CalPERS requires the County to certify that it is our intention that at least one vacancy in any position in any department or organizational unit shall remain permanently unfilled for each employee who is granted this incentive, thereby resulting in an overall reduction in the workforce. CalPERS does audit these programs, so it is important to track the positions that are left vacant. At the same time, please note that the position left vacant need not be the one from which the employee retired, or at the same level, or even in the same department. This allows the County to consider effective changes to the organizational structure, while confirming the ultimate goal of reduced costs overall.

No earlier than two weeks after this public notice, this item must be returned to the Board's agenda for final adoption of the formal resolution and for signature of the Certification of Governing Body's Action. A sample of the final Resolution and Certification are attached as Attachment 6 and 7.

The cost of this action can be paid in one of two ways: the estimated cost can be paid in a lump sum to CalPERS, or it can be added to the County's actuarial accrued liability, which will result in an employer contribution rate increase over 20 years. CalPERS increases the employer rate based on the number of employees who elect the early retirement option. The rate increase is spread equally among all County departments or divisions covered under the County's Miscellaneous contract.

Based on our experience with the previous early retirement option, we believe 15% (approximately 527) of those eligible may accept the proposed incentive. This would result in an estimated service credit cost of $21,992,390. We recommend that this cost be paid as an increase to the CalPERS employer rate and amortized over 20 years, so that current savings during this financial crisis are maximized. The average service credit cost per employee is $41,723. The average pension increase as a result of the early retirement option is estimated at $261 per month. After FY2011, the annual savings from elimination of 527 positions is estimated to be over $46 million per year.

Below we have provided cost estimates for this action, along with projected salary savings due to the resulting vacant positions. If all eligible employees within the proposed window period elect the early retirement option, the increased cost to the Miscellaneous contract would be approximately $146,615,935, or a 1.468% increase in the employer contribution rate for a period of 20 years.

Estimated Costs	8% Accept Incentive	15% Accept Incentive	25% Accept Incentive	100% Accept Incentive
Number of Employees	281	527	879	3,514
Annual Compensation & Benefit Savings	$24,769,239	$46,442,324	$77,403,873	$309,615,493
Service Credit Cost in Dollars	$11,729,275	$21,992,390	$36,653,984	$146,615,935
Leave Balance Estimates	$5,352,805	$10,036,510	$16,727,516	$66,910,064
Total Cost (Service Credit Cost + Leave Balances Estimate)	$17,082,080	$32,028,900	$53,381,500	$213,525,999
Employer Contribution Rate Increase as a % of payroll beginning in FY 2012/2013	.117%	.220%	.367%	1.468%