

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS
ACTION AGENDA SUMMARY

Tom Watson

DEPT: TREASURER/TAX COLLECTOR-RETIREMENT

BOARD AGENDA # *B-20

Urgent _____ Routine x

AGENDA DATE July 10, 2001

CEO Concurs with Recommendation YES NO
(Information Attached)

4/5 Vote Required YES _____ NO _____

SUBJECT:

APPROVAL TO ADOPT RETIREMENT CONTRIBUTION AND INTEREST RATES FOR FISCAL YEAR 2001-2002.

STAFF
RECOMMEN-
DATIONS:

1. ADOPT THE RETIREMENT CONTRIBUTION RATES, RATE OF INTEREST POSTING AND CHANGES IN NON-ECONOMIC ACTUARIAL ASSUMPTIONS FOR FISCAL YEAR 2001-2002 AS RECOMMENDED BY THE BOARD OF RETIREMENT.
2. DIRECT THE AUDITOR-CONTROLLER TO CHANGE THE EMPLOYER AND EMPLOYEE RETIREMENT CONTRIBUTION RATES FOR THE FISCAL YEAR 2001-2002 IN ACCORDANCE WITH THE ACTUARIAL VALUATION OF JUNE 30, 2000, (COPY AVAILABLE FROM YOUR CLERK) ON THE PAYROLL DATE JULY 25, 2001.
3. AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO NEGOTIATE A DISCOUNTED PREPAYMENT OF THESE COSTS BEFORE JULY 30, 2001.

FISCAL
IMPACT:

The fiscal impact of this action is approximately \$8.5 million, of which approximately \$4.6 million is General Fund cost. This represents 5.67% of covered payroll. Excess earnings in the retirement system have continued to reduce the overall County contribution rate. However, the overall cost has increased from an estimated \$6.4 million due to an increase in covered County payroll and changes in the actuarial assumptions. In prior years, the County has prepaid the entire estimated County normal cost and doing so this year would reduce the overall cost by approximately \$280,000 resulting

(Fiscal Impact continued on next page)

BOARD ACTION AS FOLLOWS:

No. 2001-519

On motion of Supervisor Caruso , Seconded by Supervisor Blom
and approved by the following vote,

Ayes: Supervisors: Mayfield, Blom, Simon, Caruso, and Chair Paul

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) _____ Denied

3) _____ Approved as amended

Motion:

Christine Ferraro

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

By: Deputy

File No.

APPROVAL TO ADOPT RETIREMENT CONTRIBUTION AND INTEREST RATES FOR FISCAL YEAR 2001-2002.

FISCAL
IMPACT
(CONT.):

in a net General Fund increase of approximately \$920,000 for fiscal year 2001-2002. The overall cost of \$8.5 million is included in the individual department level budgets. In addition to these costs, the County continues to make semi-annual debt-service payments of over \$11 million annually to retire the Pension Obligation Bonds issued to pay the unfunded liability to StanCERA.

DISCUSSION: On February 14, 2001 the actuarial report and valuation of the Stanislaus County Employees' retirement Association (StanCERA) as of June 30, 2000 was presented to the Board of Retirement by Krys Upstill and Stuart J. Bennett of Buck Consultants, Inc. Representatives from the CEO's office and employee bargaining units were in attendance.

The Board of Retirement adopted rates from the actuarial report as recommended by the actuary to maintain the soundness of the retirement system so that retirement benefits promised by the Board of Supervisors can be paid to ex-employees/retirees as promised. The report contains an interest assumption rate of 8.16% (4% compounded semi-annually), and an average employee rate of 6.88%. The Employer rates are delineated by membership (Miscellaneous and Safety), tier and age at entrance. Employer rates are attached. The County's employer rates reflect a reduction due to excess earnings within the retirement system which have been credited to minimize employer contributions in accordance with the agreement between the County and StanCERA related to the issuance of the Pension Obligation Bonds. General employees' rates are found on page 56 of the report available from your clerk. Safety employees' rates are found on page 57 of the report. On a tri-annual basis, the actuaries also conduct an experience analysis and make recommendations to the economic and non-economic assumptions used in deriving contribution rates. This report includes changes to the non-economic assumptions regarding rates of separation from service and mortality rate tables for retired persons.

In addition to this request, the County continues to pay debt service on the Pension Obligation Bond which has been paid every six months since February, 1996. These bonds mature in August, 2013.

