

RESOLUTION 07-31

RESOLUTION ACCEPTING LETTER FROM EXEMPT MANAGERS

WHEREAS, the Chairman of the Board of Directors of the California Housing Finance Agency has received a letter dated November 14, 2007, signed by seven exempt senior managers of the Agency; and

WHEREAS, the letter asks that the Board express its consent to a phasing in of CalPERS benefits based on the salaries enacted by the Board for such managers on January 18, 2007 (as later modified in one case on March 8, 2007), using the methodology described in the letter; and

WHEREAS, the letter requests that, for the purposes of determining CalPERS retirement benefits only, the portion of the salary on which retirement benefits is based (colloquially referred to as "PERSability") be phased in over a three year period commencing on January 1, 2007 as to six of the managers, and over a period of two years commencing on January 1, 2007 as to the Executive Director (as a result of the Executive Director's salary having been voluntarily reduced on March 8, 2007); and

WHEREAS, the purpose of the phase in of retirement benefits is to alleviate any concern that the salary increases granted in 2007 would lead to premature retirements, and to encourage the retention of these managers, and

WHEREAS, the Board agrees that such as phase in as expressed in the letter is a good idea and helps retention of key exempt management;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The Board of Directors accepts and approves the request as described in the letter.
2. A copy of the letter is attached hereto as Exhibit "A".

I hereby certify that this is a true and correct copy of Resolution 07-31 adopted at a duly constituted meeting of the Board of Directors of the California Housing Finance Agency held on November 15, 2007, at Burbank, California.

ATTEST:  
Secretary



November 13, 2007

John Courson  
Chairman, Board of Directors  
California Housing Finance Agency  
1415 L Street, Suite 500  
Sacramento, California 95814

Re: Phase in of CalERS Pension Benefits for Exempt Managers

Dear Chairman Courson:

As you know, in January of this year the Board of Directors of CalHFA implemented the provisions of SB 257 by setting the salaries of ten exempt managerial positions within the Agency. As with any new process, the inaugural effort confronted issues that had never been encountered in the past. As part of the statutory mandate, the Board adjusted those salaries to levels needed to attract and retain qualified persons to these positions.

Shortly after the CalHFA Board set the new salaries, the State of California, in a separate process, adopted a plan to revise the salary structure for certain statutory managers within State service. The Department of Personnel Administration stated that wide disparities between state and local salaries had "resulted in great difficulties recruiting qualified candidates" for state management positions. The DPA plan, however, provided that retirement eligibility under the new salaries would be phased in to avoid creating an indirect incentive for such managers to retire early. The DPA plan implicitly recognizes that such a structural reorganization, while creating more salary parity, may also create issues in the funding of retirements.

The salary restructuring enacted by the CalHFA Board in January did not require such phasing in of retirement eligibility. The exempt managers of CalHFA recognize, however, that such a restructuring may create at least a perception of the same issues that the DPA plan sought to avoid. Because each of the new CalHFA salaries became effective as of January 1, 2007, however, the Board can not unilaterally modify prior vested rights. Consequently, each of the exempt managers who received these increases has indicated that they will voluntarily consent to a phase in, for pension purposes, of the salary increases enacted in January, as set forth below.

For each of the nine managers other than the Executive Director, pension eligibility for the new salary increase will phase in over a three year period commencing on January 1, 2007. Thus, in each of 2007, 2008 and 2009, one third of the salary increase established

in January will become part of the eligible salary base for CalPERS retirement purposes. The phase in will not affect any other retirement benefits or calculations, and will not affect any future salary adjustments during that period. For the Executive Director, the phase in period will be two years instead of three. The reason for the shorter period is that the Executive Director has already voluntarily reduced by \$25,000 the salary established in January as a way of mitigating the pension eligibility issue. Imposing a three year phase in period would effectively result in a disproportionately higher burden for this position.

Because some of the new salaries have been implemented during this past year, a retroactive reduction in the CalPERS eligibility base will result in a number of the managers, as well as the Agency as the employer, having over contributed to the retirement fund during this period. The phase in of the eligibility will require CalPERS to recalculate the contributions due and to make appropriate refunds to those employees and the Agency. We would ask that all adjustments be made concurrently with the acceptance of the phase in proposal by CalPERS.

The exempt managers affected by SB 257 wish to thank the Board for their hard work on the salary restructuring this year. We are committed to expanding the CalHFA mission of providing affordable financing to low and moderate income first time homebuyers, and to affordable rental projects, by operating a sound and successful business. By permitting the Agency to be competitive in the recruitment and retention of qualified managers, the salary restructuring helps make that possible, both now and in years to come. If the phase in of the pension benefits helps to create a long term stable business model for the Agency, then the exempt managers are willing to voluntarily make the modifications specified in this letter. We are presenting this proposal to the Board for its concurrence.

Very Truly Yours'