



STAFF REPORT
August 6, 2025

TO: Honorable Mayor and City Council

FROM: Yolanda Lopez, Human Resources Department

SUBJECT: Disclosure of Cost of Granting Two Years Additional Service Credit Pursuant to Government Code Section 20903 as Required by Government Code Section 7507; Certification of Compliance with Government Code Section 7507; Certification of Compliance with Government Code Section 20903.

STAFF RECOMMENDATION

Staff recommends that the City Council consider taking the following actions in the order listed:

1. Announce cost associated with granting two years of additional service credit for local miscellaneous employees meeting the age and service credit requirements of Government Code section 20903 and the Public Employees' Retirement Law, who retire during the designated period beginning on September 11, 2025, and ending on December 30, 2025.
2. Approve Certification of Compliance with Government Code section 7507, certifying that the City Council has made public the costs of granting two years additional service credit pursuant to Government Code section 20903.
3. Approve Certification of Compliance with Government Code section 20903, certifying that the City Council has satisfied the requirements of Government Code section 20903.

DISCUSSION/ANALYSIS

As part of the budget reduction strategy several years ago, the City Council amended the City's contract with CalPERS to provide the optional benefit of additional service credit for two years for eligible employees who retire pursuant to Government Code Section 20903. The City adopted this Golden Handshake as a strategy to reduce the number of involuntary staff reductions. Since the contract between the City and CalPERS has been amended to provide this optional benefit, additional retirement window periods can be established by a resolution of the City Council without further need to amend the City's CalPERS contract.

Specifically, Government Code section 20903 allows agencies, contracting with CalPERS to provide pension benefits to its employees, to provide two years additional service credit ("Golden Handshake") to CalPERS members, employed in a City department or job classification identified by the City as eligible for the Golden Handshake, who retire during a designated period specified by the City due to impending mandatory transfers, layoffs or demotions, and who are at

least 50 years old if classic or 52 years old if PEPR, have at least 5 years of service credit and are in employed status with the City for at least 1 day during the designated period. Applying this criteria, the City has determined that there are 16 miscellaneous City employees that are eligible for the Golden Handshake. Vacancies created by retirements under Section 20903 or at least one vacancy in any position in any department or organizational unit must remain permanently unfilled resulting in an overall reduction in the work force.

By once again offering the Golden Handshake to eligible City employees, the City will have the opportunity to reduce staffing through voluntary retirements. City staff have identified a total of 16 employees that meet the minimum eligibility for retirement as set forth in Section 20903. Therefore, it is recommended that an additional window period for the Golden Handshake be offered to all eligible City employees who retire between September 11, 2025, and December 30, 2025 (“Designated Period”). Note that to be eligible for the Golden Handshake, an employee must be employed at the time that the Designated Period opens. Therefore, to be eligible, employees must retire *after* September 11, 2025, but no later than December 30, 2025.

Since the City has already amended its CalPERS contract to provide for the implementation of Section 20903, fewer steps are required to open an additional window period. The first step is the disclosure of costs. Government Code sections 7507 and 20903 require that the added cost to the retirement fund for all eligible employees who retire during the Designated Period be disclosed at a public meeting at least two weeks prior to the adoption of the Resolution to Grant Another Designated Period for Two Years Additional Service Credit (“Resolution”). This disclosure is included in this agenda item. Certification of the City’s compliance with Government Code Section 7507 must be made by the City Clerk. By City Council action approving staff’s recommendation, the City Clerk will be authorized to sign the required Certification of Compliance with Government Code Section 7507, provided as Attachment 4 and incorporated herein by reference.

Further, as part of the City Council’s action to provide this additional Designated Period, the City Council is required to certify that: (i) the best interests of the City will be served by granting the additional service credit; (ii) the added cost of the benefit will be included in the City’s employer contribution rate for the 2027/2028 fiscal year (iii) the additional service credit is being made available in an effort to avoid mandatory transfers, demotions and layoffs that constitute at least 1 percent of the City’s work force; and (iv) it is the City’s intention that at least one vacancy in any position in any department remain permanently unfilled thereby resulting in an overall reduction in the work force. By City Council action approving staff’s recommendation, the Mayor will be authorized to sign the required Certification of Compliance with Government Code Section 20903, provided as Attachment 5 and incorporated herein by reference.

The second step involves the adoption of the Resolution. The adoption must take place at least two weeks after the date that the disclosure of costs occurs. The adoption is expected to occur on September 10, 2025. The final step will entail the submission of the original or a certified copy of the Resolution, Certification of Governing Body’s Action with respect to the adoption of the Resolution, Certification of Compliance with Government Code Section 7507 and Certification of Compliance with Government Code Section 20903 to CalPERS immediately after the adoption of the Resolution.

FISCAL IMPACT

Government Code section 7507 requires that the cost to provide the Golden Handshake be disclosed at a public meeting at least two weeks prior to the adoption of the Resolution. The City Council satisfies this requirement by making the cost analysis for granting the Golden Handshake prepared by CalPERS public. Accordingly, included with this report are the following actuarial valuation reports prepared by CalPERS:

- Miscellaneous Plan of the City of Coachella City (12 eligible employees)
- Miscellaneous Second Tier Plan of the City of Coachella City (2 eligible employees)
- New PEPRAs Miscellaneous Plan of the City of Coachella City (2 eligible employees)

The actual cost of this benefit will depend on the number of employees who take the Golden Handshake. The cost of the two years additional service credit will be included in the City's CalPERS employer contribution rate commencing with the fiscal year starting two years after the end of the Designated Period, the 2027/2028 fiscal year, and will be amortized over a 5 year period. In accordance with Government Code section 7507, the cost analysis for each plan is provided at Attachments 1-3, and incorporated herein by reference.

The estimated savings in salaries and benefits is approximately \$250,000 per year over a five year period, for a total savings of approximately \$1,250,000. The foregoing estimate assumes that 3 eligible employees will elect to retire and that at least one of the positions left vacant will be eliminated.

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION

Should the City Council not take the action recommended, the City will not be able to move forward with the adoption of the Resolution on September 10, 2025, to grant an additional designated period during which two years additional service credit would be offered to eligible employees meeting the age and service credit requirements if they elect to retire during such period.

ATTACHMENTS:

1. Miscellaneous Plan of the City of Coachella City
2. Miscellaneous Second Tier Plan of the City of Coachella City
3. New PEPRAs Miscellaneous Plan of the City of Coachella City
4. Certification of Compliance with Government Code Section 7507
5. Certification of Compliance with Government Code Section 20903