The County Employees' Retirement Law of 1937 (CERL) mandates that an actuarial valuation be performed at least triennially. Due to significant shifts within the economic environment during the late 1970's and early 1980's, the retirement rates accelerated rapidly, and our actuaries

APPROVAL TO ADOPT RETIREMENT CONTRIBUTION AND INTEREST RATES FOR FISCAL YEAR 2001-2002.

DISCUSSION:

(Cont.) recommended that actuarial valuations be performed annually to allow more gradual changes to occur each year to adjust for these economic changes.

**POLICY
ISSUES:**

Effective July 1, 1948, the Stanislaus County Board of Supervisors began offering retirement benefits to County employees pursuant to the County Employees' Retirement Law of 1937 (Government Code Section 31450 et seq). Retirement benefits are funded on an actuarially sound basis according to the 1937 Act.

Specifically, pursuant to Government Code Section 31454:

"The Board of Supervisors shall....adjust the rate of interest, the rates of contributions of members, and county and district appropriations in accordance with the recommendation of the Board [of Retirement], but shall not fix them in such amounts as to reduce the individual benefits provided in this chapter [CERL]."

Government Code Section 31584 further states that:

"The Board of Supervisors shall make the appropriations and if it fails or neglects to make appropriations, the County Auditor shall transfer from any money available in any fund in the County Treasury the sums specified by this chapter [CERL], and this transfer shall have the same force and effect as it would have had if the required appropriations had been made by the Board of Supervisors."

The State Legislature acknowledges that although the actuarial assumptions and calculations are not subject to the employee bargaining process, the Board of Supervisors may wish to meet and confer with employee representatives before taking action (see Government Code Section 31454.1). The Board of Retirement had invited employee representatives to attend its February 14, 2001 meeting.

STAFFING

IMPACTS: None

95% OF NORMAL ANNUAL CONTRIBUTION	\$8,070,250	
RETIREMENT INTEREST ASSUMPTION RATE	8.16%	
SHORT TERM INTEREST RATE	5.75%	
MAXIMUM RETIREMENT SYSTEM DISCOUNT RATE/DISCOUNTED CONTRIBUTION	3.81%	\$7,762,396
MINIMUM COUNTY DISCOUNT RATE/DISCOUNTED CONTRIBUTION	3.10%	\$7,820,239

CONTRIBUTION	3.46%	\$7,791,318
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TOTAL SAVINGS/DISCOUNT 278,932

RETIREMENT SYSTEM
NORMAL CONTRIBUTION SCHEDULE

Discount Rate: 8.16%

Week Number	Bi-Weekly Contribution	Interest Earnings	Contributions Balance
			0
1	310,394	0	310,394
3	310,394	974	621,762
5	310,394	1,951	934,107
7	310,394	2,932	1,247,433
9	310,394	3,915	1,561,742
11	310,394	4,901	1,877,037
13	310,394	5,891	2,193,322
15	310,394	6,884	2,510,600
17	310,394	7,879	2,828,873
19	310,394	8,878	3,148,145
21	310,394	9,880	3,468,419
23	310,394	10,885	3,789,698
25	310,394	11,894	4,111,986
27	310,394	12,905	4,435,285
29	310,394	13,920	4,759,599
31	310,394	14,938	5,084,931
33	310,394	15,959	5,411,284
35	310,394	16,983	5,738,661
37	310,394	18,011	6,067,066
39	310,394	19,041	6,396,501
41	310,394	20,075	6,726,970
43	310,394	21,112	7,058,476
45	310,394	22,153	7,391,023
47	310,394	23,196	7,724,613
49	310,394	24,243	8,059,250
51	310,400	25,294	8,394,944
	8,070,250	324,694	8,394,944

RETIREMENT SYSTEM
SINGLE PAYMENT SCHEDULE

Discount Rate: 8.16%

Annual Contribution	Interest Earnings	Contributions Balance
		0
7,762,396	0	7,762,396
0	24,362	7,786,758
0	24,438	7,811,196
0	24,515	7,835,711
0	24,592	7,860,303
0	24,669	7,884,972
0	24,747	7,909,719
0	24,824	7,934,543
0	24,902	7,959,445
0	24,980	7,984,425
0	25,059	8,009,484
0	25,137	8,034,621
0	25,216	8,059,837
0	25,295	8,085,132
0	25,375	8,110,507
0	25,455	8,135,962
0	25,534	8,161,496
0	25,615	8,187,111
0	25,695	8,212,806
0	25,776	8,238,582
0	25,856	8,264,438
0	25,938	8,290,376
0	26,019	8,316,395
0	26,101	8,342,496
0	26,183	8,368,679
0	26,265	8,394,944
7,762,396	632,548	8,394,944

