AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE		BOARD MEETING DATE	AGENDA NUMBER
Receive the results of the actuarial review conducted by Bartel & Associates regarding County current and future retirement liabilities and provide staff direction for reducing future retirement costs		October 5, 2010	13
Dept: **Contact:** **Extension:**	Donald W. Turko Human Resources Director X 2552	**Supervisorial District Number** ALL	
	Published Notice Required?	**Yes**_____	**No** X
	Public Hearing Required?	**Yes**_____	**No** X

DEPARTMENTAL RECOMMENDATION:

Receive the results of the actuarial review conducted by Bartel & Associates regarding the County's current and future retirement liabilities and provide staff with direction for reducing future retirement costs.

SUMMARY & DISCUSSION:

On June 29, 2010, the Board unanimously adopted Resolution 2010-158 (Attachment A) which declared the Board's intent to amend the County's contract with the California Public Employees' Retirement System (CalPERS) and to reduce existing miscellaneous and safety retirement formulas for future County employees upon completion of the appropriate negotiations process with all affected employee groups. The resolution further stated that any retirement changes adopted for represented employees would automatically apply to future unrepresented employees as well.

County retirement costs are expected to increase substantially over the next 6 fiscal years based on CalPERS' actuarial estimates. Solano County has been informed that it can expect its miscellaneous and safety retirement rates to increase as follows:

Fiscal Year	Miscellaneous	Safety
2010/2011	12.1%	14.8%
2011/2012	14.8%	16.8%
2012/2013	18.3%	20.6%
2013/2014	22.6%	24.0%
2014/2015	23.0%	24.4%
2015/2016	23.4%	24.8%
Cumulative Total/Percent Increase	+11.3% or + 93.38%	+10.0% or 67.0%

The net effect of these rate increases will increase County expenses for retirement costs from $23,611,528 in FY 2010/11 to $44,097,426 in FY 2015/16. If steps are not taken to mitigate these cost increases further County program and/or staff reductions must occur.

These significant CalPERS retirement cost increases have been driven by two primary factors. The first is retirement plan benefit design and the second is fluctuating CalPERS investment returns. The combination of these two factors have caused the funded status of the County miscellaneous plan to fall from 128% in fiscal year 2000-01 to 82% in fiscal year 2010-2011. Similarly, the funded status of the County safety plan has fallen from 136% in fiscal 2000-01 to 83% in fiscal year 2010-11.

While the County has little or no ability to control CalPERS investment returns, the County can exercise control over future retirement costs by seeking a negotiated change to the retirement benefits of future County employees. In adopting Resolution 2010-158 the Board directed staff to pursue changes to benefit plan design by modifying current CalPERS plan contracts as follows:

Plan	Current Benefit Design	Future Benefit Design
Miscellaneous	2.7% at age 55	2% at age 60
Safety	3% at age 50	3% at age 55
Safety	2% at age 50	2% at age 55

An additional factor over which the County can exercise control in reducing future retirement costs is the County's current agreement with represented and unrepresented employees to pay a portion or all of the employee's retirement contribution. This program, the Employer Payment of the Member Contribution toward retirement or EPMC currently costs the County $10,910,452 in fiscal year 2010-11. By negotiating to end payment of the EPMC the County can reduce future retirement costs by $109,104,520 over the next 10 years.

Subsequent to the Board's June 29 meeting, staff negotiated a contract with John Bartel of Bartel Associates to conduct a review of the County's current and future retirement costs and to identify ways that the County might reduce and/or avoid escalating future retirement costs. Mr. Bartel has completed his actuarial review of County retirement plans and has shared that review with County staff. An executive overview of his actuarial review is attached (Attachment B).

FINANCING:

There is no financial impact resulting from the Board's receipt of staff's report on the results of the actuarial review on the county's current and future retirement liabilities. Bard direction to staff on actions to be taken for the reduction of future retirement costs will have future fiscal impacts.

ALTERNATIVES:

The Board could decide not to receive John Bartel's actuarial review of current and future County retirement costs. However that is not recommended due to the future retirement cost increases which the County expects to experience in the next 6 fiscal years.

OTHER AGENCY INVOLVEMENT:

Human Resources worked with the County Administrator, the Treasurer-Tax Collector-County Clerk, and Auditor-Controller's Offices in preparing this report.

CAO RECOMMENDATION:

APPROVE DEPARTMENT
RECOMMENDATION

DEPARTMENT HEAD SIGNATURE:

Attachment A: Resolution 2010-158, Page 4
Attachment B: Bartel & Associates Executive Overview of Actuarial Review, Pages 5 - 20

RESOLUTION NO. 2010-158

BOARD OF SUPERVISORS
OF THE
COUNTY OF SOLANO
RESOLUTION
OF ITS INTENT TO
IMPLEMENT LOWER RETIREMENT TIERS

WHEREAS, Solano County continues to experience revenue shortfalls and fiscal hardships due to declining property and sales tax revenues; and

WHEREAS, these revenue shortfalls are projected to be long term in nature which require that the Board of Supervisors adopt measures to achieve long term cost savings;

NOW, THEREFORE, BE IT RESOLVED, that said Board of Supervisors intends to amend its contract with the California Public Employee Retirement System (CalPERS) to reduce the existing miscellaneous and safety retirement formulas for future County employees upon completion of the appropriate negotiations process with all affected employee groups as follows:

Plan Type	Current Formula	Proposed Formula
Safety	3% at 50	3% at 55
Safety	2% at 50	2% at 55
Miscellaneous	2.7% at 55	2% at 60

Any retirement changes adopted for represented employees will automatically apply to future unrepresented employees as well, pursuant to the contract with CalPERS.

On motion of Supervisor Reagan, and second by Supervisor Spering, the Solano County Board of Supervisors adopted this resolution on June 29, 2010, by the following vote:

AYES: SUPERVISORS Kondylis, Reagan, Seifert,
Spering, and Chair Vasquez

NOES: SUPERVISORS None

EXCUSED: SUPERVISORS None

JOHN M. VASQUEZ, CHAIR
Solano County Board of Supervisors

ATTEST:

MICHAEL D. JOHNSON, Clerk
Solano County Board of Supervisors

By: Myra Chinda deputy
Patricia J. Crittenden, Chief Deputy Clerk