

City of Garden Grove
INTER-DEPARTMENT MEMORANDUM

To: Matthew J. Fertal
From: John D.R. Clark
Dept: City Manager
Dept: Human Resources
Subj.: **EMPLOYEE PURCHASE OF
CalPERS SERVICE CREDIT FOR
PRIOR MILITARY SERVICE**
Date: February 26, 2008

OBJECTIVE

To obtain City Council's approval of the following actions (attached):

- a) Resolution of Intention to approve an amendment to the City's contract with CalPERS allowing employees, at their own expense, to purchase CalPERS service credit for prior honorable service in the US armed forces.
- b) First Reading of an Ordinance to effectuate the contract amendment.

BACKGROUND

On July 24, 2007, the City Council adopted an amendment to the City's contract with CalPERS relating to military service credit.

Because of an error on CalPERS part, their contract section sent the City instructions to adopt an amendment pursuant to GC § 20996, "Military Service Credit as **Prior** Service," when the intent of the City has been to adopt an amendment pursuant to GC § 21024, "Military Service Credit as **Public** Service."

Military Service Credit as **Prior** Service allows for military service prior to the effective date of a local agency's contract with CalPERS to be counted as service credit. Since the City first contracted with CalPERS in 1974, this would mean pre-1974 military service could be counted, provided the employee joined the City no more than six months after mustering-out. The City has no employees eligible for this benefit.

Military Service Credit as **Public** Service allows employees, at their own expense, to purchase CalPERS service credit for prior honorable service in the US armed forces.

Since the employee has to pay "both sides" of the transaction (the employee share and the employer share), there is estimated to be little or no fiscal impact on the City. This is the benefit desired by a number of our employees who are veterans, and the benefit the City Council thought it was approving last July.

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As was indicated in the July 24, 2007 Staff Report to Council, the process for amending the City's contract with CalPERS is multi-step. The first step is adoption of the attached Resolution, drafted by CalPERS, indicating the Council's intent to adopt this benefit. The second step amends the contract, which may only be effectuated by ordinance. Since an ordinance requires two readings, the first reading is set for tonight's meeting (as the second recommended action), the second reading will be agendaized for March 25, 2008. The second reading skips the March 11, 2008 meeting because GC § 20471 reads as follows:

Approval of the contract shall be by ordinance adopted by the affirmative vote of a majority of the members of the governing body, ***not less than 20 days after the adoption of the resolution of intention***, or by ordinance adopted by a majority vote of the electorate of the public agency voting thereon.

This untimely delay should not create a handicap for those employees already interested in this benefit, as they may initiate a "buyback" anytime prior to retirement. The interested employees have also been using this interregnum to request actuarial estimates of the buyback cost, a multi-month process in itself.

DISCUSSION

Although the City has not implemented significant outreach on this issue (pending adoption of the correct contract amendment), preliminary requests indicate three to four employees plan to buyback their military service.

FISCAL IMPACT

None.

COMMUNITY VISION IMPLEMENTATION

Maintaining a competitive benefits package helps the City organization reach the Strategic Plan goal of: *MAINTAIN BALANCE BETWEEN STAFFING AND SERVICE LEVELS TO INSURE STRATEGIC PLAN GOALS CAN BE MET.*

RECOMMENDATION

It is recommended that the City Council:

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- Adopt the attached Resolution of Intention to approve an amendment to the City's contract with CalPERS allowing employees, at their own expense, to purchase CalPERS service credit for prior honorable service in the US armed forces.
- Approve on First Reading the attached Ordinance to effectuate the contract amendment.

JOHN D.R. CLARK
Human Resources Director

Attachment: Proposed resolution and ordinance