TOTAL EMPLOYER CONTRIBUTION RATES - CURRENT BREAKDOWN BETWEEN BASIC AND COST-OF-LIVING BENEFITS									
	COUNTY					OTHER EMPLOYERS			
	General			Safety		General		Safety	
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Basic Benefits	3.39%	2.64%	0.00%	9.52%	6.88%	9.33%	8.58%	18.19%	15.55%
Cost-of-Living Benefits	0.40	(0.02)	0.00	3.35	2.33	3.64	3.22	8.72	7.70
Total	3.79%	2.62%	0.00%	12.87%	9.21%	12.97%	11.80%	26.91%	23.25%

Average Rate for Total Group: Basic 3.77%
 COL 0.66
 Total 4.43%

TOTAL EMPLOYER CONTRIBUTION RATES - RECALCULATED BREAKDOWN BETWEEN BASIC AND COST-OF-LIVING BENEFITS									
	COUNTY					OTHER EMPLOYERS			
	GENERAL			SAFETY		GENERAL		SAFETY	
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Basic Benefits	3.78%	2.81%	0.84%	9.74%	6.98%	9.70%	8.73%	18.03%	15.27%
Cost-of-Living Benefits	0.51	0.00	(0.84)	3.36	2.28	3.75	3.23	8.49	7.41
Total	4.29%	2.81%	0.00%	13.10%	9.26%	13.45%	11.96%	26.52%	22.68%

Average Rate for Total Group: Basic 3.97%
 COL 0.65
 Total 4.62%

TOTAL EMPLOYER CONTRIBUTION RATES - RECOMMENDED BREAKDOWN BETWEEN BASIC AND COST-OF-LIVING BENEFITS									
	COUNTY					OTHER EMPLOYERS*			
	GENERAL			SAFETY		GENERAL		SAFETY	
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
Basic Benefits	4.57%	3.52%	1.41%	10.58%	7.87%	10.01%	8.96%	18.09%	15.38%
Cost-of-Living Benefits	0.87	0.32	(0.65)	3.79	2.70	3.87	3.32	8.54	7.45
Total	5.44%	3.84%	0.76%	14.37%	10.57%	13.88%	12.28%	26.63%	22.83%

Average Rate for Total Group: Basic 4.70%
 COL 0.97
 Total 5.67%

* The recommended composite rate for the City of Ceres is 17.57% based on June 30, 2000 payroll.

