CITY OF COMMERCE
AGENDA REPORT

TO: Honorable City Council

FROM: City Manager

SUBJECT: RESOLUTION OF INTENTION TO AMEND THE CITY'S CALPERS CONTRACT TO PROVIDE UP TO TWO (2) YEARS OF ADDITIONAL SERVICE CREDIT ("GOLDEN HANDSHAKE") AND TO RECEIVE AND DISCLOSE THE ACTUARIAL COST ANALYSIS PURSUANT TO GOVERNMENT CODE SECTIONS 20903 AND 7507

MEETING DATE: January 27, 2026

RECOMMENDATION:

The City Council will consider:

1. Receiving and disclosing the actuarial cost associated with granting up to two (2) years of additional service credit for eligible local miscellaneous employees who meet the age and service requirements of Government Code section 20903 and the Public Employees' Retirement Law and who retire during the designated period beginning February 26, 2026, and ending May 31, 2026.
2. Approving the Certification of Compliance with Government Code section 7507, certifying that the City Council has received and publicly disclosed the actuarial cost of the proposed retirement benefit enhancement.
3. Approving the Certification of Compliance with Government Code section 20903, certifying that the City Council has satisfied all statutory requirements, including the intent to reduce the workforce by leaving some or all resulting vacancies permanently unfilled.
4. Adopting a Resolution of Intention declaring the City's intent to amend its contract with the California Public Employees' Retirement System (CalPERS) to provide up to two (2) years of additional service credit pursuant to Government Code section 20903 and to receive and disclose the actuarial valuation as required by Government Code section 7507.

BACKGROUND :

Government Code section 20903 authorizes CalPERS contracting agencies to amend their retirement contracts to provide additional service credit as a retirement incentive, commonly referred to as a "Golden Handshake." This incentive may be used as a workforce

management tool to support succession planning, organizational realignment, or other operational objectives.

Prior to adopting any retirement benefit enhancement, Government Code section 7507 requires that the legislative body receive and disclose, at a public meeting, an actuarial valuation prepared by CalPERS identifying the estimated cost impact of the proposed benefit. The actuarial valuation must be disclosed at least two (2) weeks prior to final action on the proposed amendment.

The City has requested and received an actuarial valuation from CalPERS evaluating the cost of granting up to two (2) years of additional service credit. Consistent with statutory and CalPERS requirements, the valuation is based on all employees who would be eligible under the proposed amendment rather than on a single identified employee.

ANALYSIS:

Adoption of the Resolution of Intention is the first required step in the process of amending the City's CalPERS contract. The Resolution does not implement the retirement incentive but satisfies the notice and disclosure requirements of Government Code section 7507.

At this meeting, the City Council will receive and publicly disclose the actuarial valuation prepared by CalPERS identifying the estimated cost impact of the proposed retirement incentive. Final action to amend the CalPERS contract may not occur until at least two (2) weeks following this disclosure.

The actuarial valuation prepared by CalPERS is based on all employees who would be eligible under the proposed amendment, as required by CalPERS methodology. Although the valuation assumes a broader eligible population, the City intends to limit eligibility for the retirement incentive to the following:

- Classification: Associate Planner
- Department**:** Economic Development Department

The City acknowledges that the actuarial valuation reflects a broader population than the City's intended application and that actual costs may be lower depending on employee participation.

Pursuant to Government Code section 20903, adoption of the Resolution of Intention includes certification of the City Council's intent to reduce the workforce by leaving some or all positions vacated as a result of this retirement incentive permanently unfilled. Following satisfaction of all statutory requirements, including the two-week public disclosure period, the City Council may consider adoption of an ordinance to formally amend the City's CalPERS contract.

ALTERNATIVES:

1. Approve staff recommendation.
2. Provide staff with further direction.

FISCAL IMPACT:

The CalPERS actuarial valuation estimates a maximum increase in the City's retirement benefit obligations of approximately $4.6 million, assuming full participation by all 52 eligible employees.

Participation in the retirement incentive, however, will be limited to one employee. As a result, the actual fiscal impact will be significantly lower than the actuarial maximum and will reflect only the cost attributable to the individual's additional service credit and retirement timing. While the retirement incentive may result in a short-term increase in CalPERS-related costs, staff anticipate potential long-term savings through the realignment of vacated positions.

RELATIONSHIP TO STRATEGIC GOALS:

This request supports a strategic effort to strengthen city operations, enhance efficiency, and improve service delivery to the community. This action supports the City's efforts to manage workforce transitions in a planned and fiscally responsible manner while maintaining continuity of operations.

Prepared by: Marlo Revilla. Human Resources Manager
Fiscal Impact reviewed by: Alvaro Castellon, Finance Director
Approved as to form: Noel Tapia, City Attorney
Respectfully submitted: Ernie Hernandez, City Manager

ATTACHMENTS:
1. EXHIBIT A - Resolution of Intention
2. EXHIBIT B - CalPERS Actuarial Valuation Report (Government Code 7507)
3. EXHIBIT C - Certification of Governing Body Action
4. EXHIBIT D - Certification of Compliance with Government Code 7507
5. EXHIBIT E - Certification of Compliance with Government Code Section 20903
6. EXHIBIT F - Two Years Additional Service Credit information, Section 20903
7. Resolution No. 26-