

November 9, 2022

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Executive Officer

Scott Smith
General Counsel

TO: Local Agency Formation Commission
of Orange County

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Orange County Employee Retirement System
Fiscal Year 2023-24 Contribution Rates and Prepayment
Program

BACKGROUND

Orange County LAFCO (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 Retirement for the retirement plans available to OC LAFCO employees. Additionally, the Commission participates in the OCERS Prepayment Program to take advantage of the program's discounted rate for employer contributions.

The next section of the staff report provides additional information on the next fiscal year contribution and discount rates.

Fiscal Year 2023-24 OCERS Contribution Rates

On June 20, 2022, the OCERS Board of Retirement adopted new employee and employer contribution rates for Fiscal Year 2023-24. 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 a decrease of approximately 2.8% from 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 Fiscal Year 2023-24 employer contribution rate for the 1.62% @ 65 "non-PEPRA" plan, which is available to OC LAFCO employees who are not

new members to the OCERS retirement system, is 32.36%. The Fiscal Year 2023-24 employer contribution rate for the 1.62% @ 65 “PEPRA” plan, which is available to OC LAFCO employees who are new members to the OCERS retirement system, is 33.25%. The Fiscal Year 2023-24 employer contribution rate for the 2.7 @ 55 plan is 40.81%.

The contribution rates for each plan are included for the Commission’s reference as **Attachment 1**. Staff recommends that the Commission adopt the resolution approving the retirement rates for Fiscal Year 2023-24 as adopted by OCERS. A form of the resolution is attached for the Commission’s reference as **Attachment 2**.

OCERS PREPAYMENT PROGRAM

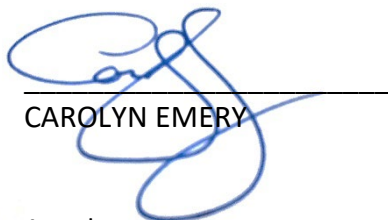
Since 2005, the Commission has participated in the OCERS Prepayment Program to realize savings in the agency’s pension costs. The program allows members to prepay all or a portion of their retirement contribution at a discounted rate. The discount rate has historically been tied to the approved long-term rate of return on the retirement system’s investments. On July 18, 2022, the OCERS board approved a discount rate of 5.8 % for early payment of employer contributions received by January 13, 2023. To continue savings in pension costs, staff will submit prepayment of the retirement employer contributions subsequent to the Commission’s adoption of the OCERS contribution rates and prior to the OCERS deadline.

RECOMMENDED ACTION

Staff recommends that the Commission:

1. Adopt Resolution No. CP 22-08 approving the employer contribution rates for Fiscal Year 2023-24 as adopted by OCERS.

Respectfully submitted,



CAROLYN EMERY



LUIS TAPIA

Attachments:

1. OCERS Contribution Rates
2. OC LAFCO Resolution No. CP 22-08



**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 27, 2022

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 2023/2024

Dear Ms. Emery:

At the June 20, 2022 regular board meeting, the Board of Retirement adopted fiscal year 2023/2024 employer and employee contribution rates for the existing plans as part of the December 31, 2021 Actuarial Valuation Report. These new rates will go into effect **beginning with pay period 15 in 2023**.

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, 2021 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: Luis Tapia, Erica Lin, Teresa White, Evarista Narciso



**Orange County Local Agency Formation Commission
Employer Contribution Rates
Effective Pay Period 15, June 30, 2023**

Rate Group	Plan	Rate	
#2	I & J **	Normal	14.67%
		UAAL	<u>26.14%</u>
		Total	40.81%
#2	P	Normal	6.22%
		UAAL	<u>26.14%</u>
		Total	32.36%
#2	T - PEPRA	Normal	7.11%
		UAAL	<u>26.14%</u>
		Total	33.25%

**** Reverse Pickups:**

Orange County LAFCO bargaining units under the 2.7% at 55 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, June 30, 2023**