SCHEDULE 5

RECOMMENDED GENERAL MEMBERS' CONTRIBUTION RATES*

ENTRY AGE	Basic				COL**				Basic and COL			
	First \$350 of Monthly Compensation		Excess of Monthly Compensation Over \$350		First \$350 of Monthly Compensation		Excess of Monthly Compensation Over \$350		First \$350 of Monthly Compensation		Excess of Monthly Compensation Over \$350	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
16	1.84%	2.93%	2.76%	4.39%	0.64%	1.01%	0.96%	1.52%	2.48%	3.94%	3.72%	5.91%
17	1.85	2.94	2.78	4.41	0.64	1.02	0.96	1.53	2.49	3.96	3.74	5.94
18	1.86	2.95	2.79	4.43	0.65	1.03	0.97	1.54	2.51	3.98	3.76	5.97
19	1.87	2.97	2.80	4.45	0.65	1.03	0.97	1.54	2.52	4.00	3.77	5.99
20	1.88	2.99	2.82	4.48	0.65	1.03	0.98	1.55	2.53	4.02	3.80	6.03
21	1.89	3.01	2.84	4.51	0.66	1.04	0.99	1.56	2.55	4.05	3.83	6.07
22	1.91	3.03	2.86	4.54	0.66	1.05	0.99	1.58	2.57	4.08	3.85	6.12
23	1.92	3.05	2.88	4.58	0.67	1.06	1.00	1.59	2.59	4.11	3.88	6.17
24	1.94	3.08	2.91	4.62	0.67	1.07	1.01	1.60	2.61	4.15	3.92	6.22
25	1.96	3.11	2.94	4.66	0.68	1.08	1.02	1.62	2.64	4.19	3.96	6.28
26	1.98	3.14	2.97	4.71	0.69	1.09	1.03	1.63	2.67	4.23	4.00	6.34
27	2.00	3.17	3.00	4.76	0.69	1.10	1.04	1.65	2.69	4.27	4.04	6.41
28	2.03	3.21	3.04	4.82	0.70	1.11	1.05	1.67	2.73	4.32	4.09	6.49
29	2.05	3.25	3.07	4.88	0.71	1.13	1.07	1.69	2.76	4.38	4.14	6.57
30	2.07	3.29	3.11	4.94	0.72	1.14	1.08	1.71	2.79	4.43	4.19	6.65
31	2.11	3.34	3.16	5.01	0.73	1.16	1.10	1.74	2.84	4.50	4.26	6.75
32	2.13	3.39	3.20	5.08	0.74	1.17	1.11	1.76	2.87	4.56	4.31	6.84
33	2.17	3.44	3.25	5.16	0.75	1.19	1.13	1.79	2.92	4.63	4.38	6.95
34	2.20	3.49	3.30	5.24	0.77	1.21	1.15	1.82	2.97	4.70	4.45	7.06
35	2.24	3.55	3.36	5.33	0.78	1.23	1.17	1.85	3.02	4.78	4.53	7.18
36	2.27	3.61	3.41	5.42	0.79	1.25	1.18	1.88	3.06	4.86	4.59	7.30
37	2.31	3.67	3.47	5.51	0.80	1.27	1.20	1.91	3.11	4.94	4.67	7.42
38	2.35	3.73	3.53	5.60	0.81	1.29	1.22	1.94	3.16	5.02	4.75	7.54
39	2.39	3.79	3.58	5.69	0.83	1.31	1.24	1.97	3.22	5.10	4.82	7.66
40	2.43	3.85	3.64	5.78	0.84	1.34	1.26	2.01	3.27	5.19	4.90	7.79
41	2.47	3.92	3.70	5.88	0.85	1.36	1.28	2.04	3.32	5.28	4.98	7.92
42	2.51	3.98	3.76	5.97	0.87	1.38	1.30	2.07	3.38	5.36	5.06	8.04
43	2.55	4.05	3.82	6.07	0.89	1.41	1.33	2.11	3.44	5.46	5.15	8.18
44	2.59	4.11	3.88	6.17	0.90	1.43	1.35	2.14	3.49	5.54	5.23	8.31
45	2.63	4.17	3.95	6.26	0.91	1.45	1.37	2.17	3.54	5.62	5.32	8.43
46	2.67	4.24	4.01	6.36	0.93	1.47	1.39	2.21	3.60	5.71	5.40	8.57
47	2.71	4.31	4.07	6.47	0.94	1.50	1.41	2.25	3.65	5.81	5.48	8.72
48	2.76	4.38	4.14	6.57	0.96	1.52	1.44	2.28	3.72	5.90	5.58	8.85
49	2.80	4.45	4.20	6.67	0.97	1.54	1.46	2.31	3.77	5.99	5.66	8.98
50	2.85	4.51	4.27	6.77	0.99	1.57	1.48	2.35	3.84	6.08	5.75	9.12
51	2.89	4.59	4.33	6.88	1.00	1.59	1.50	2.39	3.89	6.18	5.83	9.27
52	2.93	4.66	4.40	6.99	1.02	1.62	1.53	2.43	3.95	6.28	5.93	9.42
53	2.98	4.73	4.47	7.09	1.03	1.64	1.55	2.46	4.01	6.37	6.02	9.55
54	3.03	4.80	4.54	7.20	1.05	1.67	1.58	2.50	4.08	6.47	6.12	9.70
55	3.07	4.87	4.60	7.31	1.07	1.69	1.60	2.54	4.14	6.56	6.20	9.85
56	3.11	4.95	4.67	7.42	1.08	1.71	1.62	2.57	4.19	6.66	6.29	9.99
57	3.17	5.02	4.75	7.53	1.10	1.74	1.65	2.61	4.27	6.76	6.40	10.14
58	3.21	5.10	4.82	7.65	1.11	1.77	1.67	2.65	4.32	6.87	6.49	10.30
59 & Over	3.26	5.17	4.89	7.76	1.13	1.79	1.70	2.69	4.39	6.96	6.59	10.45

*As a percentage of salary based upon 8.00% compounded interest and 5.50% salary scale assumptions.

