
FRESNO LOCAL AGENCY FORMATION COMMISSION (LAFCO)
EXECUTIVE OFFICER'S REPORT

AGENDA ITEM NO. 7

DATE: May 6, 2015

TO: Local Agency Formation Commission

FROM: David E. Fey, AICP, Executive Officer 

SUBJECT: **Consider Approval:** Amendment to Employee Handbook Related to Additional Employee Benefits

RECOMMENDATION: Approve amendment to Employee Handbook related to additional employee benefits to be effective July 1, 2015

Background

On May 14, 2014, the Commission approved its FY 2014-2015 budget and established an ad hoc committee composed of Commissioners Perea and Santoyo to assist staff's evaluation of additional employee benefits and present a recommendation to the Commission. Based on this direction, staff surveyed other governmental agencies, including other San Joaquin Valley LAFCOs, and prepared comparative analyses. The ad hoc committee met on December 19, 2014, and again on April 24, 2015, to consider staff's proposal and develop a recommendation to the Commission.

The final FY 2015-2016 LAFCo budget includes contributions towards employees' retirement, life and disability insurance. If approved by the Commission, the recommended benefits toward retirement and life insurance would result in expenses of \$11,741. Further, if approved, staff recommends amendment of the Fresno LAFCo Employee Handbook (Handbook) to reflect these benefits (Appendix A).

The Handbook sets forth the employment policies applicable to all full-time and part-time employees, except as otherwise provided. It contains the substantive employment policies and procedures of the Commission and the benefits provided by the Commission to its employees.

The employee benefits presented in this report are limited to the Clerk to the Commission and the LAFCo Analyst II and any future LAFCo employees. In contrast, the terms of the Executive Officer's employment agreement supersede the policies contained in the Handbook to the extent such written agreement is inconsistent with the Handbook.

To facilitate the Commission's assessment of employee benefits it is helpful to provide a context describing how these benefits may support the overall work of the Commission. A recommended statement of purpose is presented for the Commission's consideration as a proposed amendment to the Handbook in Appendix A.

Current employee benefits are summarized in Appendix B.

Summary of Proposed Employee Benefits

Based on the review of other local agencies' employee benefits, the following additional employee benefits are presented for the Commission's consideration:

1. Establishing a qualified contribution plan with the Commission contributing 10% of an employee's gross earnings; and
2. \$15,000 life insurance coverage.

1. Retirement Benefit

The Handbook does not set forth an employee retirement benefit. The Commission currently offers a voluntary 457 Deferred Compensation plan through ICMA-RC that is 100% employee-paid. On March 12, 2014, the Commission clarified the terms of the executive officer's employment agreement to contribute 7.5% of the EO's annual salary to his ICMA-RC deferred compensation account.

The Social Security Act states that public agencies must either contribute to Social Security (SS) or offer a qualified retirement plan for its employees. A qualified *benefit* plan (such as the County's 1937-Act retirement plan or CalPERS) guarantees a certain pension amount at the time of retirement and satisfies the requirement in the Social Security Act, but qualified *contribution* plans may not.

As a result many local agencies that do not offer a qualified *benefit* plan contribute to SS and offer voluntary deferred compensation plans. Other agencies without SS have mandatory deferred compensation contributions by the employee in an amount that is in lieu of the 6.2% SS contribution in addition to providing a qualified contribution plan.

Fresno LAFCo offers a voluntary 457 deferred compensation plan through ICMA-RC and also contributes to Social Security. A poll of LAFCOs indicates a mix of retirement plans, pension plans, and social security:

LAFCo	1937-Act or CalPERS	Qualified Contribution Plan	Social Security
Los Angeles	Yes	Yes	No
Santa Cruz	Yes	No	Yes
Tulare	Yes	Yes	Yes
Stanislaus	Yes	No	Yes
Yolo	Yes	No	Yes

As noted in Appendix C, direct comparisons to other SJ Valley LAFCOs were problematic due to each LAFCo's level of dependency on their respective County and qualified benefit retirement systems in place. For this comparison, staff examined the defined contribution plans of three other agencies—the Fresno Council of Governments, the Fresno Metropolitan Flood Control District, and the Friant Water Authority (all three agencies have deferred compensation plans):

Fresno Council of Governments

This agency does not contribute to Social Security. COG contributes 15% of an employee's gross earnings - 8.8% as a retirement base plus 6.2% in lieu of social security. COG has a five-year vesting period – 20% for first year, 40% for second year, etc.

