

**Agenda Item 2
October 1, 2014**

DATE: September 17, 2014

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director 

SUBJECT: Employer and Employee Retirement Contribution Rates for FY 2015/16 and Early Payment of Employer Contribution

SUMMARY:

The Children and Families Commission of Orange County annually adopts employer and employee retirement contribution rates as required by AB 538 (effective January 1, 2006). Assembly Bill 538 requires special districts, boards, and commissions that participate in the Orange County Employees Retirement System (OCERS), but are not governed by the Board of Supervisors, to adopt the same adjustments to employer and employee contribution rates as recommended and adopted by OCERS for the County and other participating plan sponsors.

DISCUSSION:**FY 2015-16 Retirement Rates**

On June 16, 2014, the OCERS Board of Trustees adopted new employer and employee retirement contribution rates for FY 2015/16. These rates are based on a comprehensive actuarial study of the Retirement System performed by The Segal Company. The December 31, 2013 Actuarial Valuation Report presents the OCERS funding requirements for FY 2015/16 and is located on the OCERS web site at: www.ocers.org Finance page.

Attachment 1 presents the employer and employee contribution rates for the Commission that was recommended and adopted by the OCERS Board for FY 2015/16. The rates consist of two components, the Normal Retirement Rate (which covers retirement costs going forward), and the Unfunded Accrued Actuarial Liability (UAAL) rate (which covers retroactive retirement costs). The FY 2015/16 employer combined rate for Plan I and J members of 35.79% represents an increase of 1.1% above the FY 2014/15 of 35.41%. Employer rates for Plan U – PEPRA members will increase from 32.05% in FY 2014/15 to 32.28% in FY 2015/16.

The employee Normal Rate (determined by employee age at entry to OCERS) will experience a small increase of .01% for FY 2015/16 for Plan I and J members. Plan U – PEPRA members at the average entry age of 32 will experience an increase from 7% in FY 2014/15 to 8.04% in FY 2015/16, a 14.9% increase. Commission approval is recommended to adopt the employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2014/15, as shown in Attachment 1.

Early Payment of Employer Contributions

On July 21, 2014, the Board of Retirement approved an early payment discount on employer

contributions paid by the employer for contribution year July 1, 2015 through June 30, 2016. Payment must be made to OCERS by January 15, 2015 to receive a discount rate of 5.80% used in calculating the present value of discounted cash flows. The Commission has taken advantage of the early payment provision for the past four years.

The necessary steps for the Commission to participate in the early payment discount for FY 2014/15 are being implemented. Since fixed income returns on Commission investments with the County Treasurer are projected to earn .49% for FY 2014/15, securing a 5.80% discount by early payment is a prudent budgeting decision that will not impact required cash flow nor interest earnings.

The estimated Commission employer contribution for FY 2015/16 is \$356,943. The adjusted employer contributions including the early payment discount of 5.80% will be approximately \$336,950 resulting in retirement contribution savings of \$19,543. Initial deposit of early payment funds with OCERS will be recorded as a prepayment for accounting treatment, and no retirement expenses will be recognized until each Commission employee earns the retirement benefit as calculated by service hours provided in FY 2015/16. A year-end estimate to actual reconciliation will be performed by OCERS, and credits against future employer contributions will be provided in the event of over-payment.

STRATEGIC PLAN & FISCAL SUMMARY:

The FY 2015/16 retirement contribution rates recommended and adopted by OCERS, have been reviewed in relation to the Commission's Strategic Plan, and is consistent with prior Commission practice and support all goal areas and outcome goals of the Strategic Plan. Commission staff will incorporate the FY 2015/16 retirement contribution rates into the FY 2015/16 Commission budget.

PRIOR COMMISSION ACTION:

December 4, 2013 - Adopted implementation of employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2014/15.

RECOMMENDED ACTION:

Adopt implementation of FY 2015/16 employer and employee retirement contribution rates as established and adopted by the Orange County Employees Retirement System on June 16, 2014.

