

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

DEPT: Chief Executive Office

BOARD AGENDA # *B-8

Urgent

Routine

AGENDA DATE December 18, 2012

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES NO

SUBJECT:

Approval to Adopt Resolutions Implementing the Provisions of the Public Employees' Pension Reform Act (PEPRA-AB 340) Establishing New Retirement Benefit Formulas for New County Members Hired On or After January 1, 2013 and Adopt the Retirement Contribution Rates for the New Tier, effective January 1, 2013

STAFF RECOMMENDATIONS:

1. Adopt the Resolutions implementing the provisions of the Public Employee Pension Reform Act establishing new retirement benefit formulas for new County members hired on or after January 1, 2013.
2. Adopt the Retirement Contribution Rates for the new retirement benefit formulas.

FISCAL IMPACT:

In the current 2012-2013 Fiscal Year, approximately \$52 million was budgeted for total County retirement costs with approximately \$10.7 million related to the County share of the Pension Obligation Bond and \$41.3 million related to StanCERA costs. While the proposed employer rates associated with implementation of the new benefit plans required by the Public Employees' Pension Reform Act are slightly higher for General Members than the current Tier 2 and Tier 5 rates, the overall cost should be less per member as the rate will be applied to a lower amount of compensation than was eligible in the previous tiers (e.g. car allowances and uniform allowances are excluded and, there is now a pensionable income cap). (Continued on Page 2)

BOARD ACTION AS FOLLOWS:

No. 2012-629

On motion of Supervisor Monteith, 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) Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

Approval to Adopt Resolutions Implementing the Provisions of the Public Employees' Pension Reform Act (PEPRA -AB 340) Establishing New Retirement Benefit Formulas for New County Members Hired On or After January 1, 2013 and Adopt the Retirement Contribution Rates for the New Tier, effective January 1, 2013

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FISCAL IMPACT (Continued):

While the fiscal impact of the implementation of the new benefit plans is unknown at this time, it is anticipated to result in a long-term cost reduction to the County's share of the retirement costs.

DISCUSSION:

Stanislaus County offers retirement benefits to its employees under the County Employees' Retirement Law of 1937 and these benefits have been, and are, administered through the Stanislaus County Employees' Retirement Association (StanCERA).

On September 12, 2012 the Governor signed into law Assembly Bill 340 which takes effect on January 1, 2013. The law applies to all public retirement systems in California except for those established by a charter city or charter county. Stanislaus County as a general law County is subject to the provisions of the Public Employees' Pension Reform Act (PEPRA). This law created different retirement formulas for new members hired on or after January 1, 2013. The PEPRA applies to both the County as the employer, and StanCERA, as the retirement system.

While the majority of the changes addressed by AB 340 apply to new members, some changes apply to existing County employees.

Primary impacts of the reform for existing members hired on or before December 31, 2012 include:

- Retired County employees will generally not be eligible for employment for a period of 180 days following the day of retirement (exemption for public safety members);
- Bonuses are no longer included in pensionable compensation, and
- Forfeiture of benefits for felony convictions arising out of performance of official duties.

Primary impacts of the reform for new members hired after December 31, 2012 include:

- Reduction in the benefit formula and increases the retirement age;
- Limits on the types of compensation that can be considered for calculating a retirement benefit;
- The maximum compensation used to calculate pension benefits is capped; and
- Employees will be required to contribute at least 50% of the normal cost to fund the pension benefit.

As a result of the changes implementing the provisions of the Public Employees' Pension Reform Act, new retirement benefit formulas for County new members hired on or after January 1, 2013 need to be established. Since the retirement benefits that these plans offer are different than any of the existing plans currently administered by StanCERA, an actuarial valuation was required to determine both employer and employee contribution rates for the new plan for the remainder of the 2012-2013 Fiscal Year. On December 12, 2012, the actuarial report determining the contribution rates for the new PEPRA benefit was presented to the StanCERA Board. At that meeting they approved flat member contribution rates for employees hired on or after January 1, 2013. This flat rate includes the cost of living adjustment that stays in place for all members.

Approval to Adopt Resolutions Implementing the Provisions of the Public Employees' Pension Reform Act (PEPRA -AB 340) Establishing New Retirement Benefit Formulas for New County Members Hired On or After January 1, 2013 and Adopt the Retirement Contribution Rates for the New Tier, effective January 1, 2013

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The following rates were approved by the StanCERA Board for new members hired into the new Tier 6 categories consistent with the Public Employees' Pension Reform Act.

