

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

DEPT: Chief Executive Office

BOARD AGENDA # \*B-7

Urgent  Routine

AGENDA DATE April 26, 2011

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Adopt a Resolution Regarding Retirement Benefits and to Implement the Provisions Contained in the Retirement Benefits Modification Summary for Employees in the County Attorneys' Association and Stanislaus County Employees Association/ American Federation of State, County and Municipal Employees Local #10 Hired On or After January 1, 2011

STAFF RECOMMENDATIONS:

1. Approve and adopt a resolution regarding retirement benefit modifications for employees in the County Attorneys' Association and Stanislaus County Employees' Association (SCEA)/American Federation of State, County and Municipal Employees (AFSCME Local #10) hired on or after January 1, 2011.
2. Approve the provisions contained in the attached Retirement Benefits Modification Summary (Attachment 2).
3. Direct the Chief Executive Officer to implement the provisions contained in the Retirement Benefits Modification Summary with respect to Stanislaus County employee members of the Stanislaus County Employees Retirement Association.

FISCAL IMPACT:

On December 21, 2010 the Board of Supervisors approved a modification of retirement benefits for all future County employees with the exception of County Attorneys' Association and Stanislaus County Employees Association (SCEA)/American Federation of State, County and Municipal Employees (AFSCME Local #10). The County is now recommending the same modification to the benefits of these two groups.

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BOARD ACTION AS FOLLOWS:

No. 2011-245

On motion of Supervisor O'Brien, Seconded by Supervisor Withrow

and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) \_\_\_\_\_ Denied

3) \_\_\_\_\_ Approved as amended

4) \_\_\_\_\_ Other:

MOTION:



ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

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### **FISCAL IMPACT Continued:**

An analysis has been conducted of the impact of a new tier of benefits under the Stanislaus County Employees Retirement Association (StanCERA) to be provided to future County employees. There is a projected 25% decrease to long-term retirement costs for future employees as a result of reinstating Tier 2 benefits for new hires effective January 1, 2011. The projected dollar savings from an employer normal cost perspective does not materialize to any significant level until Fiscal Year 2014-2015, when it is projected to create a savings of approximately \$1.1 million that year in the employer normal cost of retirement rates.

One assumption that was included in this analysis from the actuary is that new members would be hired to replace current members who retire or leave for other reasons, so the number of active members remains constant. It is anticipated that will not be the case for at least the next 24 months during which time the County is projecting budget shortfalls. This recommended change in retirement benefits implements a lower service multiplier for new employees. Since the change only impacts new hires there is no fiscal benefit to the employer's existing accrued liability for retirement costs. The assumptions used in projecting this benefit savings are the same assumptions under the current retirement program as it relates to termination and death. The new benefit tier could change member behavior with respect to retirement age since the benefit will no longer be as generous at a younger age.

### **DISCUSSION:**

#### **Background**

The Stanislaus County retirement system was first established in 1948. Retirement benefits are administered through the Stanislaus County Employee Retirement Association, under the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et seq), commonly referred to as the "1937 Act." Employee retirement benefits have been modified periodically based on changes in State law which provides various options and benefit formulas that may be utilized by Counties operating under the 1937 Act. The County is required to negotiate with designated labor representatives prior to implementing changes in employee retirement benefits.

Stanislaus County adopted Tier 1 retirement benefits in July 1974. In July 1980, the County closed Tier 1 retirement benefits for new employees and implemented a new Tier 2 benefit. The new Tier 2 benefits provided a reduced benefit plan at a lower cost to employees and the County.

Approval to Adopt a Resolution Regarding Retirement Benefits and to Implement the Provisions Contained in the Retirement Benefits Modification Summary for Employees in the County Attorneys' Association and Stanislaus County Employees' Association/ American Federation of State, County and Municipal Employees Local #10 Hired On or After January 1, 2011

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In April 1986 the County added the Tier 3 benefit plan, offered to employees as an alternative to enrolling in the standard Tier 2 plan. The new Tier 3 plan provided employees the option of receiving a substantially lower benefit in exchange for eliminating the employee's required contributions to the plan. Tier 2 benefits remained in place as the standard benefit plan for all new County employees from July 1980 until March 2002. In March 2002 the County modified employee retirement benefits through a negotiated agreement with labor organizations to implement the new Tier 4 and Tier 5 benefit plans. The new retirement tiers provided enhanced benefit plans made available by State law. At this same time, the County closed the Tier 2 and Tier 3 plans. Tier 4 was not opened for new employees, but was established for existing employees who were previously enrolled in the Tier 1 plan. New employees from March 2002 to present have been enrolled in the enhanced Tier 5 benefit plan.