**37.40% of basic rates for Tier 1 and Tier 2.

SCHEDULE 5

RECOMMENDED SAFETY MEMBERS' CONTRIBUTION RATES*

ENTRY AGE	Basic				COL**				Basic and COL			
	First \$350 of Monthly Compensation		Excess of Monthly Compensation Over \$350		First \$350 of Monthly Compensation		Excess of Monthly Compensation Over \$350		First \$350 of Monthly Compensation		Excess of Monthly Compensation Over \$350	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
20	2.38%	4.53%	3.57%	6.79%	0.83%	1.57%	1.24%	2.36%	3.21%	6.10%	4.81%	9.15%
21	2.40	4.57	3.60	6.86	0.83	1.59	1.25	2.38	3.23	6.16	4.85	9.24
22	2.42	4.61	3.63	6.92	0.84	1.60	1.26	2.40	3.26	6.21	4.89	9.32
23	2.45	4.66	3.67	6.99	0.85	1.62	1.27	2.43	3.30	6.28	4.94	9.42
24	2.47	4.71	3.71	7.07	0.86	1.63	1.29	2.45	3.33	6.34	5.00	9.52
25	2.50	4.77	3.75	7.15	0.87	1.65	1.30	2.48	3.37	6.42	5.05	9.63
26	2.53	4.82	3.80	7.23	0.88	1.67	1.32	2.51	3.41	6.49	5.12	9.74
27	2.56	4.88	3.84	7.32	0.89	1.69	1.33	2.54	3.45	6.57	5.17	9.86
28	2.59	4.94	3.89	7.41	0.90	1.71	1.35	2.57	3.49	6.65	5.24	9.98
29	2.63	5.01	3.94	7.51	0.91	1.74	1.37	2.61	3.54	6.75	5.31	10.12
30	2.66	5.07	3.99	7.61	0.92	1.76	1.38	2.64	3.58	6.83	5.37	10.25
31	2.70	5.14	4.05	7.71	0.94	1.79	1.41	2.68	3.64	6.93	5.46	10.39
32	2.73	5.21	4.10	7.82	0.95	1.81	1.42	2.71	3.68	7.02	5.52	10.53
33	2.77	5.29	4.16	7.93	0.96	1.83	1.44	2.75	3.73	7.12	5.60	10.68
34	2.82	5.37	4.23	8.05	0.98	1.86	1.47	2.79	3.80	7.23	5.70	10.84
35	2.86	5.45	4.29	8.17	0.99	1.89	1.49	2.83	3.85	7.34	5.78	11.00
36	2.91	5.53	4.36	8.30	1.01	1.92	1.51	2.88	3.92	7.45	5.87	11.18
37	2.95	5.63	4.43	8.44	1.03	1.95	1.54	2.93	3.98	7.58	5.97	11.37
38	3.00	5.71	4.50	8.57	1.04	1.98	1.56	2.97	4.04	7.69	6.06	11.54
39	3.05	5.80	4.57	8.70	1.06	2.01	1.59	3.02	4.11	7.81	6.16	11.72
40	3.09	5.89	4.64	8.84	1.07	2.05	1.61	3.07	4.16	7.94	6.25	11.91
41	3.14	5.99	4.71	8.98	1.09	2.08	1.63	3.12	4.23	8.07	6.34	12.10
42	3.19	6.08	4.78	9.12	1.11	2.11	1.66	3.16	4.30	8.19	6.44	12.28
43	3.24	6.17	4.86	9.26	1.13	2.14	1.69	3.21	4.37	8.31	6.55	12.47
44	3.29	6.27	4.93	9.40	1.14	2.17	1.71	3.26	4.43	8.44	6.64	12.66
45	3.34	6.36	5.01	9.54	1.16	2.21	1.74	3.31	4.50	8.57	6.75	12.85
46	3.39	6.45	5.08	9.68	1.17	2.24	1.76	3.36	4.56	8.69	6.84	13.04
47	3.44	6.55	5.16	9.83	1.19	2.27	1.79	3.41	4.63	8.82	6.95	13.24
48	3.49	6.65	5.24	9.98	1.21	2.31	1.82	3.46	4.70	8.96	7.06	13.44
49 & Over	3.54	6.75	5.31	10.12	1.23	2.34	1.84	3.51	4.77	9.09	7.15	13.63

* As a percentage of salary based upon 8.00% compounded interest and 5.50% salary scale assumptions.

** 37.40% of basic rates for Tier 1 and Tier 2.