COG also has a mandatory 457 Deferred Compensation plan that is 100% employee paid – employees contribute a minimum of 7.5% in lieu of 6.2% Social Security.

Fresno Metropolitan Flood Control District

This agency participates in Social Security. Employees are required to contribute a minimum of 5% of base salary to a 457 deferred compensation. The District also contributes 10% of base salary to the Plan which is subject to a five-year graded vesting schedule.

Friant Water Authority

This agency does not participate in Social Security. The Authority contributes an amount equal to 8% of an employee's gross earnings to a Qualified Contribution Plan.

For employees who participate in the voluntary deferred compensation plan, the Authority will make an additional matching contribution in the amount of the employee contribution up to 4% of the employee's gross earnings. The total potential combined contribution to the plan by Authority may not exceed 12% of an employee's gross earnings.

An employee will not be entitled to receipt of contribution until the completion of three continuous years of service (vesting period). Once vested, will receive all proceeds resulting from contributions from Authority (including interest and/or other appreciation which is exempt from Federal and State taxes until payment is made to the employee) upon retirement or termination of employment.

Conclusion and Recommendation

An employer match of an employee's (voluntary or mandatory) deferred compensation appears most frequently when the agency is not participating in Social Security, typically to encourage and/or augment an employee's private savings plan. In order to provide competitive benefits comparable to other agencies it is recommended that the Commission establish a Qualified Contribution Plan and contribute 10% of the employee's gross salary subject to a three-year vesting schedule.

Fiscal Impact of Recommendation:

<u>Position</u>	<u>Salary</u>	<u>Contribution</u>
Analyst	\$54,000	\$5,400
Clerk	\$62,000	\$6,200
Subtotals		\$11,600

2. Life Insurance

Life insurance is a common and relatively inexpensive employee benefit. After consideration of staff's initial proposal, the committee directed staff to compare levels of life insurance coverage provided by cities in Fresno County. The following list presents information for life insurance coverage per non-management employee currently provided to various cities' staff:

- Clovis: \$25,000 (also provides \$10,000 legal spouse, \$10,000 each child age 6-months to 19-years;
- Coalinga: \$50,000;
- Fowler: \$35,000,
- Fresno: 1X annual salary;
- Huron: \$50,000;
- Kingsburg: \$15,000;

- Mendota: \$25,000;
- Orange Cove: \$50,000.
- Parlier: \$50,000
- San Joaquin: 1X annual salary;
- Sanger: \$30,000; and
- Selma: \$50,000.

Staff then consulted with the Special District Risk Management Authority (SDRMA) for life insurance coverage costs. The SDRMA is a not-for-profit public agency formed under California Government Code Section 6500 to provide a full-service risk management program for California's local governments including property, liability, and workers compensation coverage.

Based on life insurance cost per \$1,000 of coverage, including accidental death and dismemberment, staff prepared the following annual cost comparisons for life insurance coverage for two LAFCo employees:

	Cost per \$1K coverage	Annual Expense for \$15,000 coverage
Analyst	\$0.27	\$48.24
Clerk	\$0.52	\$92.88
Total		\$141.12

Staff recommends a \$15,000 Life, Death & Accidental Dismemberment Insurance policy for each employee. Cost for life insurance is \$141.12 per year.

Appendix A
Recommended Handbook Amendments

104 The Purpose of this Employee Handbook

(Introductory paragraphs to be added to the beginning of this section)

LAFCO is a public agency created by the State legislature in each county to both plan and regulate the boundaries and service areas of cities and special districts in order to prevent urban sprawl, encourage orderly governmental boundaries and promote efficient public services. Fresno LAFCo serves a vital function implementing the legislature's growth and service delivery efficiency policies. Staff supports the work of the Commission through procedural compliance with the statute, by providing useful policy analysis to the Commission, by interpreting Commission policy to the public, and by administering the day-to-day functions of the Commission.

The responsiveness, resourcefulness, and capabilities of LAFCo staff is therefore of primary interest to the Commission. In order to develop and maintain valuable staff resources, employment benefits and compensation should be sufficiently competitive, and proportionate to comparable public agencies.

