

CITY OF OAKLAND
AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2009 APR 23 PM 7:04

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Office of Personnel Resource Management
DATE: April 28, 2009

RE: **Supplemental Report on the Potential Costs and Benefits of the CalPERS Two Years Additional Service Credit Program ("Golden Handshake")**

SUMMARY

At its April 7, 2009 meeting, the Finance and Management Committee requested that the Office of Personnel Resource Management (OPRM) do the following: 1) present a voluntary unpaid leave program modeled after the program offered by Santa Clara County to its employees; 2) implement a survey to retirement-eligible employees to determine the level of interest in the CalPERS Two Years Additional Service Credit Retirement Incentive Program; and 3) prepare a resolution for Council consideration that would amend the City's contract with CalPERS and allow the City the option of offering the CalPERS retirement incentive program.

FISCAL IMPACT

This report is informational only, no fiscal impacts are included.

KEY ISSUES AND IMPACTS

CalPERS Contract Amendment

The required Ordinance and Resolution of Intention to amend the CalPERS contract to allow the City to offer two years additional service credit is scheduled to be heard before the full City Council on May 5, 2009. If approved, the contract amendment will be effective June 3, 2009.

The contract amendment is only the first step in the process, and does not commit the City to participate in the program. Should the City Council decide to participate in the "Golden Handshake" program, additional legislation would be necessary. The earliest the program would begin is July 1, 2009.

Voluntary Leave Without Pay Program (VTN)

The City's voluntary leave program is governed by Administrative Instruction (AI) 511. At the request of the Finance Committee at its April 7, 2009 meeting, staff revised the AI, modifying the City's program to include features included in the Santa Clara County program offered to its employees. The major differences between the current City program and the proposed program presented as *Attachment A* are:

- Employees are required to sign an agreement in which they commit to taking a specific period of time off.
- Enrollment is limited to specific times of the year.

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Santa Clara County's program goes further and requires that employees' commit to an overall reduction in their salary for a period of six months in exchange for days off. The percentage reduction does not equate to the number of days off—the structure is designed such that the County saves more than the employee benefits. Staff do not recommend a similar structure for the City's program. Instead, staff recommend adding the requirements specified above, and the employee's only reduction is an hour-for-hour salary decrease for the days approved for voluntary leave.

Retirement Incentive Interest Survey

On April 15, 2009, a survey (provided as ***Attachment B***) was sent to the 847 retirement-eligible employees citywide to solicit their input in determining whether to offer retirement incentives as part of an overall budget reduction strategy. The deadline to respond was April 23, 2009.


A total of 377 survey responses were received (298 by e-mail and 79 paper responses). This represents a 44.5% response rate. A broad analysis of the responses received is included with this report as ***Attachment C***. **Additional analysis of the survey results will be provided during the meeting.**

The results show significant interest in the CalPERS program and minimal interest in the alternative presented.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that City Council accept this informational report regarding the potential costs or cost-savings that may result from implementation of the CalPERS Two Years Additional Service Credit Program and provide direction to staff regarding possible implementation of the program.

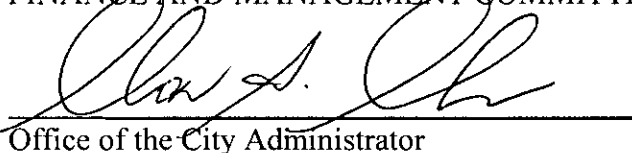
Respectfully submitted,



Wendell Pryor, Director
Office of Personnel Resource Management

Prepared by:
Yvonne S. Hudson, HR Manager
Retirement and Benefits

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:


Office of the City Administrator

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ADMINISTRATIVE INSTRUCTION

SUBJECT	Voluntary Time-Off Without Pay (VTN)	NUMBER	511
REFERENCE		EFFECTIVE	May 1, 2009
SUPERSEDE	AI 511 dated February 15, 2008	DRAFT	

I. PURPOSE

The purpose of this Administrative Instruction is to establish a uniform procedure for submitting, approving and processing requests for Voluntary Time-Off Without Pay (VTN) from eligible represented and unrepresented employees.

