

# MEMO

**Date:** February 13, 2013  
**To:** CCCERA Board of Retirement  
**From:** Kurt Schneider, Deputy Chief Executive Officer  
**Subject:** Contribution Rates for PEPRA General Tier 4 and Tier 5 (2% COLA)

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MEETING DATE

FEB 13 2013

AGENDA ITEM

# 10

In September 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (PEPRA), which requires CCCERA to use new benefit formulas for new members entering the system on or after January 1, 2013. This legislation made no changes to post retirement cost-of-living adjustment (COLA) provisions.

At the January 9, 2013 meeting, the Board adopted member and employer contribution rates for CCCERA PEPRA General Tier 4 and Tier 5. These contribution rates were calculated using the Tier 1 COLA provision for Tier 4 and the Tier 3 COLA provision for Tier 5 that were in effect when the PEPRA legislation was signed. These provisions are in Gov. Code §31870.1 (3% maximum annual COLA) for all Tier 4 retirements and Tier 5 service retirements and Gov. Code §31870.3 (4% maximum annual COLA) for Tier 5 disability retirements.

In November 2012, the Contra Costa Board of Supervisors took action to adopt §31870 (2% maximum annual COLA) for service and disability retirements for new PEPRA members covered under certain memoranda of understanding. The System's actuary, the Segal Company, has calculated member and employer contribution rates applicable to such members.

## Recommendation

Adopt the member and employer rates as shown in the Segal letter.



100 Montgomery Street Suite 500 San Francisco, CA 94104-4308  
T 415.263.8200 F 415 263 8290 www.segalco.com

VIA EMAIL & USPS

January 25, 2013

Mr. Kurt Schneider  
Deputy Chief Executive Officer  
Contra Costa County Employees' Retirement Association  
1355 Willow Way, Suite 221  
Concord, CA 94520

**Re: Contra Costa County Employees' Retirement Association  
Contribution Rates for PEPRA General Tier 4 and Tier 5 (2% COLA)**

Dear Kurt:

This letter provides the contribution rates for the period from January 1, 2013 to June 30, 2014 for CCCERA members who will be covered under PEPRA General Tiers 4 and 5 (2% COLA). These contribution rates are necessary because the County has adopted these 2% COLA tiers (instead of the current 3%) for certain members with membership dates on or after January 1, 2013.

### **Background**

In our PEPRA new tier study report dated January 2, 2013, we provided the recommended contribution rates for members covered under PEPRA General Tier 4 (3% COLA) and Tier 5 (3%/4% COLA). Since no demographic information is currently available for actual members who will be covered under the new PEPRA formulas, in that study we used the demographic profiles of General members with membership dates in the last year prior to the December 31, 2011 valuation date to estimate the Normal Cost contribution rates for members who may become covered under the PEPRA formulas. All assumptions and methods that were used for the new tiers in our new tier study remain unchanged in this letter.

In this letter, we have provided the recommended contribution rates for members covered under PEPRA General Tiers 4 and 5 (2% COLA). Even though PEPRA General Tier 4 (2% COLA) has never covered new County members we have included PEPRA General Tier 4 (2% COLA) rates because we understand that these contribution rates may be necessary for County employees who transfer from another CCCERA employer that was in PEPRA General Tier 4.

In preparing these Normal Cost rates, we have used the same demographic profiles of General members that were used to calculate the Normal Cost rates for PEPRA General Tier 4 (3% COLA) and Tier 5 (3%/4% COLA) in our earlier new tier study. The benefit provisions for PEPRA General Tier 4 and 5 (2% COLA) are assumed to be identical to those provided to PEPRA General Tier 4 (3% COLA) and Tier 5 (3%/4% COLA), respectively, with the exception of a maximum cost-of-living adjustment of 2% per year.

The contribution rates for the period from January 1, 2013 to June 30, 2014 for members covered under the PEPRA General Tiers 4 and 5 (2% COLA) are as follows:

Normal Cost Rates	Employer Rate <sup>(1)</sup>	Member Rate <sup>(1)</sup>
<b>PEPRA General Tier 4 (2% COLA)</b>		
Basic	7.49%	7.61%
COLA	<u>1.62%</u>	<u>1.64%</u>
Total	9.11%	9.25%
<b>PEPRA General Tier 5 (2% COLA)</b>		
Basic	7.00%	6.84%
COLA	<u>1.45%</u>	<u>1.41%</u>
Total	8.45%	8.25%


<sup>(1)</sup> These are the Normal Cost rates only. The total employer rate for the period from January 1, 2013 through June 30, 2014 would be equal to the Normal Cost rates above plus the UAAL rates shown below. These are the same UAAL rates that apply to current CCCERA members.

	PEPRA General Tier 4 Cost Group 1 County	PEPRA General Tier 5 Cost Group 2 County
<b>Total UAAL Rates for the Period</b>		
January 1, 2013 through June 30, 2013	12.10%	12.10%
July 1, 2013 through June 30, 2014	14.49%	14.49%

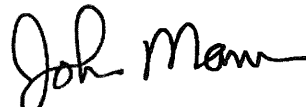
The actuarial calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

We look forward to discussing this information with you.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President & Actuary



John Monroe, ASA, MAAA, EA  
Vice President & Associate Actuary

AW/hy





Contra  
Costa  
County

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: November 13, 2012

Subject: Implementing Two Percent Cost of Living Adjustment to Retirement Benefit for CCC Deputy District Attorneys' Association and Defenders' Association

**RECOMMENDATION(S):**

ADOPT Resolution 2012/480 making Government Code section 31870 (Two Percent Cost of Living Adjustment to Retirement Benefit) applicable to employees represented by either the Contra Costa County Deputy District Attorneys' Association or the Contra Costa County Defenders' Association, who become members of CCCERA on and after January 1, 2013.