411. Health, Retirement, and Other Benefits

~~The Commission is exploring health, retirement, and other benefit options for employees, but does not sponsor any group plans at this time.~~

INTRODUCTION TO BENEFITS

LAFCo has established a number of employee benefit programs for its eligible employees. Although this handbook does not restate all of the features of these benefit programs, it provides brief summaries to acquaint employees with some of the key features of the programs. It is important that employees remember that additional terms, conditions, and limitations regarding program eligibility and benefit entitlement often exist. Official plan documents should be consulted for further information regarding each benefit program. In the case of an actual or apparent conflict between the benefit summaries set forth in the handbook and the terms of the official plan documents, the provisions of the official plan documents, as interpreted in the sole and absolute discretion of the plan administrator, shall control.

In addition, while it is LAFCo's present intention to continue these benefits, the employer reserves the right, whether in an individual case or more generally, to modify, curtail, reduce or eliminate any benefit, in whole or in part, either with or without notice. Finally, neither benefit programs nor their descriptions are intended to create any guarantees regarding employment or continued employment. As noted elsewhere in the handbook, employment relationships are for an indefinite term and are terminable at will, either at the option of the employee or the employer.

412. Health Benefits

The Commission and Fresno County have a memorandum of understanding to offer LAFCo employees health benefits through the San Joaquin Valley Insurance Authority. The insurance carrier is subject to change at the discretion of the Commission. The Commission provides to its employees a contribution toward this benefit similar to that provided by Fresno County. Actual contribution will be reviewed annually and included in the Commission's annual budget.

Provider directories and specific information regarding each plan is available by clicking on the links below. Please read this information carefully.

If you have questions regarding your health insurance benefits, please call Employee Benefits at 600-1810 or connect to the County health insurance information at: <http://www.co.fresno.ca.us/DepartmentPage.aspx?id=53531>.

413. Deferred Compensation Plan

The Commission currently participates in the ICMA-RC defined contribution plan. ICMA-RC is a non-profit independent financial services corporation providing retirement plans and related services for more than a million public sector participant accounts. Its mission is to help build retirement security for public employees.

414. Defined Contribution Plan

All full-time regular employees are eligible for coverage on the first day of employment. An employee will not be entitled to receipt of contribution until the completion of three continuous years of service (the vesting period).

Benefit: under this plan, employees, once vested, will receive all proceeds resulting from contributions from Fresno LAFCo (including interest and/or other appreciation which is exempt from Federal and State taxes until payment is made to the employee) upon retirement or termination of employment.

Contributions equal to 10% of an employee's gross salary will be made by the Fresno LAFCo.

Upon termination of employment other than retirement, amounts distributed under the plan may be subject to state and federal penalties if not reinvested according to IRS guidelines. Regulations regarding early withdrawals are complex and a tax attorney or accountant should be consulted for additional information.

415. Life Insurance

The Commission provides each employee with a \$15,000 life insurance policy through the Special District Risk Management Authority or equivalent benefit vendor.

(Subsequent section numbers to be updated)

Appendix B

Summary of Current Employee Benefits

The Handbook currently identifies the following employee benefits:

- Paid Time Off (PTO, combined sick and vacation leave)
 - Health Insurance
 - Paid Holidays
 - Make-up Time
 - School Activities and Suspended Pupil
 - Expense Allowances
 - Continuing Education
 - Leave to Seek Office
 - COBRA
 - Family and Medical Leave
 - Workers' Compensation (no change requested)
 - Pregnancy Disability Leave
 - Other Leaves of Absence
 - Personal leave without pay for:
 - o Bereavement Leave
 - o Jury Duty or Witness Leave
 - o Military Leave
 - o Time Off For Voting
 - o Volunteer Firefighters
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Appendix C

Other Local Agencies Used for Comparison

In preparing this analysis, staff has sought comparisons with other public agencies to determine the typical range of benefits that they provide. Staff initially sought benefit comparisons with other San Joaquin Valley LAFCos but found that direct comparisons of benefit packages with these LAFCos was problematic. Other SJV LAFCos present different levels of independence with some or all of the benefits obtained through their respective County or COG organization. The larger cohort of those governmental agencies frequently results in lower costs.

Madera LAFCo (parent organization is County of Madera)

Tulare LAFCo (parent organization is Tulare County Association of Governments)

Kern LAFCo (parent organization is County of Kern)

Merced LAFCo (parent organization is County of Merced)

Stanislaus LAFCo (parent organization is County of Stanislaus)

Given these constraints, staff obtained benefit information from the following local governments:

Cities of Clovis, Coalinga, Fowler, Firebaugh, Fresno, Huron, Kingsburg, Mendota,
Orange Cove, Parlier, San Joaquin, and Selma

County of Fresno

Fresno Council of Governments

Fresno Metropolitan Flood Control District

Friant Water Authority