VTN was created in the late 1980's as an opportunity for employees to take unpaid leave in situations where the employee would not otherwise take unpaid leave. The use of VTN was for the specific purpose of saving City funds.

II. POLICY

The City of Oakland provides eligible employees with the opportunity to save the City funds by taking VTN. The employee may request the use of VTN for up to sixty (60) regularly scheduled work days in a fiscal year. VTN must be taken in increments of full work days.

Employees may not use VTN during any period of legally entitled unpaid leave such as FMLA (Family and Medical Leave Act), CFRA (California Family Rights Act), and/or PDL (Pregnancy Disability Leave) in which case the use of VTN does not result in cost savings but instead results in significant increased costs to the City. Subject to operational needs, the request for VTN shall not be unreasonably denied.

The City has a pay code with the letter designation "VTN" that is to be used to accomplish a voluntary leave of absence. When the pay code VTN is coded on an employee's time card for periods of unpaid voluntary leave, the employee's benefits (including insurance and leave accruals) continue, and the employee continues to accrue seniority during the period of unpaid leave.

The reduction in work hours resulting from the use of VTN may have an effect on the following employee benefits:

- a. PERS Miscellaneous Retirement is based on the highest single year salary. PERS calculates retirement on both "pay rate" (normal monthly rate of pay or base salary) **and** actual earnings. If an employee opts for VTN, his/her service credit may be impacted.

- b. PERS Safety Retirement is based on the highest single year of earnings. PERS calculates your retirement on both your “pay rate” (normal monthly rate of pay or base salary) **and** actual earnings. If an employee opts for VTN, his/her service credit may be impacted.

III. DEFINITIONS

Term

Eligible Employee

Definition

All unrepresented and represented full-time and permanent part-time employees. Represented employees should refer to their respective Memorandum of Understanding for terms and conditions that may supersede this policy.

VTN

Voluntary Time-Off Without Pay (VTN) is for the specific purpose of accomplishing an unpaid voluntary leave of absence to save City funds without adversely impacting the affected employee’s benefits and seniority.

IV. VTN REQUEST AND APPROVAL PROCESS

1. The **Request for Voluntary Leave Without Pay (VTN) form** is attached to this Administrative Instruction or may be obtained from the departmental personnel/payroll office.
2. Eligible employees may submit requests twice during the fiscal year as follows:
 - Between **May 1 and May 15** - for Requests for VTN between July 1 and December 31
 - Between **November 1 and November 15** - for Requests for VTN between January 1 and June 30
3. **All requests** for VTN must be first reviewed and approved by the requesting employee’s immediate supervisor. Second approval must be obtained from the Department Director.
4. **Requests in excess of fifteen (15) days per fiscal year off** also require approval by the City Administrator, in addition to the immediate supervisor and Department Director. Requests for VTN days **in excess of sixty (60) days per fiscal year** will not be considered.
5. For all VTN requests, the immediate supervisor and the Department Director shall have the right to determine and schedule the exact date(s) when the requested VTN days off will be used by the employee.
6. Once the request for VTN is approved, employees may not cancel or otherwise withdraw his/her VTN days.

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V. RESPONSIBLE PARTIES

Responsible Party
Employee

Action

1. Specifies desired full day(s) to take VTN using the attached form, within the time periods specified in Section IV of this Administrative Instruction, and submits a request to his/her immediate supervisor for approval.

If the immediate supervisor denies the request, the employee has the right for a second review by the Department Director.

2. Using the code "VTN", records the day(s) approved as Voluntary Leave-Without Pay on the weekly timecard.

Immediate Supervisor

Reviews, makes changes as necessary, approves the employee's request to use VTN days, and forwards to the Department Director for second approval:

- by **May 20** for requested time off between July 1 and December 31
- by **November 20** for time requested off between January 1 and June 30.

Department Director

1. For **up to fifteen (15)** VTN days off: Reviews, makes changes as necessary, provides second approval and returns request to the employee, with a copy to the immediate supervisor:

- by **May 31** for requested time off between July 1 and December 31
- by **December 1** for time requested off between January 1 and June 30.

