



Board of Directors AGENDA

PLEASANT HILL RECREATION & PARK DISTRICT

MISSION STATEMENT

In order to serve the diverse recreational needs of individuals and families and to enrich the quality of life for all residents, the Pleasant Hill Recreation & Park District is committed to providing park facilities, open space, and programs and activities for all ages.

**ADMINISTRATION OFFICE
147 GREGORY LANE, PLEASANT HILL
CONFERENCE ROOM**

**Budget & Finance Committee Meeting
Wednesday, November 7, 2018
7:30 A.M.**

Chair: Sandra Bonato
Member: Andrew Pierce

1. Call to Order
2. Roll Call
3. Public Comment
Five minutes may be allotted to each speaker and a maximum of twenty (20) minutes to each subject matter. The public may speak regarding agenda items at the time the matter is taken up. Non-agenda items can be addressed under Public Comment.
4. Discussion Regarding Supplemental Employee Retirement Plan (Attachment A)

Documents that are disclosable public records required to be made available under California Government Code Section 54957.5 (b) (1) and (2) are available to the public for inspection at no charge during business hours at our administrative office located at 147 Gregory Lane, Pleasant Hill, California.

The Pleasant Hill Recreation & Park District will provide reasonable disability-related modification or accommodations to a person who requires such in order to participate in the meeting of the Board of Directors. Please contact Susie Kubota (925) 682-0896 at least 48 hours before the meeting.

STAFF REPORT



Date: November 7, 2018
 To: Budget & Finance Committee
 From: Michelle Lacy, General Manager
 Re: Discussion Regarding Supplemental Employee Retirement Plan

BACKGROUND:

The Pleasant Hill Recreation and Park District (District) is committed to long-term fiscal sustainability. While preparing the 2018/19 Operating Budget the Board discussed potential fiscal challenges which may affect the District's ability to maintain its current service level at a reasonable cost. The biggest challenge which cannot be controlled by the District is the escalating costs to the District for retirement benefits which is known as PERS. PERS has announced that over the next three years it will be reducing its assumed rate of return by .25% annually which will increase the costs for both the District and employee.

The District has three tiers for employees in PERS below is the table with the estimated employer contribution for unfunded liability as determined by PERS:

PERS Rates and # of employees	Rate 2017/18	17/18 Fee for Unfunded Liability	Rate 2018/19	18/19 Fee for Unfunded Liability	Projected 19/20 Rate	Projected 19/20 Fee for Unfunded Liability	Project ed 2020/21 Rate	Projected 2020/21 Fee for Unfunded Liability
2 @ 55 plan (22 EE hired prior to 5/1/2012)	8.92%	\$221,279	9.41%	\$270,889	9.90%	\$328,000	10.8%	\$374,000
2 @ 60 plan (3 EE's hired 5/1/12-7/1/13)	7.20%	\$0	7.63%	\$1,301	8.00%	\$930	8.8%	\$1,900
2 @ 62 plan (40 EE's hired after 7/1/13)	6.53%	\$2,177	6.80%	\$2,774	6.80%	\$3,700	7.1%	\$5,200
Budgeted PERS Contribution by District (includes current and unfunded liability)		\$465,237		\$546,545		Unknown		Unknown

The 2@55 plan is known as the "Classic PERS" plan is the most costly to the District for current and future unfunded liabilities. In addition, it is the largest budget unknown which

is totally dictated to the District by an outside entity. The District has minimal options to control future costs for employees in this tier.

DISCUSSION:

While the District has limited options in controlling costs for employees in the Classic PERS, the best option is to replace employees with non-Classic members upon separation of employees in this tier. Separation of employees in good standing can happen in three ways: 1) retirement; 2) voluntary separation; or 3) elimination of position.

In reviewing options for reducing the District's long term pension obligation, I conducted a review of employees who are currently at least 55 years of age, have 5 years of full-time service with the District, and are eligible to retire from PERS. The District currently has eight employees who fit that criteria and could retire now. Since the District does not have any Post-Retirement Benefits many employees who are eligible to retire have chosen not to retire until they are eligible for Medicare benefits at 65.

I would like the Committee to discuss the option and merits of incentivizing retirement for eligible employees through a Supplement Employee Retirement Plan (SERP). By offering a SERP to eligible employees the District can reduce its future PERS costs and gain flexibility in its organizational structure to reduce staffing costs.

I am proposing the District offer eligible employees the following SERP package which will assist with defraying the costs of health insurance until age 65.

- One time annuity payment of \$55,000 which can be withdrawn based on the employees needs
- District will reimburse retirees for healthcare premiums, up to \$12,000 annually, for five years or age 65 whichever occurs first

Participation in the SERP would be voluntary and the District does not know which of the eligible employees would elect to retire, but it is anticipated the District would realize annual savings in the following ways:

- Less employees in expensive PERS plan and replacements come in at 2@62 plan
- New employees hired at lower step as all eligible employees at current top step
- Potential elimination of supervisor/management positions
- Reclassification of some positions to entry-level category

With the Budget Summit scheduled for December 6, 2018 I would like the Committee to discuss the merits of including a SERP as an option to control future employee costs for full Board discussion. If the Committee agrees this option should be presented to the full Board for consideration a full cost analysis and fiscal impact will be provided to the Board at the Budget Summit.