



October 9, 2019

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CAROLYN EMERY
EXECUTIVE OFFICER

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Orange County Employees Retirement System
FY 2020-21 Contribution Rates and Prepayment
Program

BACKGROUND

OC LAFCO has been an independent member of the Orange County Employee Retirement System (OCERS) since July 1, 2001. As an independent member, the Commission is required to annually adopt the employer contribution rates approved by the OCERS Board of Directors for the retirement plans available to OC LAFCO employees.

FY 2020-21 OCERS CONTRIBUTION RATES

On June 17, 2019, the OCERS Board of Directors adopted new employee and employer contribution rates for FY 2020-21. The rates adopted are for three retirement plans that are available to current and future OC LAFCO employees. The employer contribution rates for all three plans include an increase of approximately four percent above the current rates.

The Commission's current employees participate in two of the retirement plans available, the 2.7% @ 55 plan and the 1.62% @ 65 "PEPRA" plan. There are currently no Commission employees enrolled in the third plan, which is the 1.62% @ 65 "non-PEPRA" plan. The "PEPRA" and "non-PEPRA" retirement plans are a result of the enactment of the Public Employee Pension Reform Act ("PEPRA") in 2013. Depending on certain qualifications, employees hired after the PEPRA Act may enroll in one of the two 1.62% @ 65 retirement plans.

The FY 2020-21 employer contribution rate for the 1.62% @ 65 "non-PEPRA" plan, which is available to new OC LAFCO employees who are not new members to the OCERS retirement system, is 31.28%. The FY 2020-21 employer contribution rate for the 1.62% @ 65 "PEPRA" plan,

which is available to new OC LAFCO employees who are new members to the OCERS retirement system, is 32.17%. The FY 2020-21 employer contribution rate for the 2.7% @ 55 plan is 39.41%.

The contribution rates for each plan are included for the Commission's reference as *Attachment A*. Staff is recommending that the Commission adopt the attached Resolution (*Attachment B*) approving the retirement rates for FY 2020-21 as adopted by OCERS.

OCERS PREPAYMENT PROGRAM

Since 2005, the Commission has participated in the OCERS Prepayment Program to realize savings in the agency's pension costs. The program allows members to prepay all or a portion of their retirement contribution at a discounted rate. The discount rate has historically been tied to the approved long-term rate of return on the retirement system's investments. On July 11, 2019, the OCERS board approved a current discount rate of 4.50% for early payment of employer contributions received by January 15, 2020. To continue savings in pension costs, staff will submit prepayment of retirement contributions prior to the OCERS deadline.

RECOMMENDATION

Staff recommends that the Commission:

1. Adopt Resolution No. CP 19-09 (*Attachment B*) approving the retirement rates for FY 2020-21 as adopted by OCERS.

Respectfully submitted,



CAROLYN EMERY



DEBRA KURITA

Attachments:

- A. OCERS Contribution Rates
- B. OC LAFCO Form of Resolution Adopting FY 2020-21 Retirement Rates



Active Participating Employers:

- CITY OF SAN JUAN
CAPISTRANO
- COUNTY OF ORANGE
- ORANGE COUNTY
CEMETERY DISTRICT
- ORANGE COUNTY CHILDREN
& FAMILIES COMMISSION
- ORANGE COUNTY
EMPLOYEES RETIREMENT
SYSTEM
- ORANGE COUNTY FIRE
AUTHORITY
- ORANGE COUNTY IN-HOME
SUPPORTIVE SERVICES
PUBLIC AUTHORITY
- ORANGE COUNTY LOCAL
AGENCY FORMATION
COMMISSION
- ORANGE COUNTY PUBLIC
LAW LIBRARY
- ORANGE COUNTY
SANITATION DISTRICT
- ORANGE COUNTY
TRANSPORTATION
AUTHORITY
- SUPERIOR COURT OF
CALIFORNIA, COUNTY
OF ORANGE
- TRANSPORTATION
CORRIDOR AGENCIES

September 17, 2019

Ms. Carolyn Emery
Orange County Local Agency Formation Commission
2677 N. Main Street, Suite 1050
Santa Ana, CA 92705

Re: New Employer/Employee Contribution Rates 2020/2021

Dear Ms. Emery:

At the June 17, 2019 regular board meeting, the Board of Retirement adopted fiscal year 2020/2021 employer and employee contribution rates for the existing plans as part of the December 31, 2018 Actuarial Valuation Report. These new rates will go into effect **beginning with pay period 15 in 2020.**

The attached schedules include both the employer rates and a listing of the employee contribution rates for your various plans. Additional plan information including a detailed breakdown of the UAAL by rate group can be found in the Actuarial Valuation as of December 31, 2018 located on the OCERS website at: www.ocers.org Forms & Publications, Financial Reports page.

