



Modification Memo

January 28, 2010

To: Darlene J. Bloom, Clerk of the Board of Supervisors

From: Carl H. Crown, Human Resources Department

Subject: Revision to ASR Item S66B– Item #28 for the February 1, 2011 Board Meeting Title

2011 JAN 28 PM 5:02
CLERK OF THE BOARD
ORANGE COUNTY
BOARD OF SUPERVISORS

RECORDED

Explanation: Modification to Recommended Action, Summary and Background Information.

Current Recommended Action

Direct staff to take the necessary steps to authorize the County's bi-weekly contribution to the Elected Officials 401(a) Alternative Retirement (defined contribution) plan to match what would be contributed if the elected official were participating in the 1.62@65 Defined Benefit Plan and to implement a mandatory employee bi-weekly contribution matching that required for the 1.62@65 plan and to take the necessary steps to implement the Elected Officials 401(a) Alternative Retirement plan as the only retirement plan option for future Elected Officials.

Revised Recommended Action

Direct staff to take the necessary steps to authorize the County's bi-weekly contribution to the Elected Officials 401(a) Alternative Retirement (defined contribution) plan to match the percentage of wages that is contributed by a private sector employer to Social Security (the Federal Insurance Contributions Act (FICA) tax) and to implement a mandatory employee bi-weekly contribution matching that required for a private sector employee to FICA and to take the necessary steps to implement the Elected Officials 401(a) Alternative Retirement plan as a retirement plan option for future Elected Officials.

Current Summary

The Ad hoc Committee established by Chair Nguyen considered a variety of retirement options for Elected Officials. The plan put forward matches the County's contribution to the Elected Officials Alternative Retirement Plan to the same amount for the lowest tier Defined Benefit Plan offered by the County thus providing comparable benefit pay to Elected Officials who choose a Defined Contribution plan rather than a Defined Benefit Plan and pursues having the Elected Officials 401(a) Alternative Retirement plan as the

only retirement plan option for future Elected Officials. The overall effect of this plan would be to reduce the County's contribution to Elected Officials Defined Benefit plan.

Revised Summary

The Ad hoc Committee established by Chair Nguyen considered a variety of retirement options for Elected Officials. The plan put forward matches the County's contribution to the Elected Officials Alternative Retirement Plan to the same amount as the payments made in the private sector for Social Security (FICA) and pursues having the Elected Officials 401(a) Alternative Retirement plan as the only retirement plan option for future Elected Officials who are not members of the Orange County Employees Retirement System (OCERS). This plan matches FICA contribution percentages but does not guarantee future distributions equivalent to Social Security payments. The overall effect of this plan would be to reduce the County's contribution to Elected Officials Defined Benefit plan.

Current Background Information 2nd Paragraph

The Ad hoc Committee considered several retirement plan options and decided on the one put forth today. They ask the Board to direct staff to take the necessary steps to authorize the County's bi-weekly contribution to the Elected Officials 401(a) Alternative Retirement (defined contribution) plan to match what would be contributed if the elected official were participating in the 1.62@65 Defined Benefit Plan and to implement a mandatory employee bi-weekly contribution at the same level as if the employee were participating in the 1.62@65 plan.

The plan put forward matches the County's contribution to the Elected Officials Alternative Retirement Plan to the same amount for the lowest tier Defined Benefit Plan offered by the County thus providing comparable benefit pay to Elected Officials who choose a Defined Contribution plan rather than a Defined Benefit Plan thereby potentially reducing the County's unfunded liability. In addition, it would lower the County's retirement contribution for those Elected Officials currently in the 2.7% at 55 retirement formula who elect the 401(a) Alternative Retirement Plan. For 2011, the County contribution to the Elected Officials Alternative retirement plan would apply to all Elected Officials who opt for this plan on the start of their new term of office.

County staff is directed to seek legislation which will allow the County to mandate participation in only the 401 (a) alternative retirement (defined contribution) plan for newly elected County officials after January 1, 2012 who are not current members of OCERS

For Elected Officials currently participating in OCERS, who opt for the 401(a) alternative retirement plan, there will still be a reverse pickup charge since there is still an unfunded liability for retroactive benefits.

Revised Background Information 2nd Paragraph

The Ad hoc Committee considered several retirement plan options and decided on the one put forth today. They ask the Board to direct staff to take the necessary steps to authorize the County's bi-weekly contribution to the Elected Officials 401(a) Alternative Retirement (defined contribution) plan to match the percentage of wages that is contributed by a private sector employer to FICA and to implement a mandatory employee bi-weekly contribution matching that required for a private sector employee to FICA. Maximum contributions based upon reaching certain salary levels would apply as with FICA. If this plan were in effect on February 1, 2011 the contribution percentages for employer and employee would be 6.2% and 4.2% respectively. The employee FICA contribution of 4.2% is effective for one year only (2011). Effective January 1, 2012, the employee FICA contribution will be 6.2%.

The plan put forward matches the Elected Officials 401(a) Alternative Retirement Plan to the same amount as the payments made in the private sector for Social Security (FICA). This plan is recommended because the wages paid County employees and elected officials are not covered by Social Security. Thus, this plan reduces County payments to the same as the private sector employers and employees. Because this plan is a defined contribution plan it also has the benefit of not increasing County pension obligations.

Because of current law, this plan would be optional for County Elected Officials elected or appointed after February 1, 2011. The County contribution to the Elected Officials 401(a) Alternative Retirement Plan would apply to all Elected Officials who opt for this plan on the start of their term of office.

County staff is directed to seek legislation which will allow the County to mandate participation in only the Elected Officials 401(a) Alternative Retirement (defined contribution) Plan after January 1, 2012 for newly elected and/or appointed County Elected officials who are not current members of OCERS

For Elected Officials participating in OCERS, who opt for the Elected Officials 401(a) Alternative Retirement Plan, there will be a reverse pickup charge until there is no unfunded liability for retroactive benefits for executives, managers, attorneys and general employees.

cc: Members, Board of Supervisors
Nick Chrisos, County Counsel
Rob Richardson, County Executive Office