2. For **up to sixty (60)** VTN days off: Reviews, makes changes as necessary, provides second approval and forwards request to the City Administrator, with a copy to the immediate supervisor:

1. by **May 31** for requested time off between July 1 and December 31
2. by **December 1** for time requested off between January 1 and June 30.

3. At an employee's request, provides second review – and approves or disapproves, as deemed appropriate – a request for VTN time off that was denied by the employee's immediate supervisor.

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City Administrator

Reviews employee request of **over fifteen (15) and up to sixty (60)** VTN days off, makes changes as necessary, provides final approval and returns request to the employee, with a copy to the Department Director:

3. by **June 10** for requested time off between July 1 and December 31
4. by **December 11** for time requested off between January 1 and June 30.

**Department/Agency
Payroll Representative**

1. Assures the employee's weekly timecard is correctly coded to reflect use of VTN.

2. Records the Voluntary Time-Off Without Pay taken in TAMS (Time and Management System).

Personnel HRIS/Payroll Division

Checks that coding of the Voluntary Time-Off Without Pay has been correctly recorded and that its use is reflected in the employee's paycheck for that period.

VI. ADDITIONAL INFORMATION

If the provisions of this Administrative Instruction are in conflict with the provisions of a current memorandum of understanding, the memorandum of understanding shall be controlling without further action.

DRAFT

DAN LINDHEIM
City Administrator



REQUEST FOR VOLUNTARY LEAVE WITHOUT PAY (VTN) TO SAVE CITY FUNDS

_____ Department Name

I request _____ full work days of Voluntary Leave Without Pay during the period of
(number of days)

July 1 - December 31 or

January 1 – June 30

Date(s) of Leave: _____

Employee Name: _____
(please print)

Employee Job Title: _____

Employee Signature: _____ Date: _____

APPROVAL BY: _____ Date: _____
Immediate Supervisor

APPROVED BY: _____ Date: _____
Department Head

APPROVED BY: _____ Date: _____
City Administrator**

Once the Request for VTN is approved, employees may not cancel or otherwise withdraw his/her VTN days.

** Required for leave periods exceeding a total of fifteen (15) work days (but up to sixty (60) days) per fiscal year.

CITY OF OAKLAND



150 FRANK H. OGAWA PLAZA 3RD FLOOR OAKLAND, CALIFORNIA 94612-2021

FINANCE AND MANAGEMENT AGENCY
Office of Personnel Resource Management

(510) 238-3112
FAX (510) 238-7129
TDD (510) 839-6451

April 15, 2009

Dear Survey Participant:

The Council is considering whether to offer an early retirement incentive program. The purpose of this survey is to solicit input from retirement-eligible employees to assist us in determining whether to offer retirement incentives to select groups of retirement-eligible employees as part of an overall strategy to manage the City's workforce. Please note the following information as you determine your answers to the survey:

The CalPERS Retirement Incentive Program provides two years of additional service credit. For example, if you are 57 years old with 22 years of service and decided to take advantage of this program to retire, initially PERS will calculate your retirement based on 22 years service at age 57. After the window period closes and final confirmation is provided, PERS will adjust your retirement benefit to 24 years of service at age 57 making any retroactive payments you are due.

Your input is *very* important! Please respond to the survey on the reverse side of this letter no later than **April 23, 2009**.

You may drop your completed survey off to Yvonne Hudson, Retirement and Benefits Manager, at 150 Frank H. Ogawa Plaza, Suite 3332 or fax it to her at (510) 238-7129.

Information about individual employees obtained through this survey will be kept strictly confidential and will not be shared with your employing department; a summary of the results will be included in a future report to City Council.

Thank you for your cooperation and participation in this very important process.