General Members (Tier 6)
Employer and Employee Contribution Rates

	Recommended (2%@62)
Total Normal Cost	15.21%
Average New Member Employee Contribution Rate	7.50%
Employer Normal Cost	7.71%
Employer Total Cost (includes Unfunded Liability)	18.50%

PEPRA provides three safety member benefit formulas to choose from. The choice between the three safety formulas is limited to the formula that provides a lower benefit at 55 years of age than the formula provided to safety members on and before December 31, 2012. For Stanislaus County this would be Safety Option Plan Two as detailed below. The implementation of the Basic Safety Plan or Option One Plan would be subject to meet and confer with our labor organizations.

Safety Members (Tier 6)
Employer and Employee Contribution Rates

	Recommended	Subject to Meet & Confer	
	Safety Option Plan Two (2.7% @ 57)	Basic Safety Plan (2%@57)	Safety Option Plan One (2.5% @ 57)
Total Normal Cost	26.09%	20.95%	25.15%
Average New Member Employee Contribution Rate	13.00%	10.50%	12.50%
Employer Normal Cost	13.09%	10.45%	12.65%
Employer Total Cost (includes Unfunded Liability)	31.32%	28.68%	30.88%

Attached are the Resolutions implementing the provisions of the Public Employees' Pension Reform Act establishing new retirement benefit formulas for County new members. The majority of the PEPRA provisions apply to employees hired on or after January 1, 2013, and will be referred to as Tier 6 for all Stanislaus County bargaining units. To better understand this new tier, Chief Executive Office staff have put together frequently asked questions (FAQs) to inform county employees of pension reform provisions. The FAQs will be posted on the County's website. Should employees have any individual questions regarding the calculation of their benefits, they are encouraged to contact StanCERA directly.

Approval to Adopt Resolutions Implementing the Provisions of the Public Employees' Pension Reform Act (PEPRA -AB 340) Establishing New Retirement Benefit Formulas for New County Members Hired On or After January 1, 2013 and Adopt the Retirement Contribution Rates for the New Tier, effective January 1, 2013

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POLICY ISSUES:

The recommended actions are necessary to comply with the provisions of AB 340, which modify the retirement benefit formula provisions for new members hired on or after January 1, 2013.

Although the new Tier 6 rates have already been approved by the StanCERA Board at their December 12, 2012 meeting, pursuant to Government Code Section 31454, Board of Supervisors approval for the new Tier 6 rates is also requested.

“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:

Stan Risen, Assistant Executive Officer

209-525-6333

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
STATE OF CALIFORNIA

Date: December 18, 2012

2012-629a

On motion of Supervisor Monteith 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

THE FOLLOWING RESOLUTION WAS ADOPTED:

Item # *B-8

Resolution Implementing a New Retirement Benefit Formula Applicable to Employees Who Become New Members on or After January 1, 2013 in General Membership Positions of the Stanislaus County Employees Retirement Association

WHEREAS, the County of Stanislaus has offered and continues to offer retirement benefits to its employees under the County Employees' Retirement Law of 1937 and these benefits have been and are administered through the Stanislaus County Employees' Retirement Association ("StanCERA"); and

WHEREAS, the history of the retirement benefits may be found in Board of Supervisors' resolutions, such as and not limited to Resolutions 74-426, 80-1001, and 2002-96; and

WHEREAS, on December 21, 2010 (Resolution No. 2010-783) this Board terminated the applicability of Sections 31676.14 and 31462.1 for the retirement benefit formula for general members of StanCERA and made the retirement benefit formula provisions of Government code section 31676.1 and section 31462 (known as "Tier 2") applicable to general members commencing service on or after January 1, 2011; and

WHEREAS, on September 12, 2012, the Governor signed Assembly Bill 340 ("AB 340") which becomes effective January 1, 2013 and imposes a compulsory retirement benefit for public employees who become new members on or after January 1, 2013; and

WHEREAS, AB 340 (Section 7522.04(f)) defines New Member as any of the following: (1) An individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date; (2) Any individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under subdivision (c), of Section 7522.02; or (3) An individual who was an active member in a retirement system and who, after a break in service of more than six months, returned to active membership in that system with a new employer; and

