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**Kathryn Freshley**  
Special District Member

**Carol Moore**  
City Member

**Lou Penrose**  
Public Member

## STAFF

**Carolyn Emery**  
Executive Officer

**Scott Smith**  
General Counsel

**MEETING DATE:** November 8, 2023

**6c** | Consent  
Calendar

**TO:** Local Agency Formation Commission  
of Orange County

**FROM:** Executive Officer  
Assistant Executive Officer

**SUBJECT:** Orange County Employees Retirement System --  
Fiscal Year 2024-2025 Contribution Rates and  
Prepayment Program

### BACKGROUND

The Local Agency Formation Commission of Orange County (OC LAFCO) has been an independent member of the Orange County Employees Retirement System (OCERS) since July 1, 2001. As an independent member, the Commission is required to annually adopt employer and employee contribution rates approved by the OCERS Board of Retirement for retirement plans available to OC LAFCO employees. Additionally, the OCERS board annually reviews and adopts a discount rate for the system's prepayment program which allows OCERS members to experience cost-savings in employer contributions.

The next sections of this report provide additional information on the contribution and discount rates for fiscal year 2024-25.

### Fiscal Year 2024-25 Contribution Rates

On June 19, 2023, the OCERS Board of Retirement adopted new employer and employee contribution rates for Fiscal Year 2024-25. The adopted rates 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 one percent 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 Employees' 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 2024-25 employer contribution rate for the 1.62% @ 65 non-PEPRA plan, which is available to OC LAFCO employees who are not new members to OCERS, is 33.31%. The Fiscal Year 2024-25 employer contribution rate for the 1.62% @ 65 PEPRA plan, which is available to OC LAFCO employees who are new members to OCERS, is 34.43%. The Fiscal Year 2024-25 employer contribution rate for the 2.7 @ 55 plan is 41.71%.

The contribution rates for the three plans available to OC LAFCO are referenced in **Attachment 1**. Staff recommends the Commission adopt the resolution, referenced as **Attachment 2**, approving the contribution rates adopted by OCERS for Fiscal Year 2024-25.

### **OCERS PREPAYMENT PROGRAM**

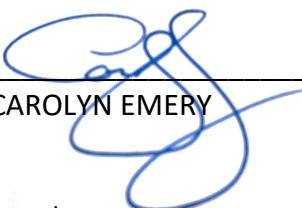
Since 2005, the Commission has participated in the OCERS Prepayment Program to realize savings in the agency's retirement costs. The program allows members to prepay all or a portion of their retirement contribution at a discounted rate. The discount rate has historically been tied to the approved long-term rate of return on the retirement system's investments. On July 17, 2023, the OCERS board approved a discount rate of seven percent for early payment of employer contributions received by January 11, 2024. To realize some savings in retirement 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 the Commission:

1. Adopt Resolution No. CP 23-04 approving the contribution rates adopted by OCERS for Fiscal Year 2024-25.

Respectfully submitted,

  
\_\_\_\_\_  
CAROLYN EMERY

  
\_\_\_\_\_  
LUIS TAPIA

Attachments:

1. OCERS FY 24-25 Contribution Rates
2. OC LAFCO Resolution No. CP 23-04



**Orange County Local Agency Formation Commission  
Employer Contribution Rates  
Effective Pay Period 15, June 28, 2024**

| Rate Group | Plan      | Rate         |               |
|------------|-----------|--------------|---------------|
| #2         | I & J **  | Normal       | 14.57%        |
|            |           | UAAL         | <u>27.14%</u> |
|            |           | <b>Total</b> | <b>41.71%</b> |
| #2         | P         | Normal       | 6.17%         |
|            |           | UAAL         | <u>27.14%</u> |
|            |           | <b>Total</b> | <b>33.31%</b> |
| #2         | T - PEPRA | Normal       | 7.29%         |
|            |           | UAAL         | <u>27.14%</u> |
|            |           | <b>Total</b> | <b>34.43%</b> |

