MEETING DATE

MAY 02 2012

AGENDA ITEM

#7

MEMO

Date: May 2, 2012

To: CCCERA Board of Retirement

From: Kurt Schneider, Deputy Chief Executive Officer KS

Subject: Consider and take possible action on Optional Settlement 4 request from retiring member Kimberly Colunga

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Background:

The above mentioned retiring member has requested naming two qualified beneficiaries under CERL Optional Settlement 4. Staff has verified that the request complies with CERL and all existing CCCERA Board policies, in particular, the Board's Policy on Internal Revenue Code Compliance, adopted December 8, 2010, that limits the continuance percentage in accordance with Treasury Regulation 1.401(a)(9)-6, Q&A-2.

The member's unmodified monthly benefit amount of $1,115.87 will be reduced to $1,013.32 until her death and thereafter a continuance of $506.66 will be paid to each of her named beneficiaries until their deaths.

CCCERA's actuary has verified that the above payments are actuarially equivalent to the member's unmodified benefit based on the actuarial assumptions adopted by the Board for determining benefit amounts for optional settlement elections. Therefore, in the opinion of the actuary, the benefit payments themselves are not expected to place any additional burden on the retirement system.

Recommendation:

Grant the request of Optional Settlement 4 for Kimberly Colunga, based on the actuarial equivalence of the benefit payments.

SEGAL

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PERSONAL AND CONFIDENTIAL

April 25, 2012

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
Option 4 Calculation for Kimberly Colunga**

Dear Kurt:

Pursuant to your request, we have verified the Option 4 benefits payable to the above-referenced retired member and her beneficiaries based on the information provided in your email dated April 23, 2012. You have also asked us to opine on whether the designation would place any additional burden upon the retirement system.

Background

We accept the following data provided to us at face value and have not audited it against any other documents. We also have not verified the accuracy of any benefit calculation amounts provided to us:

Member's Date of Birth:		[redacted]
Member's Benefit Starting Date:		February 21, 2012
Member's Unmodified Benefit Amount:		$1,115.87
Type of Pension:		Service Retirement
Membership Type:		General
Beneficiary #1:	Date of Birth:	[redacted]
	Percent Continuance:	50.0%
Beneficiary #2:	Date of Birth:	[redacted]
	Percent Continuance:	50.0%

Benefit Amounts

We have verified the Option 4 benefit as follows:

Option 4 Benefit:	Total
Member:	$1,013.32
Beneficiary #1:	$506.66
Beneficiary #2:	$506.66

Actuarial Assumptions: 7.75% Interest; 0% COLA and RP-2000 Combined Healthy Mortality Table set back 3 years for males and set back 2 years for females, weighted 30% male and 70% female for the member and weighted 70% male and 30% female for the beneficiaries.

Section 31764 of the County Employees Retirement Law of 1937 contains the following text regarding Option 4:

Optional settlement 4 consists of the right to elect in writing to have a retirement allowance paid him or her until his or her death and thereafter to have other benefits as are approved by the board, upon the advice of the actuary, continued throughout the life of and paid to the persons, having an insurable interest in his or her life, as he or she nominates by written designation duly executed and filed with the board at the time of his or her retirement. The designation shall not, in the opinion of the board and the actuary, place any additional burden upon the retirement system.

You have asked us to respond to the last sentence in that section from an actuarial perspective. It may be reasonable to interpret the statute as requiring the actuary to opine that Option 4 does not increase the value of the member's benefit. Under that interpretation, we note that Option 4 benefits are determined in a manner such that they are "actuarially equivalent" to other benefit forms that are already allowed by CCCERA such as Options 1 through 3. Actuarial equivalency occurs when two streams of benefit payments have the same present value based on a set of actuarial assumptions. Therefore, we believe that allowing retiring members to elect Option 4 should not increase the value of the member's benefit and so should not place any additional financial burden on CCCERA or the employers sponsoring CCCERA.

As in all matters pertaining to the interpretation and application of the law, Plan or individual Option 4 calculation provisions, you should be guided by the advice of the Plan's Legal Counsel.

Please let us know if you have any comments or questions.

Sincerely,

John Monroe

John Monroe

AW/kek