

MEMO

MEETING DATE

NOV 28 2012

AGENDA ITEM

#8

Date: November 21, 2012
To: CCCERA Board of Retirement
From: Kurt Schneider, Deputy Chief Executive Officer
Subject: Actuarial Issues Regarding PEPRA Implementation

The following issues regarding implementing the new PEPRA tiers have been reviewed by staff. The System's actuary, the Segal Company, will take the following into account in calculating rates to be effective January 1, 2013.

- Member and employer contributions for the PEPRA tiers will only be collected up to the pensionable compensation limit (\$113,700 in 2013).
- There will be no need for a terminal pay assumption for new members, since no cashouts of unused leave of any kind can be included in pensionable compensation.
- The sick leave service credit assumption will be the same for PEPRA tiers as for current employees, since Gov. Code §31641.01 is unaffected by PEPRA.
- The industrial disability plan change for Safety members under PEPRA will not be valued until such time as it has been determined whether this plan change affects 1937 CERL retirement systems.¹
- The three-year period for final average compensation affects any benefits determined using service or disability retirement formulas. Pre-retirement death lump sum benefits will continue to be based on the monthly average of a one-year period per §31781(b).
- The Unfunded Actuarial Accrued Liability (UAAL) will continue to be spread over compensation including members with membership dates on or after January 1, 2013.
- The UAAL rates from December 31, 2010 and 2011 valuations will be collected only up to the pensionable compensation limit for members in PEPRA tiers.²
- The benefits under the PEPRA formulas are not subject to a limit of 100% of final average compensation.
- The current Cost-of-Living Adjustments (COLAs) death and disability benefits will continue under the PEPRA formulas unless changed by future resolution.
- The current thirty-year member contribution cessation will not continue under the PEPRA formulas.
- The new PEPRA benefit formulas will not be integrated with Social Security.

¹ If the industrial disability plan change does apply to CCCERA an increase in the UAAL will occur when the change is first reflected.

² This will result in a small contribution loss, since these UAAL rates were determined as if there were no pensionable compensation limit.