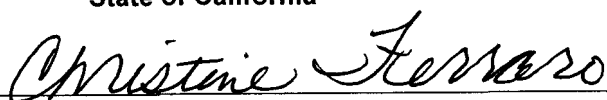
WHEREAS, in order to comply with the provisions of AB 340 as related to reciprocity, this Board intends to modify the applicability of the retirement benefit formula provisions of Government Code sections 31676.1 and 31462 ("Tier 2") to only apply to new employees who are not New Members; and

WHEREAS, this Board intends to implement the retirement benefit formula provision imposed by Government Code section 7522.20 (known as "Tier 6") on employees in general membership positions who become New Members on or after January 1, 2013; and

NOW THEREFORE, BE IT IS RESOLVED that the Board of Supervisors does hereby order that the retirement benefit formula provisions of Government Code section 7522.20 shall apply to persons who become New Members in general membership positions, on or after January 1, 2013; and

BE IT FURTHER RESOLVED that the Board of Supervisors does hereby order that the retirement benefit formula provisions of Government Code section 31676.1 and section 31462, as memorialized in Resolution No. 2010-783 adopted by this Board on December 21, 2010, are hereby modified, effective January 1, 2013, so as to only apply to new employees who are not New Members.

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk**
Stanislaus County Board of Supervisors,
State of California



File No.

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
STATE OF CALIFORNIA

Date: December 18, 2012

2012-629b

On motion of Supervisor Monteith 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

THE FOLLOWING RESOLUTION WAS ADOPTED:

Item # *B-8

Resolution Implementing a New Retirement Benefit Formula Applicable to Employees Who Become New Members on or After January 1, 2013 in Safety Membership Positions of the Stanislaus County Employees Retirement Association

WHEREAS, the County of Stanislaus has offered and continues to offer retirement benefits to its safety members under the County Employees' Retirement Law of 1937 and these benefits have been and are administered through the Stanislaus County Employees' Retirement Association ("StanCERA"); and

WHEREAS, the history of safety member benefits may be found in Board of Supervisors' resolutions, such as, but not limited to Resolutions 80-1001 and 2002-96; and

WHEREAS, on December 21, 2010 (Resolution No. 2010-783) the Board of Supervisors terminated the applicability of Sections 31462.1 and 31664.1 to employees whose safety member service commenced on or after January 1, 2011 and made applicable the retirement benefit formula provisions of Government code section 31462 and section 31664 (known as "Tier 2 safety") as to employees whose safety service commences on or after January 1, 2011; and

WHEREAS, on September 12, 2012, the Governor signed Assembly Bill 340 ("AB 340") which becomes effective January 1, 2013 and imposes a compulsory retirement allowance for public employees who become new members on or after January 1, 2013; and

WHEREAS, AB 340 (Section 7522.04(f)) defines New Member as any of the following: (1) An individual who becomes a member of any public retirement system for the first time on or after January 1, 2013, and who was not a member of any other public retirement system prior to that date; (2) Any individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who was a member of another public retirement system prior to that date, but who was not subject to reciprocity under subdivision (c), of Section 7522.02; or (3) An individual who was an active member in a retirement system and who, after a break in service of more than six months, returned to active membership in that system with a new employer; and

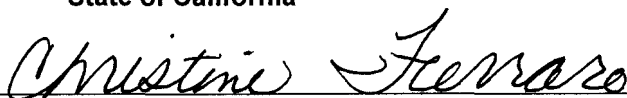
WHEREAS, in order to comply with the provisions of AB 340 as related to reciprocity, this Board intends to modify the applicability of the retirement benefit formula provisions of Government Code sections 31462 and section 31664 ("Tier 2 safety") to only apply to new employees who are not New Members; and

WHEREAS, this Board intends to implement the retirement benefit formula provision specified in Government Code section 7522. 25 (d) and (e), and referred to as "Safety Option Plan Two", (known as "Tier 6 safety"), to employees in safety membership positions who become New Members on or after January 1, 2013; and

NOW THEREFORE, BE IT RESOLVED that the Board of Supervisors does hereby order that the retirement benefit formula provisions of Government Code section 7522.25(d) and (e) shall apply to persons who become New Members in safety membership positions, on or after January 1, 2013; and

BE IT FURTHER RESOLVED that the Board of Supervisors does hereby order that the retirement benefit formula provisions of Government Code section 31462 and section 31664, as memorialized in Resolution No. 2010-783 adopted by this Board on December 21, 2010, are hereby modified, effective January 1, 2013, so as to only apply to new employees who are not New Members.

ATTEST: **CHRISTINE FERRARO TALLMAN, Clerk**
Stanislaus County Board of Supervisors,
State of California



File No.