BART

EXECUTIVE DECISION DOCUMENT

GENERAL MANAGER APPROVAL: 11/10/2020		GENERAL MANAGER ACTION REQ'D:		
DATE: 11/6/2020		BOARD INITIATED ITEM: No		
Originator/Prepared by: Veronica Thomas Dept: Human Resources Signature/Date: 11/10/20	General Counsel 11/10/20 [ ]	Controller/Treasurer 11/10/2020 [ ]	District Secretary [ ]	BARC 11/10/20 [ ]

District Retirement Incentive Program

PURPOSE:

To obtain Board authorization to establish and implement a District Retirement Incentive Program ("DRIP").

DISCUSSION:

At the October 22, 2020 Board meeting, District staff presented a 7-point plan for service and organizational changes to address the District's budget challenges. One element of that plan is a proposed District Retirement Incentive Program (DRIP), the purpose of which is to encourage employees who are, or will be retirement-eligible by the stipulated retirement date, to voluntarily separate/retire from District employment by providing a financial incentive to do so. The proposed program would offer eligible employees one week of straight/base pay for each full year of continuous District service (capped at 20 years), plus 4 weeks' base pay. The incentive pay would be paid directly into the employee's Money Purchase Pension Plan (MPPP – (401(a))). The DRIP, if approved, will be offered to all employees including board appointed officers, except employees on terminal leave and new hire probation. District employees who meet the minimum BART retirement age requirements, and either have no less than five full years of continuous District service or have at least five years of verifiable CalPERS service credit will be eligible to participate in the DRIP. Approximately 1,650 employees are eligible for the proposed program.

To ensure the District can continue to meet the service needs of our customers and ensure the DRIP is in compliance with applicable federal and state regulations, the final date for separation is anticipated to be March 21, 2021. This date is several months in the future to allow employees sufficient time to consider the plan and to provide time to backfill positions, if required.

In order to make the incentive payment into the MPPP, the plan will need to be amended to permit an additional contribution in the amount of the retirement incentive payment up to the Internal Revenue Service (IRS) limit. This will provide a tax-deferred savings for employees in addition to a payroll tax savings for the District. Any amount in excess of the IRS limit will be paid in cash to the employee or the employee can elect to make a deposit into the deferred compensation plan (457), up to the IRS limit. The deferred compensation plan may also have to be amended to permit such deposits.

Labor Relations has completed required meet and confer discussions with the unions regarding the DRIP, and is partnering with the unions on the employee communications for the program, should it be approved.

FISCAL IMPACT:

The fiscal impact is directly dependent upon the number of people who choose to take the incentive. If all eligible employees who are more likely to retire, based on reaching the historical average age and years of service at retirement, voluntarily elect to take this incentive, the one-time cost is estimated to be $15M, with off-setting total compensation savings of approximately $10M, for a net cost of $5M in FY21. The on-going savings (FY22 and beyond) would be $45M.

Net savings are contingent upon whether there is a business need to backfill operating positions that are either deemed critical to continuity of operations and/or legally or contractually mandated. Savings from this program will be monitored and reported to the Board once the final voluntary retirement count and associated backfill counts are available.

ALTERNATIVES:
The Board can decide not to approve the DRIP. If not approved, then alternative cost-saving options would need to be evaluated, which may include but are not limited to involuntary layoffs.

RECOMMENDATION:
It is recommended that the Board approve the following motion:

MOTION:
To authorize the General Manager to establish a District Retirement Incentive Program in FY21 and to take any actions which may be necessary to implement this program, including amending the Money Purchase Pension Plan and the Deferred Compensation Plan.