

S57C



**County Executive Office**  
**Memorandum**

December 14, 2012

**To:** Susan Novak, Clerk of the Board  
**From:** Robert J. Franz, Interim County Executive Officer  
**Subject:** Exception to the Rule 21

2012 DEC 14 AM 11:31

---

The County Executive Office is requesting a supplemental for the December 18, 2012 Board Hearing Meeting.

**Agency:** Human Resource Services  
**Subject:** Adoption of 1.62% @ 65 Retirement Formula for New Employees  
**District:** All

**Reason for supplemental:** As directed by the Board of Supervisors.

**Concur:**

  
\_\_\_\_\_  
John M. W. Moorlach, Chairman, Board of Supervisors  
12/14/12

cc: Rob Richardson, County Executive Office

SUPPLEMENTAL AGENDA ITEM
AGENDA STAFF REPORT



ASR Control

MEETING DATE: December 18, 2012
LEGAL ENTITY TAKING ACTION: County of Orange
BOARD OF SUPERVISORS DISTRICT(S): All
SUBMITTING AGENCY/DEPARTMENT: Human Resource Services
DEPARTMENT CONTACT PERSON(S): Steve Danley (714) 834-2836
Nick Chrisos (714) 834-3303

Handwritten signatures and initials

SUBJECT: Adoption of 1.62% @ 65 Retirement Formula for New Employees

CEO CONCUR

COUNTY COUNSEL REVIEW

CLERK OF THE BOARD
Discussion

Budgeted: N/A

Current Year Cost: Savings of
\$278,700 - \$532,100

Annual Cost: Savings of
\$557,400 - \$1,064,200

Staffing Impact: N/A

# of Positions: N/A

Sole Source: No

Current Fiscal Year Revenue: N/A

Funding Source: General Fund 21%; Other Funding Sources 79%

Prior Board Action:

RECOMMENDED ACTION(S)

Approve and adopt the "1.62% @ 65" retirement benefit formula for all general employees, hired on or after January 1, 2013, who belong to one of the designated bargaining units listed below, or who are Elected Officials, Executive Management, Executive Assistants, or Executive Aides. Any non-represented employees hired on or after January 1, 2013 with similar job classifications as employees of these bargaining units shall also be subject to the "1.62% @ 65" retirement benefit formula. The bargaining units whose new employees will be subject to the "1.62% @ 65" retirement formula are:

- Administrative Management
Office Services
Community Services
County General
Healthcare Professional
Supervisory Management
Sheriff Special Officer & Deputy Coroner
Operations & Service Maintenance
Craft & Plant Engineer

**SUMMARY:**

Approve and adopt the "1.62% @ 65" retirement formula for certain general (non-safety) County employees hired on or after January 1, 2013.

**BACKGROUND INFORMATION:**

In 2009, the County entered into agreements with most bargaining units that offered new employees a choice between the enhanced retirement benefit contained in Government Code section 31676.19, commonly referred to as the "2.7% @ 55" retirement benefit, or a "1.62% @ 65" retirement benefit contained in Government Code section 31676.01. If an employee elected the "1.62% @ 65" benefit, the employee could elect to participate in the defined contribution plan with a county match up to 2% of the employee's salary.

On September 12, 2012, Governor Brown signed the Public Employees' Pension Reform Act of 2013 (PEPRA) that created a new pension retirement formula, set forth in Government Code section 7522.02(d), for all new non-safety public employees hired on or after January 1, 2013, commonly referred to as the "2% @ 62" retirement formula. Government Code section 7522.02(d) also allows a public employer to continue to offer another retirement formula to new employees if the retirement formula has a lower benefit factor at normal retirement age and results in a lower normal cost than the "2% @ 62" PEPRA retirement formula.

If the County adopts the "1.62% @ 65" retirement formula for new employees hired on after January 1, 2013, PEPRA's cap on pensionable compensation (i.e., 120% of the Social Security wage index, currently at \$132,120) will not apply (Government Code section 7522.10(c)).

The "1.62% @ 65" retirement formula provides both a lower benefit factor at normal retirement age and results in a lower normal cost than the "2% @ 62" retirement benefit, with or without considering the 2% defined contribution plan offered in the "1.62% @ 65" formula.

It should be noted that two County bargaining units, Attorneys and AFSCME, currently do not have a "1.62 @ 65" retirement formula. As such, any new employees hired on or after January 1, 2013 in these bargaining units, will be enrolled in the PEPRA "2% @ 62" retirement formula.

**FINANCIAL IMPACT:**

The County will realize a savings from adopting the "1.62% @ 65" retirement formula instead of the PEPRA "2% @ 62" formula, the amount of savings contingent upon whether or not an employee chooses to participate in the 2% defined contribution plan. If the employee chooses to participate in the 2% defined contribution plan, the savings would be approximately 2.2% of pay; if they choose not participate, the savings would be approximately 4.2% of pay.

Current year and Annual savings exclude savings associated with the current employees who have already selected the 1.62% @ 65 plan.

**STAFFING IMPACT:**

N/A

**REVIEWING AGENCIES:**

County Counsel  
County Executive Office

**EXHIBIT(S):**

**ATTACHMENT(S):**