

8b | Commission
Discussion**REGULAR MEMBERS**

CHAIR
Donald P. Wagner
County Member

VICE CHAIR
Wendy Bucknum
City Member

IMMEDIATE PAST CHAIR
Douglass Davert
Special District Member

James Fisler
Special District Member

Peggy Huang
City Member

Derek J. McGregor
Public Member

VACANT
County Member

ALTERNATES

Kathryn Freshley
Special District Member

Carol Moore
City Member

Lou Penrose
Public Member

VACANT
County Member

STAFF

Luis Tapia
Interim Executive Officer

Scott Smith
General Counsel

MEETING DATE: October 8, 2025

TO: Local Agency Formation Commission
of Orange County

FROM: Interim Executive Officer

SUBJECT: Orange County Employee Retirement System –
Fiscal Year 2026-27 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 early payment 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 2026-27.

Fiscal Year 2026-27 Contribution Rates

On June 16, 2025, the OCERS Board of Retirement adopted new employer and employee contribution rates for Fiscal Year 2026-27. 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 a decrease of approximately 0.7 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 Employee's 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 2026-27 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 32.64%. The Fiscal Year 2026-27 employer contribution rate for the 1.62% @ 65 PEPRA plan, which is available to OC LAFCO employees who are new members to OCERS, is 33.33%. The Fiscal Year 2026-27 employer contribution rate for the 2.7% @ 55 plan is 41.25%.

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 2026-27.

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 discounted rate has historically been tied to the approved long-term rate of return on the retirement system's investments. On July 21, 2025 the OCERS board approved a discount rate of seven percent for early payment of employer contributions received by January 15, 2026. 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 25-07 approving the contribution rates adopted by OCERS for Fiscal Year 2026-27.

Respectfully submitted,



LUIS TAPIA

Attachments:

1. OCERS FY 2026-27 Contribution Rates
2. OC LAFCO Resolution No. CP 25-07



**Orange County Local Agency Formation Commission
Employer Contribution Rates
Effective Pay Period 15, June 26, 2026**

Rate Group	Plan	Rate	
#2	I & J **	Normal	15.29%
		UAAL	<u>25.96%</u>
		Total	41.25%
#2	P	Normal	6.68%
		UAAL	<u>25.96%</u>
		Total	32.64%
#2	T - PEPRA	Normal	7.37%
		UAAL	<u>25.96%</u>
		Total	33.33%

**** 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 employer 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 26, 2026

Entry Age	Plan I (2.7% @ 55)	Plan J (2.7% @ 55)	Plan P (1.62% @ 65)	PEPRA
				Plan T (1.62% @ 65)
16	10.25%	9.88%	6.39%	5.16%
17	10.44%	10.06%	6.51%	5.26%
18	10.63%	10.24%	6.63%	5.35%
19	10.82%	10.43%	6.75%	5.45%
20	11.02%	10.62%	6.88%	5.56%
21	11.23%	10.82%	7.00%	5.66%
22	11.44%	11.02%	7.13%	5.76%
23	11.65%	11.22%	7.26%	5.87%
24	11.86%	11.43%	7.40%	5.98%
25	12.08%	11.64%	7.53%	6.09%
26	12.31%	11.85%	7.67%	6.20%
27	12.54%	12.07%	7.81%	6.32%
28	12.77%	12.30%	7.96%	6.43%
29	13.01%	12.53%	8.10%	6.55%
30	13.26%	12.76%	8.25%	6.67%
31	13.51%	13.00%	8.41%	6.80%
32	13.77%	13.25%	8.56%	6.92%
33	14.03%	13.51%	8.72%	7.05%
34	14.31%	13.76%	8.88%	7.19%
35	14.59%	14.01%	9.05%	7.32%
36	14.86%	14.26%	9.22%	7.46%
37	15.14%	14.52%	9.40%	7.61%
38	15.42%	14.77%	9.58%	7.75%
39	15.69%	15.03%	9.76%	7.90%
40	15.98%	15.29%	9.94%	8.05%
41	16.28%	15.56%	10.11%	8.20%
42	16.57%	15.82%	10.29%	8.34%
43	16.87%	16.08%	10.47%	8.49%
44	17.18%	16.33%	10.66%	8.65%
45	17.48%	16.55%	10.84%	8.80%
46	17.79%	16.73%	11.03%	8.96%
47	18.00%	16.85%	11.22%	9.11%
48	18.20%	16.91%	11.40%	9.27%
49	18.32%	16.86%	11.58%	9.42%
50	18.35%	16.71%	11.74%	9.56%
51	18.24%	16.44%	11.86%	9.68%
52	17.99%	16.16%	11.95%	9.76%
53	17.58%	16.69%	11.99%	9.81%



Orange County Local Agency Formation Commission
Employee Contribution Rates
Effective Pay Period 15, June 26, 2026
 (continued)

Entry Age	Plan I (2.7% @ 55)	Plan J (2.7% @ 55)	Plan P (1.62% @ 65)	PEPRA
				Plan T (1.62% @ 65)
54	17.25%	17.25%	11.96%	9.81%
55	17.25%	17.25%	11.85%	9.75%
56	17.25%	17.25%	11.65%	9.63%
57	17.25%	17.25%	11.46%	9.54%
58	17.25%	17.25%	11.83%	9.85%
59	17.25%	17.25%	12.23%	10.18%
60	17.25%	17.25%	12.23%	10.18%
61	17.25%	17.25%	12.23%	10.18%
62	17.25%	17.25%	12.23%	10.18%
63	17.25%	17.25%	12.23%	10.18%
64	17.25%	17.25%	12.23%	10.18%
65	17.25%	17.25%	12.23%	10.18%
66 and thereafter	17.25%	17.25%	12.23%	10.18%

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)	99.50%	38
#2	Plan P (General)	99.18%	38

CP 25-07

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

ADOPTING RETIREMENT RATES FOR FY 2026-27

October 8, 2025

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 2026-27 is 32.64 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 2026-27 is 33.33 percent; and

WHEREAS, the employer retirement rate for the 2.7% at 55 retirement plan, as established by OCERS, for 2026-27 is 41.25 percent.

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

1. LAFCO employer pick up of the employee's contribution toward the 2.7% at 55 Plan retirement formula is hereafter limited of .51 percent, which complies with the Government Code §31581.2 and §31581.1 towards the employee's contribution rate, and LAFCO employees shall be obligated to pay any remainder effective July 1, 2025; and

2. OC LAFCO adopts and approves implementation of FY 2026-27 retirement rates as established by OCERS, effective July 1, 2026.

AYES:

NOES:

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

I, Donald P. Wagner, 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 8th day of October 2025.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of October 2025.

Donald P. Wagner
Chair of the Local Agency Formation Commission of
Orange County

By: _____
Donald P. Wagner