If you have any questions or require additional information, feel free to contact me at (714) 558-6201 or by email at bshott@ocers.org.

Regards,

Brenda Shott
Assistant CEO of Finance and Internal Operations

cc: Debra Kurita, Erica Lin, Teresa White



**Orange County Local Agency Formation Commission
Employer Contribution Rates
Effective Pay Period 15, July 3, 2020**

Rate Group	Plan	Rate	
#2	I & J **	Normal	14.36%
		UAAL *	<u>25.05%</u>
		Total	39.41%
#2	P	Normal	6.23%
		UAAL *	<u>25.05%</u>
		Total	31.28%
#2	T - PEPR	Normal	7.12%
		UAAL *	<u>25.05%</u>
		Total	32.17%

*** UAAL Rate Adjustment for Future Service Only:**

For Orange County Local Agency Formation Commission (LAFCO), there is no adjustment to the December 31, 2018 UAAL rate for future service only benefit improvements under 2.7% at 55. This is as a result of a data correction made by OCERS to reflect that the sole active employee covered under 2.7% at 55 and assumed in prior actuarial valuations to receive future service only improvement should instead be valued as an all service improvement because the member has paid some contributions to upgrade the past service.

**** Reverse Pickups:**

Orange County LAFCO bargaining units under the 2.5% at 55 and 2.5% at 67 plans 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. The reverse pickup rate schedule is available online at:

<https://www.ocers.org/sites/main/files/file-attachments/reversepickups.pdf>



**Orange County Local Agency Formation Commission
 Employee Contribution Rates
 Effective Pay Period 15, July 3, 2020**

Entry Age	Plan I	Plan J	Plan P	PEPRA
	(2.7% @ 55)	(2.7% @ 55)	(1.62% @ 65)	Plan T (1.62% @ 65)
15	10.52%	10.07%	6.63%	5.22%
16	10.52%	10.07%	6.63%	5.22%
17	10.69%	10.23%	6.74%	5.30%
18	10.86%	10.39%	6.85%	5.39%
19	11.03%	10.56%	6.96%	5.47%
20	11.21%	10.73%	7.07%	5.56%
21	11.39%	10.90%	7.18%	5.65%
22	11.57%	11.07%	7.30%	5.74%
23	11.76%	11.25%	7.41%	5.84%
24	11.95%	11.43%	7.53%	5.93%
25	12.14%	11.62%	7.65%	6.02%
26	12.34%	11.80%	7.78%	6.12%
27	12.54%	11.99%	7.90%	6.22%
28	12.74%	12.19%	8.03%	6.32%
29	12.95%	12.39%	8.16%	6.42%
30	13.16%	12.59%	8.29%	6.53%
31	13.38%	12.79%	8.42%	6.63%
32	13.60%	13.01%	8.56%	6.74%
33	13.83%	13.22%	8.69%	6.85%
34	14.07%	13.45%	8.84%	6.96%
35	14.31%	13.68%	8.98%	7.08%
36	14.56%	13.92%	9.13%	7.19%
37	14.83%	14.14%	9.28%	7.31%
38	15.10%	14.35%	9.43%	7.44%
39	15.31%	14.55%	9.59%	7.57%
40	15.53%	14.75%	9.76%	7.70%
41	15.75%	14.97%	9.93%	7.83%
42	15.99%	15.19%	10.09%	7.96%
43	16.25%	15.42%	10.24%	8.08%
44	16.52%	15.66%	10.38%	8.20%
45	16.81%	15.88%	10.53%	8.31%
46	17.10%	16.08%	10.68%	8.44%
47	17.34%	16.22%	10.84%	8.57%
48	17.57%	16.30%	11.00%	8.71%
49	17.69%	16.29%	11.17%	8.85%
50	17.77%	16.19%	11.33%	8.98%
51	17.73%	15.97%	11.47%	9.10%
52	17.58%	15.59%	11.57%	9.19%
53	17.27%	16.09%	11.63%	9.25%



Orange County Local Agency Formation Commission
Employee Contribution Rates
Effective Pay Period 15, July 3, 2020
 (continued)

Entry Age	Plan I	Plan J	Plan P	PEPRA Plan T
	(2.7% @ 55)	(2.7% @ 55)	(1.62% @ 65)	(1.62% @ 65)
54	16.62%	16.62%	11.62%	9.27%
55	16.62%	16.62%	11.55%	9.24%
56	16.62%	16.62%	11.39%	9.15%
57	16.62%	16.62%	11.12%	8.98%
58	16.62%	16.62%	11.48%	9.27%
59	16.62%	16.62%	11.86%	9.58%
60	16.62%	16.62%	11.86%	9.58%
61	16.62%	16.62%	11.86%	9.58%
62	16.62%	16.62%	11.86%	9.58%
63	16.62%	16.62%	11.86%	9.58%
64	16.62%	16.62%	11.86%	9.58%
65	16.62%	16.62%	11.86%	9.58%
66 and thereafter	16.62%	16.62%	11.86%	9.58%

