before Council adoption of the ERIP. This motion has caused a surge in requests for information, seminars, and counseling appointments.
- The needed personnel will take time to hire and train.
- The equipment, which primarily is related LACERS' computer systems, will take time to order, receive, and install.
- Additional leased space, if necessary, will take time to lease and wire to allow for computer system access.

The amount of the supplemental budget request is \$1,754,895, which is broken down as follows:

- Staffing
 - Filling of vacant positions \$300,000
 - Overtime 90,331
 - Salaries for non-LACERS City staff working for LACERS 457,535
 - Salaries for Relief Retirement Workers 596,994
- Leased Space
 - Rent for full-time space 125,000
 - Seminar and group counseling location costs 22,068
- Equipment
 - Computer-related 111,099
 - Furniture 25,000
 - Photocopiers 21,168
- Supplies 5,700

The costs for wiring any new leased office space or converted space for phones and computers are not included in this supplemental budget request.

As with other administrative expenditures, the funds expended pursuant to this supplemental budget will be paid from LACERS' assets.

If this supplemental budget is approved by the Board, it is staff's intention to begin expending some of the funds immediately so LACERS can be prepared to process a historically unprecedented number of retirement applications in a very short period of time. Staff will only expend the funds necessary to prepare for the ERIP processing and to process the number of retirement applications actually received. If the actual number of applications is significantly lower than 2,400, we would expect some savings of staffing costs. If more than 2,400 members apply for retirement and the City decides to expand the ERIP to them, we will report back to the Board with updated cost information.

SC:TM
Attachment

PROPOSED RESOLUTION
SUPPLEMENTAL BUDGET DUE TO ANTICIPATED IMPLEMENTATION
OF THE CITY'S EARLY RETIREMENT INCENTIVE PROGRAM

WHEREAS, on June 9, 2009, the Board adopted LACERS' departmental budget for the fiscal year 2009-10, and anticipated a supplemental budget request should an Early Retirement Incentive Program (ERIP) be offered; and,

WHEREAS, the City Council has given conceptual approval to an ERIP, and LACERS members have ratified the ERIP; and,

WHEREAS, LACERS has additional, immediate resource needs in preparation for the processing of up to 2,400 service retirements; and,

WHEREAS, pursuant to the City Charter the Board has full control of LACERS budget, and therefore, the Board's approval is needed for a proposed supplemental budget, which include appropriation for a budgetary accounts of Salary, Overtime, Legal, PensionGold – Levi, Ray and Shoup, Purchase Computer System Hardware, Purchase Computer Software, Purchase Furniture, Rental Office Space, Rental Office Equipment, Other Office Expenses; and,

WHEREAS, for the sake of efficiency of Board governance, it is appropriate for the Board to delegate its authority to the General Manager to negotiate and execute a lease for additional space, as necessary;

NOW, THEREFORE, BE IT RESOLVED, that the Board adopt the attached proposed supplemental budget for cost of implementing the ERIP:

1. Increase the Appropriation of Salary account (A/C #101) by \$1,248,275 to cover regular and temporary staffing requirements.
2. Increase the Appropriation of Overtime account (A/C #109) by \$90,331 to cover staff overtime for 9 months.
3. Increase the Appropriation of Legal account (A/C #304) by \$106,254 for 1 additional dedicated city attorney.
4. Increase the Appropriation of Information Technology accounts; A) PensionGold – Levi, Ray and Shoup account (A/C #304) by \$11,000, B) Purchase Computer System Hardware account (A/C #730) by \$70,644, and C) Purchase Computer Software account (A/C #601) by \$29,455.
5. Increase the Appropriation of Purchase Furniture account (A/C #730) by \$25,000 for tables and chairs for extra staff.
6. Increase the Appropriation of Rental accounts; A) Office Space Rental account (A/C #304) by \$147,068, for group counseling sessions and additional leased office space, B) Office Equipment Rental account (A/C #304) by \$21,168 for high speed copiers.
7. Increase the Appropriation of Other Office Expenses account (A/C #601) by \$5,700 for additional office supplies needed.

8. The General Manager shall have the authority to correct any clerical or typographical errors in this document.
9. The General Manager shall have the authority to negotiate and execute a lease for additional space, as necessary.

August 3, 2009