



**Agenda Item No. 2  
November 7, 2012 Meeting**

**DATE:** October 10, 2012  
**TO:** Children and Families Commission of Orange County  
**FROM:** Christina Altmayer, Interim Executive Director   
**SUBJECT:** Adoption of Employer and Employee Retirement Contribution Rates for FY 2013-14

---

**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 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 2013-14 Retirement Rates**

On July 16, 2012, the OCERS Board of Trustees adopted new employer and employee retirement contribution rates for FY 2013-14. 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, 2011" summarizes the actuarial data used in the valuation, and establishes the OCERS funding requirements for FY 2013-14.

Attachment 1 presents the employer and employee contribution rates for the Commission as recommended and adopted by OCERS for FY 2013-14. 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 2013-14 employer combined rate of 31.13% represents an increase of 17% above the FY 2012-13 of 26.61%.

The employee Normal Rate (determined by employee age at entry to OCERS) experienced a similar increase for FY 2013-14. Also, the employee additional contribution (Pick-Up Rate for Future Service Only) was increased by 17.6% from 2.96% to 3.48% for FY 2013-14.

Commission approval is recommended to adopt the employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2013-14, as shown in Attachment 1. The employer rate represents the maximum rate for FY 2013-14, and may be adjusted downward based on new information from OCERS, if available.

Commissioners

Interim Executive Director

### **Early Payment of Employer Contributions**

On August 20, 2012, the Board of Retirement approved an early payment discount on employer contributions paid by the employer for contribution year July 1, 2013 through June 30, 2014. Payment must be made to OCERS by January 15, 2013 to receive a discount rate of 7.75% used in calculating the present value of discounted cash flows.

Commission staff is implementing the necessary steps for the Commission to participate in the early payment discount for FY 2013-14. The forecasted gross yield through the Orange County Investment Pool (OCIP) is 0.38% for FY 2012-13. Since fixed income returns are not expected to be significantly higher for FY 2013-14, securing a 7.75% discount by early payment is a prudent budgeting decision.

The estimated Commission employer contribution for FY 2013-14 is \$330,000. The early payment, discounted at 7.75%, will be approximately \$305,000 resulting in retirement contribution savings of \$25,000. 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 2013-14. 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 2013-14 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. Sufficient funding is included in the Long-Term Financial Plan for FY 2013-14 within the Staffing budget category.

### **PRIOR COMMISSION ACTION:**

- September 7, 2011 - Adopted implementation of employer and employee retirement contribution rates as recommended and adopted by OCERS for FY 2012-13.

### **RECOMMENDED ACTION:**

Adopt implementation of FY 2013-14 employer and employee retirement contribution rates as established and adopted by OCERS on July 16, 2012.

### **ATTACHMENT:**

1. OCERS Employer and Employee Retirement Contribution Rates for FY 2013-14

**Contact:** Michael Garcell

<h2 style="margin: 0;">OCERS Retirement Contribution Rates for FY 2013-14</h2>
--------------------------------------------------------------------------------

	Employer Rate %	Employee Rate %
Normal Rate	12.03	10.92*
UAAL	20.98	-
Reduction to Employer Rate as Commission adopted a "Future Service Only" Plan	(1.88)	-
Pick-Up Rate paid by employee for 2.7% at 55 retirement plan approved in November 2005	-	3.48
<b>TOTALS</b>	<b>31.13</b>	<b>Varies by employee</b>

\*The Employee Normal Contribution Rate, paid by the employee is determined by the employee's age at entry to OCERS. Employee contribution rate for an OCERS member at average entry age of 31 is 10.92%