Entry Age	Plan I	Plan J	Plan P	PEPRA
	(2.7% @ 55)	(2.7% @ 55)	(1.62% @ 65)	Plan T (1.62% @ 65)
15	10.39%	9.98%	6.45%	5.05%
16	10.39%	9.98%	6.45%	5.05%
17	10.57%	10.15%	6.57%	5.14%
18	10.76%	10.33%	6.68%	5.23%
19	10.95%	10.51%	6.80%	5.32%
20	11.14%	10.70%	6.92%	5.42%
21	11.34%	10.89%	7.04%	5.51%
22	11.54%	11.08%	7.17%	5.61%
23	11.74%	11.27%	7.29%	5.71%
24	11.95%	11.47%	7.42%	5.81%
25	12.16%	11.67%	7.55%	5.91%
26	12.38%	11.88%	7.69%	6.02%
27	12.60%	12.09%	7.82%	6.12%
28	12.82%	12.30%	7.96%	6.23%
29	13.05%	12.52%	8.10%	6.34%
30	13.29%	12.75%	8.24%	6.45%
31	13.53%	12.98%	8.39%	6.57%
32	13.77%	13.21%	8.53%	6.69%
33	14.02%	13.45%	8.69%	6.81%
34	14.28%	13.70%	8.84%	6.93%
35	14.55%	13.95%	9.00%	7.05%
36	14.83%	14.21%	9.16%	7.18%
37	15.12%	14.48%	9.33%	7.31%
38	15.41%	14.73%	9.49%	7.45%
39	15.69%	14.98%	9.67%	7.58%
40	15.97%	15.23%	9.85%	7.73%
41	16.24%	15.47%	10.03%	7.87%
42	16.51%	15.72%	10.22%	8.02%
43	16.79%	15.97%	10.40%	8.17%
44	17.08%	16.23%	10.58%	8.31%
45	17.39%	16.47%	10.75%	8.45%
46	17.72%	16.68%	10.92%	8.58%
47	17.96%	16.83%	11.09%	8.73%
48	18.20%	16.92%	11.27%	8.87%
49	18.35%	16.91%	11.46%	9.03%
50	18.42%	16.80%	11.63%	9.17%
51	18.37%	16.56%	11.77%	9.29%
52	18.19%	16.20%	11.88%	9.39%
53	17.86%	16.73%	11.94%	9.45%



**Orange County Local Agency Formation Commission
Employee Contribution Rates
Effective Pay Period 15, June 30, 2023
(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	17.28%	17.28%	11.94%	9.47%
55	17.28%	17.28%	11.86%	9.43%
56	17.28%	17.28%	11.69%	9.34%
57	17.28%	17.28%	11.44%	9.20%
58	17.28%	17.28%	11.81%	9.50%
59	17.28%	17.28%	12.20%	9.81%
60	17.28%	17.28%	12.20%	9.81%
61	17.28%	17.28%	12.20%	9.81%
62	17.28%	17.28%	12.20%	9.81%
63	17.28%	17.28%	12.20%	9.81%
64	17.28%	17.28%	12.20%	9.81%
65	17.28%	17.28%	12.20%	9.81%
66 and thereafter	17.28%	17.28%	12.20%	9.81%

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)	99.43%	38
#2	Plan J (General)	99.01%	38
#2	Plan P (General)	98.41%	38

CP 22-08

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
ADOPTING RETIREMENT RATES FOR FY 2023-24**

November 9, 2022

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 Local Agency Formation Commission of Orange County (“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 OC 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"); and

WHEREAS, the employer retirement rate for the 1.62% at 65 retirement plan, as established by OCERS, for 2023-24 is 32.36 percent for new OC 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 2023-24 is 33.25 percent; and

WHEREAS, the employer retirement rate for the 2.7% at 55 retirement plan, as established by OCERS, for 2023-24 is 40.81 percent.

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

OC LAFCO adopts and approves implementation of 2023-24 retirement rates as established by OCERS, effective July 1, 2023.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, Douglass Davert, Chair of the Local Agency Formation Commission of Orange County, 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 November 2022.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of November 2022.

Douglass Davert
Chair of the Local Agency Formation Commission
of Orange County

By: _____
Douglass Davert