**\*\* 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 28, 2024**

| Entry Age | Plan I      | Plan J      | Plan P       | PEPRA<br>Plan T |
|-----------|-------------|-------------|--------------|-----------------|
|           | (2.7% @ 55) | (2.7% @ 55) | (1.62% @ 65) | (1.62% @ 65)    |
| 15        | 10.37%      | 9.96%       | 6.45%        | 5.15%           |
| 16        | 10.37%      | 9.96%       | 6.45%        | 5.15%           |
| 17        | 10.56%      | 10.14%      | 6.56%        | 5.24%           |
| 18        | 10.74%      | 10.31%      | 6.68%        | 5.33%           |
| 19        | 10.93%      | 10.50%      | 6.80%        | 5.43%           |
| 20        | 11.12%      | 10.68%      | 6.92%        | 5.53%           |
| 21        | 11.32%      | 10.87%      | 7.04%        | 5.62%           |
| 22        | 11.52%      | 11.06%      | 7.16%        | 5.72%           |
| 23        | 11.72%      | 11.25%      | 7.29%        | 5.82%           |
| 24        | 11.93%      | 11.45%      | 7.42%        | 5.93%           |
| 25        | 12.14%      | 11.65%      | 7.55%        | 6.03%           |
| 26        | 12.36%      | 11.86%      | 7.68%        | 6.14%           |
| 27        | 12.58%      | 12.07%      | 7.81%        | 6.25%           |
| 28        | 12.80%      | 12.28%      | 7.95%        | 6.36%           |
| 29        | 13.03%      | 12.50%      | 8.09%        | 6.47%           |
| 30        | 13.26%      | 12.72%      | 8.23%        | 6.58%           |
| 31        | 13.50%      | 12.95%      | 8.38%        | 6.70%           |
| 32        | 13.75%      | 13.19%      | 8.53%        | 6.82%           |
| 33        | 14.00%      | 13.43%      | 8.68%        | 6.94%           |
| 34        | 14.26%      | 13.67%      | 8.83%        | 7.07%           |
| 35        | 14.53%      | 13.93%      | 8.99%        | 7.19%           |
| 36        | 14.80%      | 14.19%      | 9.15%        | 7.32%           |
| 37        | 15.09%      | 14.45%      | 9.32%        | 7.46%           |
| 38        | 15.39%      | 14.71%      | 9.49%        | 7.59%           |
| 39        | 15.66%      | 14.96%      | 9.66%        | 7.74%           |
| 40        | 15.95%      | 15.20%      | 9.84%        | 7.88%           |
| 41        | 16.21%      | 15.44%      | 10.03%       | 8.03%           |
| 42        | 16.48%      | 15.69%      | 10.21%       | 8.18%           |
| 43        | 16.76%      | 15.94%      | 10.39%       | 8.33%           |
| 44        | 17.05%      | 16.20%      | 10.57%       | 8.47%           |
| 45        | 17.36%      | 16.44%      | 10.74%       | 8.62%           |
| 46        | 17.69%      | 16.65%      | 10.91%       | 8.76%           |
| 47        | 17.93%      | 16.80%      | 11.09%       | 8.90%           |
| 48        | 18.17%      | 16.89%      | 11.26%       | 9.05%           |
| 49        | 18.32%      | 16.88%      | 11.45%       | 9.21%           |
| 50        | 18.39%      | 16.77%      | 11.62%       | 9.35%           |
| 51        | 18.34%      | 16.53%      | 11.77%       | 9.48%           |
| 52        | 18.16%      | 16.17%      | 11.87%       | 9.58%           |
| 53        | 17.83%      | 16.70%      | 11.93%       | 9.64%           |



**Orange County Local Agency Formation Commission  
Employee Contribution Rates  
Effective Pay Period 15, June 28, 2024  
(continued)**

| Entry Age            | Plan I      | Plan J      | Plan P       | PEPRA<br>Plan T |
|----------------------|-------------|-------------|--------------|-----------------|
|                      | (2.7% @ 55) | (2.7% @ 55) | (1.62% @ 65) | (1.62% @ 65)    |
| 54                   | 17.25%      | 17.25%      | 11.93%       | 9.66%           |
| 55                   | 17.25%      | 17.25%      | 11.85%       | 9.62%           |
| 56                   | 17.25%      | 17.25%      | 11.68%       | 9.53%           |
| 57                   | 17.25%      | 17.25%      | 11.43%       | 9.38%           |
| 58                   | 17.25%      | 17.25%      | 11.80%       | 9.69%           |
| 59                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 60                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 61                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 62                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 63                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 64                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 65                   | 17.25%      | 17.25%      | 12.19%       | 10.01%          |
| 66 and<br>thereafter | 17.25%      | 17.25%      | 12.19%       | 10.01%          |

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) | 100.00%               | 38                |
| #2         | Plan J (General) | 99.06%                | 38                |
| #2         | Plan P (General) | 98.52%                | 38                |

CP 23-04

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE  
COUNTY, CALIFORNIA

ADOPTING RETIREMENT RATES FOR FY 2024-25

November 8, 2023

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 July 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 employees 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 employees 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 2024-25 is 33.31 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 2024-25 is 34.43 percent; and

WHEREAS, the employer retirement rate for the 2.7% at 55 retirement plan, as established by OCERS, for 2024-25 is 41.71 percent.