**FISCAL IMPACT:**

Implementation of a change in the Cost of Living Adjustment (COLA) to the pension benefit for employees represented either by the Contra Costa County Deputy District Attorneys Association or by the Contra Costa County Defenders' Association, who become members of CCCERA on and after January 1, 2013, is intended to result in long term savings for both the employees and the County.

**BACKGROUND:**

In the respective Memoranda of Understanding ratified by the Associations and approved by the Board of Supervisors on November 6, 2012, the parties agreed that employees represented

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

Action of Board On: 11/13/2012 ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYES 5 NOES     

ABSENT      ABSTAIN     

RECUSE     

Contact: Lisa Driscoll, County Finance Director  
(925) 335-1023

I hereby certify that this is a true and correct copy of an action taken on the minutes of the Board of Supervisors on the date shown.

ATTESTED: November 13, 2012

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy



**BACKGROUND: (CONT'D)**

by the Associations who become members of CCCERA on or after January 1, 2013, will have up to a two percent banked COLA to their retirement benefit (Government Code, § 31870), rather than up to a three percent banked COLA (Government Code, § 31870.1) as applicable to current non-safety members of CCCERA. Employees hired on or after December 1, 2012, in classifications eligible for membership in CCCERA, become members of CCCERA on or after January 1, 2013. (Government Code, § 31552.)

To implement the respective Memoranda of Understanding with the Associations, it is necessary to adopt the resolution to establish the change to the COLA for future employees. (Government Code, § 31483.)

**CONSEQUENCE OF NEGATIVE ACTION:**

Delay in implementation of newly negotiated two percent cost of living adjustment to retirement benefit.

**CHILDREN'S IMPACT STATEMENT:**

None.

# THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 11/13/2012 by the following vote:

AYES: ☒ 5 ☐ 0 ☐ 0 ☐ 0 ☐ 0  
John Gioia  
Candace Andersen  
Mary N. Piepho  
Karen Mitchoff  
Federal D. Glover

NOES: ☐ 0

ABSENT: ☐ 0

ABSTAIN: ☐ 0

RECUSE: ☐ 0



## Resolution No. 2012/480

SUBJECT: Implementing a New Cost of Living Adjustment to the Pension Benefit (Government Code Section 31870) for District Attorney and Public Defender Personnel Hired On or After December 1, 2012

Whereas Government Code section 31485.9 authorizes the provision of different retirement benefits to different bargaining units for non-safety employees hired after a specified future date, when those benefits are adopted by the Board of Supervisors by majority vote pursuant to a Memorandum of Understanding; and

Whereas Government Code section 31483 provides that whenever the Board of Supervisors has adopted a resolution or ordinance making a particular provision of the County Employees Retirement Law of 1937 (Gov. Code, §§ 31450 et. seq.) applicable, the Board may, through a future resolution or ordinance, terminate the applicability of the provision as to employees of the County whose services commence after a future date specified in the latter ordinance or resolution; and

Whereas Government Code section 31870 provides for a Cost of Living Adjustment to the retirement allowance that shall not exceed two percent (2%) per year and that is banked; and

Whereas Government Code section 31552 provides that each person entering county employment becomes a member of the Contra Costa County Employees Retirement Association (CCCERA) on the first day of the calendar month after his/her entrance into county service, provided that the person enters a position eligible for membership in CCCERA; and

Whereas pursuant to section 31552, persons who enter County employment in classifications eligible for membership in CCCERA on or after December 1, 2012, become members of CCCERA on or after January 1, 2013; and

Whereas the County and the Contra Costa County Deputy District Attorneys' Association agreed in the Memorandum of Understanding ratified by the Association and approved by the Board of Supervisors on November 6, 2012, that for employees represented by the Association who become members of CCCERA on or after January 1, 2013, the COLA to the employee's retirement allowance shall not exceed two percent (2%) per year and shall be banked; and

Whereas the County and the Contra Costa County Defenders' Association agreed in the Memorandum of Understanding ratified by the Association and approved by the Board of Supervisors on November 6, 2012, that for employees represented by the Association who become members of CCCERA on or after January 1, 2013, the COLA to the employee's retirement allowance shall not exceed two percent (2%) per year and shall be banked;

## THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY RESOLVES THAT:

1. Government Code section 31870.1 (banked COLA not to exceed three percent) shall not apply to employees represented by the Contra Costa County Deputy District Attorneys' Association who are hired on or after December 1, 2012, into classifications eligible for membership in CCCERA. Instead, Government Code section 31870 (banked COLA not to exceed two percent) shall apply to employees represented by the Contra Costa County Deputy District Attorneys Association who are hired on or after December 1, 2012, into classifications eligible for membership in CCCERA.

2. Government Code section 31870.1 (banked COLA not to exceed three percent) shall not apply to employees represented by the Contra Costa County Defenders' Association who are hired on or after December 1, 2012, into classifications eligible for



membership in CCCERA. Instead, Government Code section 31870 (banked COLA not to exceed two percent) shall apply to employees represented by the Contra Costa County Defenders' Association who are hired on or after December 1, 2012, into classifications eligible for membership in CCCERA.

3. The effective date of this resolution is November 13, 2012.

Contact: Lisa Driscoll, County Finance Director (925)  
335-1023

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: November 13, 2012

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: Deputy

cc: Robert Campbell, Auditor-Controller, Ted Cwick, Human Resources Director, Sharon Anderson, County Counsel, Marilyn Leedom, Retirement Administrator, Mark Peterson, District Attorney, Robin Lipetzky, Public Defender

