

DATE : **JANUARY 8, 2010**

FROM: **KATHLEEN ROLLINGS-McDONALD, Executive Officer**

TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: AGENDA ITEM #10B – DISCUSSION OF RETIREMENT REPLACEMENT BENEFIT PLAN

RECOMMENDATION:

Staff recommends that the Commission:

1. Authorize the Commission's participation in the County of San Bernardino's Replacement Benefit Plan related to retirement benefits of the San Bernardino County Employee's Retirement Association; and,
2. Direct the Chairman of the Commission to sign the Memorandum of Understanding between the County of San Bernardino and Commission regarding participation in the County's Replacement Benefit Plan.

BACKGROUND:

In December 2003, the Commission was notified by the San Bernardino County Employees' Retirement Association (SBCERA) of a new law, effective January 1, 2004, affecting retirement benefits for what are defined as "highly compensated" LAFCO employees, meaning the Executive Officer. At the time, LAFCO staff was deeply involved in the transition of the Executive Officer position, not a retirement, and addressing the numerous proposals for island annexations, formation of community services districts and the fire reorganization. As a result, the information was filed without response. A copy of the letter and information received in 2003 is included as Attachment #1 to this report.

In September 2009, I made inquiries into my pending retirement to determine the correct process, etc. and was surprised to discover that the limitations of the Internal Revenue Service (IRS) would apply to me as I will retire several years shy of age 62. In keeping with the requirements of Government Code Section 31899, the Commission will need to provide for a replacement of these lost benefits, estimated at this time to be \$8,900. In reviewing this determination with SBCERA officials and the County, the Commission has two options to address this situation:

1. Establish its own Replacement Benefit Plan to be administered by LAFCO staff; or
2. Request inclusion in the County's adopted Replacement Benefit Plan currently in operation.

It is staff's opinion that the simplest option would be to request inclusion in the County's Replacement Benefit Plan due to the limited number of affected employees for the foreseeable future. LAFCO staff has met with representatives of County Counsel and County Human Resources to review the requirements and prepared the Draft Memorandum of Understanding to provide for this requested plan inclusion. The Draft Memorandum of Understanding has been reviewed by LAFCO Legal Counsel. The administrative cost for a single employee has been estimated to be minimal.

Recommendations #1 and #2 outlined above will provide the Commission with a Replacement Benefit Plan as required by law, in what staff believes is the most cost effective manner.

/krm

Attachment:

1. San Bernardino County Employees Retirement Association Letter, Dated December 4, 2003, Related to Replacement Benefit Plan Including Copy of County Replacement Benefits Plan
2. Draft Memorandum of Understanding Between the County of San Bernardino and LAFCO Regarding Participation in the County's Replacement Benefits Plan