For the last several years, Stanislaus County has experienced significant shortfalls in discretionary revenue which supports essential services in all County departments. Increasing costs and declining revenues have resulted in ongoing budget deficits that have required the County to reduce the number of full-time County employees from a high of 4603 in Fiscal Year 2007-2008, to a projected 3614 as of April, 2011. The employer contribution to the retirement system has been adversely impacted by investment market losses and the general state of the economy, resulting in a dramatic increase in the cost for which the employer is responsible. *Employee retirement costs have contributed significantly to the ongoing budget deficit resulting in the need to reduce County staffing and related services in the community.* Long-term projections indicate ongoing fiscal challenges with the cost of maintaining the enhanced Tier 5 benefit plan for future employees.

### **Recommended Benefit Plan Modifications**

The Board approved the reinstatement of Tier 2 benefits for all unrepresented and represented employees hired on or after January 1, 2011, on December 21, 2010 with the exception of the County Attorneys' Association and the Stanislaus County Employees' Association, AFSCME Local 10. Retirement benefits for current full-time employees are legally protected vested benefits and are not subject to negotiated reductions based on existing legal standards. The County has now completed negotiations with both the County Attorneys' Association and the Stanislaus County Employees' Association. The Board of Supervisors are currently considering these agreements which include the modification of retirement benefits retroactive to January 1, 2011. No employees have been hired in either association since this date. The following is a summary of current retirement benefit levels and the recommended modification of retirement benefits:

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	Current Benefit (Tier 5*)	Recommended Benefit (Tier 2*)
General Members	Years of Service at 2% at age 55	Years of Service at 2% at age 61
Safety Members	Years of Service at 3% at age 50	Years of Service at 2% at age 50
Final Average Salary Calculation	Based on highest 12-months of compensation	Based on average of highest 36-months of compensation

*\*Benefit formulas are rounded based on age and years of service.*

The recommendations and actions outlined in this report will be implemented retroactive to January 1, 2011 for those bargaining units outlined in the Retirement Benefit Modification Summary (Attachment 2). Upon approval of these recommendations all newly hired Stanislaus County employees will be placed in Tier 2 retirement.

This agenda report has been prepared to summarize all of the related recommendations and final actions necessary for the Board of Supervisors prior to final adoption and implementation of the retirement benefit modifications. In order to make these changes the Board of Supervisors is required to adopt several Government Code Sections relating to the County Employee's Retirement Law of 1937. The recommended resolution to adopt and apply the applicable code sections is attached (Attachment 1). The Retirement Benefit Modification Summary (Attachment 2) was prepared to summarize the rules and provisions to be utilized in establishing Tier 2 retirement benefits for new employees.

**POLICY ISSUE:**

The implementation of Tier 2 retirement benefits for new employees will support the Board's priority of Efficient Delivery of Public Services and is essential to the County's long-term financial viability.

**STAFFING IMPACT:**

There is no foreseeable long-term staffing impact from the implementation of the change in retirement benefits for employees hired after January 1, 2011. The County has evaluated the impact of the change in retirement benefits on its ability to attract qualified applicants in the future. Statewide public agencies have recognized that the current level of pension benefits are unsustainable and are contemplating or have already implemented reduced

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retirement benefits for new hires. As a result the County expects to continue to provide a competitive benefit package and to attract qualified candidates to the organization.

**CONTACT PERSON:**

Nancy Bronstein, Deputy Executive Officer. (209) 525-6333

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
STATE OF CALIFORNIA

Date: April 26, 2011

No. 2011-245

On motion of Supervisor O'Brien ..... Seconded by Supervisor Withrow .....  
and approved by the following vote,  
Ayes: Supervisors: O'Brien, Chiesa, Withrow, DeMartini, and Chairman Monteith .....  
Noes: Supervisors: None .....  
Excused or Absent: Supervisors: None .....  
Abstaining: Supervisor: None .....

