THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

DEPT: StanCERA | BOARD AGENDA # B-4

Urgent ☐ Routine ■ | AGENDA DATE May 15, 2012

CEO Concurs with Recommendation YES ☒ NO ☐ (Information Attached) | 4/5 Vote Required YES ☐ NO ■

SUBJECT:

Approval to Adopt Retirement Contribution and Interest Rates for Fiscal Year 2012-2013

STAFF RECOMMENDATIONS:

1. Adopt the revised retirement contribution rates based on the revised actuarial assumptions for fiscal year 2012-2013 as recommended by the Board of Retirement.
2. Direct the Auditor-Controller to change the employer retirement contribution rates for the fiscal year 2012-2013 in accordance with the actuarial valuation of June 30, 2011, (copies available from the Clerk of The Board of Supervisors) on the payroll check date of August 8, 2012.

FISCAL IMPACT:

The overall fiscal impact of the retirement contribution rates is approximately $38 million, of which approximately $15.9 million is General Fund cost. This represents 17.86% of pensionable wages. The overall cost of $38 million is based on salary projections that were sent to all departments to assist in the preparation of their 2012-2013 Proposed Budgets. It is reflective of the 6% salary deduction agreed upon by 8 bargaining units and the elimination of the current 5% deduction for 4 bargaining units that have not reached an agreement. In addition to these costs, the County continues to make semi-annual debt-service payments of over $10.8 million annually to retire the Pension Obligation Bonds issued in 1995.

BOARD ACTION AS FOLLOWS:

No. 2012-229

On motion of Supervisor De Martini , **Seconded by Supervisor** Withrow
and approved by the following vote,
Ayes: Supervisors: Chiesa, Withrow, Monteith, De Martini, and Chairman O'Brien
Noes: Supervisors: None
Excused or Absent: Supervisors: None
Abstaining: Supervisor: None
1) X **Approved as recommended**
2) ___ **Denied**
3) ___ **Approved as amended**
4) ___ **Other:**
MOTION:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

DISCUSSION:

On March 14, 2012, the actuarial report and valuation of the Stanislaus County Employees' Retirement Association (StanCERA) as of June 30, 2011, was presented and approved by the Board of Retirement. This valuation sets the funded status of the System and employer and employee contribution rates for fiscal year 2012-2013 for the County, the City of Ceres, Stanislaus Superior Court and 5 other special districts that contract for retirement benefits with StanCERA. Graham Schmidt of EFI Actuaries presented the report and representatives from the Chief Executive Office were in attendance.

Earlier in the year, on January 11, 2012, Mr. Schmidt presented the first iteration of the valuation. At this meeting, the Board of retirement requested that the actuary change the amortization policy from a 25-year rolling to a 25 year decreasing period, stopping at 15 years. This means that instead of re-amortizing the current unfunded pension liability over a 25 year period each year, the current unfunded liability will be amortized down to 15 years and then a rolling policy implemented at that point. The actuary expects this change to cause approximately a 0.3% increase in employer rates each year for the next 10 years. The following table lays out County contribution rates for 2012-2013 along with rates from 2011-2012 for comparison. To put the comparison in its proper context, the rates for 2011-2012 are shown before a $14.3 million transfer of assets was made last year from non-valuation reserves to offset employer contribution rates. Employee rates for 2012-2013 remain unchanged.

In general, rates are trending down for fiscal year 2012-2013 and nearly all of the decrease can be attributed to favorable salary experience between 2010 and 2011. Even though the System experienced an investment return of 22% between 2010 and 2011, all of the gains were used to offset losses that were deferred from the poor investment experience between 2007 and 2009 and did nothing towards reducing contributions rates for this valuation. On a positive note, the 22% return did fully cover all past deferred losses, and the System's smoothed value of assets as of June 30, 2011 now equals its market value of assets.

The increase in tier 2 rates can be explained by the fact that the tiers are very new with few participants and as a result, the normal cost portion of the rate is fluctuating and most likely will continue to do so over the next couple years as the demographics of the group settle into a normal pattern.

	General Tiers				**Safety Tiers**		
Fiscal Year	2	3	4	5	2	4	5
2011-2012	15.75%	12.56%	15.82%	16.86%	24.40%	19.91%	27.73%
2012-2013	16.94%	12.95%	15.70%	15.83%	38.45%	19.49%	27.54%

POLICY ISSUES:

Effective July 1, 1948, the Stanislaus County Board of Supervisors began offering retirement benefits to County employees pursuant to the County Employees Retirement Law of 1937 (Government Code Section 31450 et seq). Retirement benefits are funded on an actuarially sound basis according to the 1937 Act.

Specifically, Pursuant to Government Code Section 31454:

"The Board of Supervisors shall.... adjust the rate of interest, the rates of contributions of members, and county and district appropriations in accordance with the recommendation of the Board [of Retirement], but shall not fix them in such amounts as to reduce the individual benefits provided in this chapter [CERL]."

Government Code Section 31584 further states that:

"The Board of Supervisors shall make the appropriations and if it fails or neglects to make appropriations, the County Auditor shall transfer from any money available in any fund in the County Treasury the sums specified by this chapter [CERL], and this transfer shall have the same force and effect as it would have had if the required appropriations had been made by the Board of Supervisors."

STAFFING IMPACT:

While the production and implementation of annual retirement contribution rates does not require additional staff, StanCERA acknowledges that increases or decreases in required contribution rates may have some impact on participating agencies' ability to provide staffing service levels.

CONTACT INFORMATION:

Rick Santos, Executive Director, (209) 525-6393, or, at www.retirement.org with any questions.