Very truly yours,

Wendell Pryor, Director
Office of Personnel Resource Management

RETIREMENT INCENTIVE INTEREST SURVEY

The Council is considering whether to offer an early retirement incentive. The purpose of this survey is to solicit input from retirement-eligible employees to assist us in determining whether to offer retirement incentives to select groups of retirement-eligible employees as part of an overall strategy to manage the City's workforce. **Your input is very important! Please respond no later than April 23, 2009.**

Information about individual employees obtained through this survey will be kept strictly confidential and will not be shared with your employing department; a summary of the results will be included in a future report to City Council.

The CalPERS Two Years' Additional Service Credit Program (also known as the CalPERS Retirement Incentive Program) would provide two years' additional service credit to members who retire during a designated window period. Exactly how the program will benefit individual employees depends on their age and years of service at the time they opt to participate in the program.

To be eligible for this service credit, a member must have:

- At least five (5) years of service credit with CalPERS
- Be at least 50 years of age

Note that employees who are less than age 55 do not receive the full 2.7% benefit; the Retirement Incentive impacts only your years of service, not your age calculation.

1. In which City department are you employed?

- CEDA City Attorney City Clerk City Council
- Contracting DHS DIT Fire Dept. FMA Library
- Marketing Mayor Museum Parks & Rec Personnel
- Police Dept. Public Works

2. What is your job classification? _____

3. What is your annual salary? _____

4. How many years have you worked for the City of Oakland? _____

5. What is your age range?

- 50-54 55-59 60-64 65+

6. If the CalPERS Retirement Incentive was offered, how likely would you be to take the benefit?

- Very likely Somewhat Likely Not likely Very unlikely

7. If you are very or somewhat likely to take the benefit, during what 30 day period in 2009 would you retire?

- July 1-31 August 1-31 September 1-30 October 1-31

8. If an alternative retirement incentive benefit were offered such as one week of salary for every year of service up to a maximum of \$50,000, how likely would you be to accept the alternative instead of the CalPERS Retirement Incentive?

- Very likely Somewhat Likely Not likely Very unlikely

Thank you for your cooperation and participation.

RETIREMENT INCENTIVE INTEREST SURVEY ANALYSIS
Results as of 11:00 a.m. April 23, 2009

1. 847 surveys were distributed (276 by U.S. mail; 571 by e-mail)
2. 377 responses received (298 e-mail; 79 paper copies) for a 44.5% response.
3. Departmental responses are as follows

CEDA	81	21.8%
City Administrator's Office	10	2.7%
City Attorney	17	4.6%
City Clerk	0	0.0%
City Council	2	0.5%
Contracting	4	1.1%
DHS	21	5.6%
DIT	20	5.4%
Fire	15	4.0%
FMA	36	9.7%
Library	34	9.1%
Mayor	6	1.6%
Museum	10	2.7%
Parks & Rec	12	3.2%
Personnel	3	0.8%
Police	33	8.9%
Public Works	68	18.3%
4. The annual salaries of the respondents who answered the question are:

\$150,000+	9	3%
\$100,000-\$150,000	56	17%
\$50,000-\$100,000	256	70%
<\$50,000	36	11%
5. The age range of respondents who answered the question is as follows:

50-54	34.3%	127
55-59	32.7%	121
60-64	24.1%	89
65+	8.9%	33
6. If the CalPERS Retirement Incentive is offered how many would take the benefit:

Very Likely	168	45.7%
Somewhat Likely	94	25.5%
Not Likely	58	15.8%
Very Unlikely	48	13.0%

7. Of the respondents who answered the question the years of service range is as follows:

30+	40	11%
26-29	39	11%
20-25	116	32%
10-20	115	32%
< 10	51	14%

8. Of the respondents who answered the question, during which month would you retire?

July 2009	53	20.0%
August 2009	17	6.4%
September 2009	27	10.2%
October 2009	168	63.4%

9. If an alternative retirement incentive were offered such as one week of salary for every year of service (up to a maximum of \$50,000) how likely would you be to accept it?

Very Likely	71	19.5%
Somewhat Likely	79	21.6%
Not Likely	110	30.1%
Very Unlikely	105	28.8%

Additional analysis of the survey responses will be provided at the meeting.