THE FOLLOWING RESOLUTION WAS ADOPTED: Item # \*B-7

**Resolution Establishing a New Retirement Allowance Formula Applicable to Employees Commencing Service on or after January 1, 2011 in General Membership Positions of Specified Bargaining Units of the Stanislaus County Employees' Retirement Association**

WHEREAS, Government Code section 31483 authorizes this Board, whenever it has made a particular retirement allowance formula provision of the County Employees Retirement Law of 1937, Government Code section 31450 et seq., applicable in the County, to adopt a resolution terminating the applicability of such provision as to employees who services commence after a given date specified in the resolution; and,

WHEREAS, Government Code section 31489.5 provides that when there is a memorandum of understanding ("MOU") made under the Meyers-Milias-Brown Act (Chapter 10 (commencing with section 3500) of Division 4 Title 2) with a bargaining unit, different retirement benefits may be adopted for any subgroup of general members within that bargaining unit who are members of the Stanislaus County Employees Retirement Association (StanCERA) who are hired on or after the date specified in the resolution adopted by majority vote of the Board; and,

WHEREAS, Government Code section 31489.5 further provides that all unrepresented employees within similar job classifications as employees in a bargaining unit subject to the MOU, or supervisors and managers thereof, shall be subject to the same formula for the calculation of retirement benefits when hired on or after the date specified in the resolution adopted by majority vote of the Board; and,

WHEREAS, on April 2, 1974, the Board of Supervisors adopted a resolution (Resolution No. S-23) making the retirement allowance formula provisions of Government Code sections 31 676.12 and 31462.1 applicable in the County to employees in positions authorizing or requiring general membership in StanCERA; and,

WHEREAS on June 10, 1980, the Board of Supervisors adopted a resolution (Resolution No. S-23) terminating the applicability of Government Code sections 31676.1 2 and 31462.1 to general members of StanCERA whose services commenced on or after July 1, 1980, and making the retirement allowance formula provisions of Government Code sections 31676.1 and 31462

applicable to such general members: and,

WHEREAS, on February 12, 2002, (Resolution 2002-96), effective March 9, 2002, this Board terminated the applicability of Section 31676.1 2 (Tier 1) and section 31676.1 (Tier 2) as to the general members of StanCERA; and made two retirement classes of general members of StanCERA, Tier 4 comprised of active general members of StanCERA who were actively employed and whose services commenced on or before June 30, 1980; and Tier 5 comprised of active members of StanCERA who were currently employed and whose services commenced on or after July 1, 1980 and adopted retirement formula provisions of Government Code section 31676.14 (commonly known as "2% at 55") applicable to such general members of StanCERA; and,

WHEREAS, on February 12, 2002, (Resolution 2002-96) the Board further adopted provisions of Government Code section 31462.1 for Tier 5, sections 31621.3 and 31621.9, and provisions of Government Code section 31808(a) were reaffirmed and adopted; and,

WHEREAS, the Board intends to terminate the applicability of the retirement allowance formula provisions of Government Code sections 31676.14, 31462.1, 31621.3 and 31621.9 for employees whose general member service commences on or after January 1, 2011; and,

WHEREAS, this Board intends to make applicable the retirement allowance formula provisions of Government Code sections 31676.1, 31462, and 31621 for employees whose general member service commences on or after January 1, 2011.

NOW THEREFORE, BE IT RESOLVED:

1. This resolution shall apply to the following employee units: Stanislaus County Employees' Association (SCEA), American Federation of State, County and Municipal Employees (AFSCME Local #10) – Bargaining Units 5, 8, 9 and B and County Attorneys' Association – Bargaining Unit 3;
2. The retirement allowance formula provisions of Government Code section 31676.14 are hereby terminated and the retirement allowance formula provisions of Government Code section 31676.1 made applicable to persons first employed, or are reemployed after a break in StanCERA membership (except as required by Government Code section 31652(a)), on or after January 1, 2011;
3. The applicability of Government Code section 31462.1 is terminated and the provisions of Government Code section 31462 shall apply;

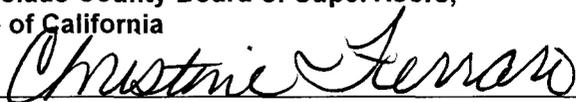
4. The applicability of Government Code sections 31621.3 and 31621.9 are terminated and the provisions of Government Code section 31621 shall apply; and