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

Rate Group	Plan	Discounted Percentage	Average Entry Age
#2	Plan I (General)	99.38%	38
#2	Plan J (General)	98.45%	38
#2	Plan P (General)	97.56%	38

CP 19-09

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
ADOPTING RETIREMENT RATES FOR FY 2020-21**

October 9, 2019

On motion of Commissioner _____, duly seconded by and carried, the following resolution was adopted:

WHEREAS, the California State Legislature adopted AB 2838 in its 1999-2000 legislative session, which, in part, required that Local Agency Formation Commissions throughout the State of California become independent public agencies effective January 1, 2001; and

WHEREAS, the Orange County Local Agency Formation Commission (“OC LAFCO”) applied and was accepted as an independent member agency under the Orange County Employees Retirement System (“OCERS”) on or about January 1, 2001; and

WHEREAS, as a result of OC LAFCO being an independent member agency under OCERS since 2001, OC LAFCO must annually adopt both the employee and employer rates as approved by OCERS; and

WHEREAS, in August 2004, the County of Orange reached agreement with a number of General Member bargaining units and certain unrepresented employees to implement a 2.7% at 55 retirement formula for both past and future service; and

WHEREAS, on February 9, 2005, OC LAFCO approved implementation of a 2.7% at 55 retirement formula, for future service only, beginning July 1, 2005; and

WHEREAS, the cost to migrate to the 2.7% at 55 retirement formula was paid for by OC LAFCO employees and did not result in additional cost to LAFCO except for an annual employer contribution of 0.51 percent and annual modifications made in the retirement rates as determined by OCERS; and

WHEREAS, on December 12, 2012, OC LAFCO rescinded the 2.7% at 55 retirement formula for employees hired by OC LAFCO on or after December 12, 2012; and

WHEREAS, the new 2.7% at 55 retirement formula only applies to active employees and new employees hired between July 1, 2005 and December 11, 2012; and

WHEREAS, on April 20, 2010, the County of Orange approved implementation of a 1.62% at 65 retirement formula for new County employee hires only effective on or after July 1, 2010; and

WHEREAS, on June 9, 2010, OC LAFCO approved implementation of a 1.62% at 65 retirement formula, for new OC LAFCO employee hires only, beginning July 1, 2010; and

WHEREAS, on February 9, 2011, OC LAFCO adopted a temporary resolution establishing that new employees enrolled in the 1.62% at 65 retirement formula are subject to pay the reverse pickup cost; and

WHEREAS, on June 8, 2011, OC LAFCO adopted a revised resolution replacing the February 9, 2011 resolution, establishing OC LAFCO as responsible for the employee reverse pickup, the annual employer contribution of 0.51 percent and annual modifications made in the retirement rates for the 1.62% at 65 as determined by OCERS; and

WHEREAS, on September 12, 2012, the California Public Employees' Pension Reform Act (AB 340) was chaptered into law and became effective January 1, 2013; and

WHEREAS, the California Public Employees' Pension Reform Act (AB 340) imposed certain limitations on public employee pension formulas for public employees considered new members, as that term is defined by Government Code Section 7522.04(f) ("New Members"); and

WHEREAS, the enactment of the California Public Employees' Pension Reform Act (AB 340) required OCERS to establish two versions of the 1.62% at 65 retirement plan, one for new OC LAFCO employees that are not New Members ("non-PEPRA 1.62 Plan") and one for new OC LAFCO employees that are New Members ("PEPRA 1.62 Plan");

WHEREAS, the employer retirement rate for the 1.62% at 65 retirement plan, as established by OCERS, for 2020-21 is 31.28 percent for new LAFCO employees that are not New Members ("non-PEPRA" 1.62 Plan); and

WHEREAS, the employer retirement rate for the "PEPRA 1.62 Plan," as established by OCERS, for 2020-21 is 32.17 percent; and

WHEREAS, the employer retirement rate for the 2.7% at 55 retirement plan, as established by OCERS, for 2020-21 is 39.41 percent.

NOW, THEREFORE, the Orange County Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

OC LAFCO adopts and approves implementation of 2020-21 retirement rates as established by OCERS, effective July 1, 2020.

AYES:

NOES:

STATE OF CALIFORNIA)

) SS.

COUNTY OF ORANGE)

I, Cheryl Brothers, Chair of the Orange County Local Agency Formation Commission, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 9th day of October 2019.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of October 2019.

Cheryl Brothers
Chair of the Orange County
Local Agency Formation Commission

By: _____
CHERYL BROTHERS