BOARD OF SUPERVISORS
AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:

Department Name:	CEO
Department No.:	012
For Agenda Of:	January 8, 2013
Placement:	Administrative
Estimated Tme:	10 minutes
Continued Item:	No
If Yes, date from:	
Vote Required:	Majority

TO: Board of Supervisors

FROM: Chandra Wallar, County Executive Officer, 568-3404
Jeri Muth, Human Resources Director, 568-2816

Contact Info: Joseph Pisano, Employee Relations Manager, 568-2839

SUBJECT: ***Retirement Benefits for Employees Hired on or after January 1, 2013***

County Counsel Concurrence
As to form: Yes

Auditor-Controller Concurrence
As to form: N/A

Other Concurrence:
As to form: N/A

Recommended Actions:

That the Board of Supervisors:

1. Adopt the resolution in Attachment A implementing the new retirement plan mandated by the State of California, which will become County Retirement Plan 8, for both general and safety employees hired on or after January 1, 2013;

2. Adopt the employer and employee rates for Retirement Plan 8 for Fiscal Year 2012-2013 and Fiscal Year 2013-2014 as previously adopted by the Santa Barbara County

Employees Retirement System (SBCERS) Board on December 12, 2012 and shown in Attachment B.

3. Approve the amendment to the County's 401 (h) Plan shown in Attachment C.

Summary Text:

The recommended actions implement pension reforms mandated by the State of California for both general member (non-safety) and safety employees of public agencies effective January 1, 2013 and align the County's 401 (h) Plan, which funds the Retiree Medical Program (a subsidy for retiree health insurance premiums), to apply changes in Countywide post employment benefits previously adopted by the Board to general member (non-safety) employees in Plan 8.

Background:

The resolution in Attachment A implements a new retirement plan, Plan 8, which implements pension reforms mandated by the State of California for both general and safety employees hired into County service on or after January 1, 2013.

In order to address the costs of providing pension benefits to public employees at virtually all levels statewide, the Legislature adopted AB 340 and AB 197 on August 20, 2012. These bills were subsequently signed into law by the Governor on September 12, 2012, effective January 1, 2013.

The law makes a number of significant changes to existing public pension law, including the enactment of a new Article of the Government Code, Sections 7522 and following, known as the Public Employees' Pension Reform Act of 2013 (PEPRA). Staff has worked with the Santa Barbara County Employees' Retirement System (SBCERS), Auditor-Controller, and County Counsel to implement these legal mandates, and the County has met its Myers-Milias-Brown Act (MMBA) obligations to County employee organizations.

Key changes in pension benefits for future County employees enrolled in Plan 8 include:

- Formula changes:
    - General Employees - 2% @ 62
    - Safety - 2.7%@ 57

- 50% sharing of the normal cost:
    - adjusts annually
    - half rates are eliminated
    - employer offset is eliminated

- Three-year Final Average Salary used to compute the pension benefit

- A cap on pensionable compensation:
    - Currently $110,100 employees with Social Security

  - Currently $132,120 employees without Social Security
  - May adjust annually based on Consumer Price Index (CPI)

- Pensionable compensation:
  - Some compensation elements are no longer pensionable
  - SBCERS determines if pension spiking has occurred

- No retroactive benefit increases are allowed under PEPRA

- The ability to purchase service credit (airtime) is eliminated for both current and future employees

- Limitation on post-retirement employment requires a 180 day sit out period before reemployment:
  - Public safety exceptions
  - Board of Supervisors can approve earlier rehiring in open, public session

- Forfeiture of pension benefits for specified felony convictions

The Retiree Medical Program was eliminated for all general member (non-safety) employees hired on or after June 25, 2012 by previous Board action. The amendment to the County's 401 (h) Plan recommended in Attachment C is necessary to continue that action by excluding general member (non-safety) employees hired on or after January 1, 2013 from this post employment benefit.

<u>Fiscal Analysis:</u>

Retirement Plan 8 affects new employees hired on or after January 1, 2013. A comparison of the rates in Attachment B for employees hired into Plan 8 with the current cost to the County of funding pension benefits for newly hired employees demonstrates that the County's costs will decrease at least 7.3% of retirement compensable payroll for General Employees and 9.6% for Safety employees for the remainder of Fiscal Year 2012-13 and for Fiscal Year 2013-14. Because only employees hired on or after January 1, 2013 will be enrolled in Plan 8, the savings will be relatively modest at first, and they will increase gradually over time until all County employees are enrolled in the new plan.

It was not possible for the County to obtain an actuarial estimate of the savings that will be realized by implementing Plan 8 because of the short timeframes provided by the State to implement the mandated changes. Since only new employees are affected by Plan 8, the savings will ultimately depend on turnover and the rate at which new employees are hired to replace existing employees or to increase staffing levels.

There is no fiscal impact of continuing to exclude newly hired employees from the Retiree Medical Program; the recommended amendment to the County's 401 (h) Plan continues savings measures previously adopted by the Board.

<u>Special Instructions:</u>

Please return signed copies of the resolution to SBCERS and to the Human Resources Department.

cc: Chandra L. Wallar, County Executive Officer
Dennis A. Marshall, County Counsel
Robert W. Geis, Auditor Controller
Gary A. Amelio, Chief Executive Officer, SBCERS
County Department Heads

Attachment A: Resolution establishing Retirement Plan 8
Attachment B: Fiscal Year 2012-2013 and Fiscal Year 2013-2014 Employer and Member Contribution Rates for Retirement Plan 8
Attachment C: Amendment to the County's 401 (h) Plan