ATTACHMENT:

1. OCERS Employer and Employee Retirement Contribution Rates for FY 2015/16

Contact: Michael Garcell



**Orange County Children and Families Commission
Employer / Employee Contribution Rates
Effective July 1, 2015**

Employer Contribution Rates

<u>Rate Group</u>	<u>Plan</u>	<u>Rate</u>	
#2	I & J (Future Service) **	Normal	13.66%
		UAAL *	<u>22.13%</u>
		Total	35.79%
#2	U - PEPRA	Normal	8.56%
		UAAL	<u>23.72%</u>
		Total	32.28%

***UAAL Rate Adjustment for Future Service Only:**

General employers with the 2.7% at 55, Rate Group #2 future service only benefit improvement, are subject to the UAAL rate adjustment of 1.59% for future service only. The UAAL rate is calculated as follows: 23.72% (original rate) – 1.59% (future service adjustment) = 22.13%.

****Reverse Pickups:**

OCCFC Bargaining Units under the 2.7% at 55 plan are subject to an Employee-paid Reverse Pickup, which has not been accounted for in the Employer rate above. Any Reverse Pickup arrangements are between the Plan Sponsors and Employee Bargaining Units.

Employee Contribution Rates

<u>Entry Age</u>	<u>PLAN I (2.7% @ 55)</u>	<u>PLAN J (2.7% @ 55)</u>	<u>PLAN U (2.5% @ 67) PEPRA</u>
15	10.42%	9.95%	7.32%
16	10.42%	9.95%	7.32%
17	10.57%	10.09%	6.96%
18	10.72%	10.24%	6.58%
19	10.87%	10.39%	6.68%
20	11.03%	10.53%	6.77%
21	11.18%	10.68%	6.87%
22	11.34%	10.84%	6.97%
23	11.50%	10.99%	7.07%
24	11.67%	11.15%	7.17%
25	11.84%	11.31%	7.28%
26	12.01%	11.47%	7.38%
27	12.18%	11.64%	7.49%
28	12.36%	11.80%	7.59%
29	12.53%	11.97%	7.70%
30	12.72%	12.15%	7.81%
31	12.90%	12.33%	7.92%
32	13.09%	12.51%	8.04%
33	13.29%	12.70%	8.15%
34	13.49%	12.89%	8.27%
35	13.69%	13.08%	8.38%
36	13.91%	13.28%	8.50%
37	14.12%	13.48%	8.63%
38	14.35%	13.68%	8.75%

<u>Entry Age</u>	<u>PLAN I (2.7% @ 55)</u>	<u>PLAN J (2.7% @ 55)</u>	<u>PLAN U (2.5% @ 67)</u> <u>PEPRA</u>
39	14.55%	13.87%	8.88%
40	14.76%	14.07%	9.00%
41	14.98%	14.28%	9.13%
42	15.21%	14.49%	9.27%
43	15.45%	14.73%	9.40%
44	15.71%	14.96%	9.54%
45	15.99%	15.20%	9.68%
46	16.27%	15.42%	9.83%
47	16.54%	15.61%	9.98%
48	16.81%	15.73%	10.13%
49	16.99%	15.75%	10.29%
50	17.06%	15.68%	10.43%
51	17.04%	15.53%	10.58%
52	16.93%	15.21%	10.73%
53	16.73%	15.72%	10.89%
54	16.26%	16.26%	11.06%
55	16.26%	16.26%	11.23%
56	16.26%	16.26%	11.41%
57	16.26%	16.26%	11.59%
58	16.26%	16.26%	11.76%
59	16.26%	16.26%	11.91%
60	16.26%	16.26%	12.00%
61	16.26%	16.26%	12.02%
62	16.26%	16.26%	11.96%
63	16.26%	16.26%	11.85%
64	16.26%	16.26%	11.61%
65	16.26%	16.26%	11.99%
66 and thereafter	16.26%	16.26%	12.40%

Average entry age and discount percentages applicable to employee contributions paid under Section 31581.1 are:

<u>Rate Group</u>	<u>Plan</u>	<u>Discount %</u>	<u>Average Entry Age</u>
#2	Plan I (General)	97.49%	32
#2	Plan J (General)	94.46%	32
#2	Plan U (General) - PEPRA	93.17%	32