5. The applicability of Government Code section 31808(a) is reaffirmed and shall apply.

BE IT FURTHER RESOLVED that effective January 1, 2011, there shall be five classes of general members of the Stanislaus County Employees Retirement Association, Tier 1 shall be comprised of members of StanCERA whose employment commenced on or before June 30, 1980 and terminated before March 9, 2002; Tier 2 shall be comprised of members of StanCERA whose employment commenced on or after July 1, 1980 and terminated before March 9, 2002, or those whose services commence on or after January 1, 2011; Tier 3 shall be comprised of members whose employment commenced before March 9, 2002 and who elected the alternative Tier 3 plan; Tier 4 shall be comprised of members of StanCERA whose employment commenced before June 30, 1980 and who were employed on and after March 9, 2002; and Tier 5 shall be comprised of members of StanCERA whose employment commenced on or after July 1, 1980 and who were employed on March 9, 2002, or whose services commenced on or after March 9, 2002.

BE IT FURTHER RESOLVED that Tier 3 shall continue to be closed to all new hires of Stanislaus County.

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk  
Stanislaus County Board of Supervisors,  
State of California



File No.

**ATTACHMENT 2  
COUNTY OF STANISLAUS  
RETIREMENT BENEFIT MODIFICATION SUMMARY  
April 26, 2011**

1. EFFECTIVE DATE

Retirement benefit modifications will be effective January 1, 2011.

2. COVERED EMPLOYEES AND EMPLOYEE UNITS

The recommended retirement benefit modifications in this summary will not apply to current employees hired prior to January 1, 2011.

The recommended retirement benefit modifications will apply to regular, fulltime employees hired on or after January 1, 2011 in the following employee units as approved by the Board of Supervisors. Those in bold were previously approved by the Board of Supervisors:

**General Members**

- Stanislaus County Employees Association (SCEA), American Federation of State, County and Municipal Employees (AFSCME Local #10) – Bargaining Units 5,8,9 and B
- County Attorneys' Association- Bargaining Unit 3
- **Community and Health Services - Bargaining Unit A (SEIU)**
- **Registered Nurses - Bargaining Unit 4**
- **Emergency Dispatchers - Bargaining Unit 6**
- **Board of Supervisors/CEO/County Counsel - Unit 0 (unrepresented)**
- **Department Heads - Unit 1 (unrepresented)**
- **Management - Unit M (unrepresented)**
- **Confidential - Unit 2 (unrepresented)**

**Safety Members**

- **Custodial Deputy Sheriffs - Bargaining Unit 7**
- **Sworn Deputy Sheriffs - Bargaining Unit S**
- **District Attorney Investigators - Bargaining Unit G**
- **Deputy Probation Officers - Bargaining Unit H**
- **Sergeants - Bargaining Unit N**
- **Lieutenants and Custodial Lieutenants - Bargaining Unit Q**
- **Group Supervisors - Bargaining Unit T**

3. RETIREMENT BENEFITS

The County shall provide Tier 2 retirement benefits for new employees hired on or after January 1, 2011 as follows:

General Member: the formula outlined in Govt. Code section 31676.1, commonly known as 2% at 61.

Safety Members: the formula outlined in Govt. Code section 31664, commonly known as 2% at 50.

4. FINAL COMPENSATION

Tier 2 retirement benefits shall be calculated based on an average of the employee's highest consecutive 36-months of compensation. The definition of final compensation as outlined in Govt. Code Section 31462 will be utilized.

5. RETIREMENT TIERS

Tier 1, Tier 3, Tier 4 and Tier 5 are closed to all new employees.

Employees hired prior to January 1, 2011 will remain in their existing retirement tier and shall maintain all rights associated with their respective retirement tier as previously approved by the Board of Supervisors.

Tier 2 will be the default tier for new employees hired on or after January 1, 2011 in any covered classification.

6. MEMBERS WHO ARE REHIRED/REINSTATED IN EMPLOYMENT

Employees who are rehired/reinstated with the County after the implementation of Tier 2 on January 1, 2011 and have met the necessary membership criteria to be placed in their former retirement tier shall be eligible for placement in that former tier. In general, current legal standards allow rehired employees the opportunity to reinstate into their former retirement tier as long as the individual member either has left his retirement contributions on deposit since his prior period of County service or elects and completes the redeposit of withdrawn retirement contributions plus applicable interest. The membership tier will depend on the employee's/member's individual circumstances and prior retirement selections. Employees who are rehired/reinstated with the County on or after January 1, 2011 are encouraged to confirm their membership status and retirement tier reinstatement options with StanCERA.