



**Agenda Item No. 2
October 6, 2010 Meeting**

DATE: September 22, 2010
TO: Children and Families Commission of Orange County
FROM: Michael M. Ruane, Executive Director *Michael M. Ruane*
SUBJECT: Adoption of Employer and Employee Retirement Contribution Rates for FY 2011-12

2010 SEP 29 PM 12:54
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ORANGE COUNTY
BOARD OF SUPERVISORS

SUMMARY:

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

FY 2011-12 Retirement Rates

On July 19, 2010, the OCERS Board of Trustees adopted new employer and employee retirement contribution rates for FY 2011-12. These rates are based on a comprehensive actuarial study of the Retirement System performed by The Segal Company. The "Actuarial Valuation and Review as of December 31, 2009," summarizes the actuarial data used in the valuation, and establishes the OCERS funding requirements for FY 2011-12.

Attachment 1 presents the employer and employee contribution rates for the Commission as recommended and adopted by OCERS for FY 2011-12. 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 2011-12 employer combined rate of 25.27% represents an increase of 9.0% above the FY 2010-11 of 22.90%. The employee Normal Rate (determined by employee age at entry to OCERS) experienced a similar increase for FY 2011-12. Also, the employee additional contribution (future service only) increased from 2.48% to 2.92% for FY 2011-12.

Commission approval is recommended to adopt the employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2011-12, as shown in Attachment 1. The employer rate represents the maximum rate for FY 2011-12, and may be adjusted downward based on new information from OCERS, if available.

PRIOR COMMISSION ACTION:

On October 7, 2009, the Commission adopted implementation of employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2011-12.

STRATEGIC PLAN & FISCAL SUMMARY:

The FY 2011-12 retirement contribution rates recommended and adopted by OCERS, have been reviewed in relation to the Commission's Strategic Plan, and are consistent with prior Commission practice and support all goal areas and outcome goals of the Strategic Plan. Sufficient funding is included in the Long-Term Financial Plan for FY 2011-12 within the Staffing budget category.

RECOMMENDED ACTION:

Adopt implementation of FY 2011-12 employer and employee retirement contribution rates as established and adopted by OCERS on July 19, 2010.

ATTACHMENT:

1. OCERS Employer and Employee Retirement Contribution Rates for FY 2011-12

Contact: Steve Kozak

OCERS Retirement Contribution Rates for FY 2011-12
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	<u>Employer Rate %</u>	<u>Employee Rate %</u>
Normal Rate	11.61	2.92*
UAAL	15.50	0.00
Reduction to Employer Rate as Commission adopted a "Future Service Only" Plan	(1.84)	
TOTALS	25.27	Varies by employee

*The Employee Normal Contribution Rate, paid by the employee, is determined by the employee's age at entry to OCERS. The Employee Rate includes the employee's additional retirement contribution (2.92%), paid by the employee, associated with the 2.7% at 55 retirement plan approved by the Commission in November 2005.