



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Human Resources Department



DATE: July 11, 2011
BOARD MEETING DATE: July 26, 2011
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: Donna Vaillancourt, Director of Human Resources
SUBJECT: Changes in retirement benefits for general members hired on or after August 7, 2011

RECOMMENDATION:

Adopt a Resolution:

- A) Terminating the applicability of Government Code Section 31676.14 to specified general members of the County retirement system effective August 7, 2011; and
- B) Making Government Code Section 31676.1 applicable to specified general members of the County retirement system effective August 7, 2011.

BACKGROUND:

The Board of Supervisors and the labor organization representing employees in the general retirement plan have entered into memoranda of understanding (MOUs) agreeing to changes to retirement benefits and required contributions for new general member employees hired on or after August 7, 2011. In addition, this Board has adopted resolutions agreeing to the same changes to the retirement benefits and required contributions for all unrepresented general retirement plan member employees hired on or after August 7, 2011.

DISCUSSION:

The current benefit for existing general retirement plan members is 2%@55.5 (Government Code section 31676.14). Under the new agreements and resolution for unrepresented members, general plan members hired on or after August 7, 2011 will not receive that benefit but instead will receive 1.725%@58 (Government Code section 31676.1). Employees in this plan will not pay the current cost share contribution, but will pay a share of the retirement COLA cost. New general plan members will continue to have the option of enrolling in Plan 3, the non-contributory plan.

On July 12, 2011, the Board accepted Milliman Inc.'s actuarial valuation of the retirement benefit changes for general retirement plan member employees hired on or after August 7, 2011, which reflected the estimated savings for the first year as well as the estimated

cumulative savings at the tenth and twentieth years. The proposed resolution presented for your approval effectuates these benefit changes by setting forth which Government Code sections are applicable to these general plan member employees.

County Counsel has reviewed and approved the Resolution as to form and content.

Adopting this Resolution relating to retirement benefit changes contributes to Shared Vision 2025 of a Prosperous Community by helping to meet current budget challenges.

FISCAL IMPACT:

As set forth in Milliman's actuarial report presented to the Board on July 12, 2011, the total estimated cost savings for new general plan members receiving the 1.725%@58 benefit as compared to 2%@55.5 benefit and the payment by these new employees of a share of the retirement COLA costs is as follows: First year savings: \$121,000, cumulative ten year savings: \$25,448,000 and cumulative 20 year savings: \$113,330,000.

cc: David Boesch, County Manager
David Bailey, CEO, SamCERA

RESOLUTION NO. _____

BOARD OF SUPERVISORS, COUNTY OF SAN MATEO, STATE OF CALIFORNIA

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RESOLUTION (A) TERMINATING THE APPLICABILITY OF GOVERNMENT CODE SECTION 31676.14 TO SPECIFIED GENERAL MEMBERS OF THE COUNTY RETIREMENT SYSTEM EFFECTIVE AUGUST 7, 2011; AND (B) MAKING GOVERNMENT CODE SECTION 31676.1 APPLICABLE TO SPECIFIED GENERAL MEMBERS OF THE COUNTY RETIREMENT SYSTEM EFFECTIVE AUGUST 7, 2011

RESOLVED, by the Board of Supervisors of the County of San Mateo, State of California, that

WHEREAS, presently pension benefits for general members in Plan 1, Plan 2 or modified Plan 2 (also known as Plan 4) are calculated in accordance with Government Code section 31676.14; and

WHEREAS, on June 7, 2011, this Board approved resolution 071454, making Government Code section 31485.10 effective and section 31485.10 (a) provides that the Board by resolution can make any retirement benefits effective for some, but not all, general and safety members of the county and may provide a different formula for calculation of retirement benefits, by making different retirement formula sections contained in County Employees Retirement Law ("CERL") applicable to any subgroup of members within a membership classification; and

WHEREAS, this Board desires to terminate the applicability of

Government Code section 31676.14 only as to those general members hired on or after August 7, 2011, and instead for those general members to implement Government Code section 31676.1 and give these members the ability to elect to receive benefits under either Government Code section 31676.14 after providing the equivalent of ten years (20,800 hours) of service, and entering into an agreement with the San Mateo County Employees' Retirement Association to pay all of the employee and employer contributions that would have been required if the employee had been eligible to receive benefits under section 31676.14, including the applicable employee cost sharing contributions, since the date of employment, plus interest; and

WHEREAS, representatives of this Board have met and conferred with representatives of the recognized employee bargaining group representing general members about proposed changes to the retirement benefits provided to these employees, and the Board and the employee representatives have executed memoranda of understanding agreeing to the changes to retirement benefits and required contributions with the employee organization representing employees in the general retirement plan and this board has adopted resolutions agreeing to the changes to the retirement benefit and required contributions for all unrepresented general member employees; and

WHEREAS, pursuant to Government Code sections 7507 and 31516, enrolled actuaries employed by Milliman, Inc. performed valuations and provided

a statement of the actuarial impact upon the future annual costs of the changes in retirement benefits associated with the termination of Government Code section 31676.14 for new general members hired on or after August 7, 2011, and the implementation of Government Code section 31676.1 for those members, and those future annual costs were made public at the meeting of the Board of Supervisors on July 12, 2011;

NOW THEREFORE, IT IS HEREBY DETERMINED AND ORDERED

- A. Government Code section 31676.14 will not be applicable to general members hired on or after August 7, 2011.
- B. Government Code sections 31676.1 will become applicable to general members hired on or after August 7, 2011. These new general members will have the ability to elect to receive benefits under either Government Code section 31676.14 after providing the equivalent of ten years (20,800 hours) of service, and entering into an agreement with the San Mateo County Employees' Retirement Association to pay all of the employee and employer contributions, including the applicable employee cost sharing contributions, that would have been required if the employee had been eligible to receive benefits under section 31676.14 since the date of employment, plus interest.
- C. For those general members who elect to receive benefits under Government Code section 31676.14, those members shall share the cost of

implementing that benefit by contributing an additional applicable percentage of compensation earnable by way of payroll deductions. This cost sharing contribution will not be reduced by employer pick-up of employee retirement contributions. This cost sharing contribution will not be reduced for employees with 30 years of service. In all other ways, this cost sharing contribution will be treated in the same manner and will be subject to the same provisions in the CERL and SamCERA regulations as other employee contributions.

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