Agenda Item 2
October 7, 2015

DATE: September 22, 2015

TO: Children and Families Commission of Orange County

FROM: Christina Altmayer, Executive Director

SUBJECT: Retirement Contribution Rates for FY 2016/17

ACTION: Adopt implementation of Fiscal Year 2016/17 employer and employee retirement contribution rates as established and adopted by the Orange County Employees Retirement System (OCERS)

SUMMARY:

The Children and Families Commission of Orange County, as a participant in the County of Orange retirement system, 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 of Orange and other participating plan sponsors.

DISCUSSION:

FY 2016-17 Retirement Rates

On June 15, 2015, the OCERS Board of Trustees adopted new employer and employee retirement contribution rates for FY 2016/17. These rates are based on a comprehensive actuarial study of the Retirement System performed by The Segal Company. The December 31, 2014 Actuarial Valuation Report presents the OCERS funding requirements for FY 2016/17 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 2016/17. 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 2016/17 employer combined rate for Plan I and J members of 33.15% represents an increase of 2.64% above the FY 2015/16 of 35.79%. Employer rates for Plan U – PEPRA members will decrease from 32.28% in FY 2015/16 to 30.05% in FY 2016/17.

The employee Normal Rate is determined by employee age at entry to OCERS, and will experience a small decrease between .18% and .33% for FY 2016/17 for Plan I and J members and Plan U – PEPRA members at the average entry age of 32. Commission approval is recommended to adopt the employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2016/17, as shown in Attachment 1.

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Early Payment of Employer Contributions
On July 20, 2015, the Board of Retirement approved an early payment discount on employer contributions paid by the employer for contribution year July 1, 2016 through June 30, 2017. Payment must be made to OCERS by January 15, 2016 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 five years.

The necessary steps for the Commission to participate in the early payment discount for FY 2016/17 are being implemented. Since fixed income returns on Commission investments with the County Treasurer are projected to earn .48% for FY 2015/16, 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 total required Commission employer contribution for FY 2016/17 is approximately $380,000. The adjusted employer contributions including the early payment discount of 5.80% will be approximately $359,000 resulting in retirement contribution savings of $21,000. Initial deposit of early payment funds with OCERS will be drawn upon as each Commission employee earns the retirement benefit as calculated by service hours provided in FY 2016/17. 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 2016/17 retirement contribution rate schedule recommended and adopted by OCERS has 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. The FY 2016/17 retirement contribution rates will be incorporated into the FY 2016/17 Commission budget.

PRIOR COMMISSION ACTION:
October 1, 2014 - Adopted implementation of employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2015/16.

RECOMMENDED ACTION:
Adopt implementation of FY 2016/17 employer and employee retirement contribution rates as established and adopted by the Orange County Employees Retirement System (OCERS) on June 15, 2015.

ATTACHMENT:
1. Orange County Employees Retirement System (OCERS): Orange County Employer/Employee Contribution Rates

Contact: Michael Garcell

ORANGE COUNTY OCERS EMPLOYEES RETIREMENT SYSTEM

Orange County Children and Families Commission
Employer / Employee Contribution Rates
Effective July 1, 2016

Employer Contribution Rates

Rate Group	Plan	Rate	
#2	**I & J** (Future Service) **	**Normal**	13.22%
		UAAL*	19.93%
		Total	**33.15%**
#2	**U - PEPRA**	**Normal**	8.33%
		UAAL	21.72%
		Total	**30.05%**

***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 1.79% for future service only. The UAAL rate is calculated as follows: 21.72% (original rate) – 1.79% (future service adjustment) = 19.93%.

****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

Entry Age	PLAN I (2.7% @ 55)	PLAN J (2.7% @ 55)	PLAN U (2.5% @ 67) PEPRA
15	9.66%	9.21%	6.78%
16	9.66%	9.21%	6.78%
17	9.83%	9.37%	6.47%
18	10.01%	9.53%	6.14%
19	10.18%	9.70%	6.25%
20	10.36%	9.87%	6.36%
21	10.55%	10.04%	6.48%
22	10.73%	10.22%	6.59%
23	10.92%	10.40%	6.71%
24	11.11%	10.58%	6.83%
25	11.31%	10.77%	6.95%
26	11.51%	10.96%	7.07%
27	11.71%	11.15%	7.20%
28	11.92%	11.35%	7.33%
29	12.13%	11.55%	7.46%
30	12.35%	11.75%	7.59%
31	12.57%	11.97%	7.72%
32	12.80%	12.18%	7.86%
33	13.03%	12.40%	8.00%
34	13.28%	12.63%	8.14%
35	13.52%	12.86%	8.28%
36	13.78%	13.11%	8.43%
37	14.05%	13.34%	8.58%
38	14.32%	13.56%	8.73%

Entry Age	PLAN I (2.7% @ 55)	PLAN J (2.7% @ 55)	PLAN U (2.5% @ 67) PEPRA
39	14.54%	13.76%	8.88%
40	14.77%	13.97%	9.04%
41	15.01%	14.19%	9.20%
42	15.26%	14.43%	9.37%
43	15.52%	14.67%	9.54%
44	15.80%	14.92%	9.71%
45	16.11%	15.15%	9.89%
46	16.41%	15.36%	10.07%
47	16.66%	15.52%	10.26%
48	16.92%	15.62%	10.46%
49	17.06%	15.63%	10.65%
50	17.13%	15.54%	10.82%
51	17.13%	15.34%	10.99%
52	16.99%	14.95%	11.16%
53	16.70%	15.45%	11.35%
54	15.97%	15.97%	11.54%
55	15.97%	15.97%	11.74%
56	15.97%	15.97%	11.95%
57	15.97%	15.97%	12.15%
58	15.97%	15.97%	12.33%
59	15.97%	15.97%	12.47%
60	15.97%	15.97%	12.57%
61	15.97%	15.97%	12.60%
62	15.97%	15.97%	12.57%
63	15.97%	15.97%	12.46%
64	15.97%	15.97%	12.21%
65	15.97%	15.97%	12.62%
66 and thereafter	15.97%	15.97%	13.05%

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

Rate Group	Plan	Discount %	Average Entry Age
#2	**Plan I** (General)	98.83%	31
#2	**Plan J** (General)	97.28%	31
#2	**Plan U** (General) - PEPRA	95.86%	31