



**BOARD OF SUPERVISORS
AGENDA LETTER**

Agenda Number:

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

Department Name: CEO/Human Resources
Department No.: 064
For Agenda Of: 10/5/10
Placement: Administrative
Estimated Time:
Continued Item: No
If Yes, date from:
Vote Required: 4/5

TO: Board of Supervisors

FROM: Department  Michael F. Brown, County Executive Officer
Director(s)

Contact Info: Jeri Muth, Asst HR Director x2816

SUBJECT: Retirement Program Alternatives Advisory Commission – Actuarial Services

County Counsel Concurrence

As to form: Select_Concurrence

Other Concurrence: Select_Other

As to form: Select_Concurrence

Auditor-Controller Concurrence

As to form: Select_Concurrence

Recommended Actions:

That the Board of Supervisors:

Authorize and approve a budget revision request to transfer \$65,000 from contingency to the CEO/Human Resources budget for actuarial services requested by the County's Retirement Program Alternatives Advisory Commission.

Summary Text:

On March 23, 2010, the Board of Supervisors created a five-member Advisory Commission to assist with the development of retirement program alternatives designed to mitigate the costs related to providing retirement benefits. At the August 19, 2010 Retirement Program Alternatives Advisory Commission meeting, the Commission requested actuarial analysis of a variety of potential retirement structure change options. Actuarial services are highly specialized and technical in nature and the retirement alternatives being explored require these specialized skills to assess the costs, savings, and overall impacts associated with them.

Bill Hallmark (formerly of Mercer) who is the County's actuary is now employed by Cheiron and is available to assist the Commission. Mr. Hallmark has worked with the County of Santa Barbara for a number of years and is well familiar with the County's retirement-related issues. Further, Cheiron has created an interactive model that contains all the County's/SBCERS' retirement data, which will expedite the provision of actuarial feedback to the Advisory Commission and reduce the overall cost of actuarial services for this project. Cheiron's knowledge of Santa Barbara County's retirement issues, costs, and systems makes them uniquely qualified to provide the support and expertise required to successfully advise the Retirement Program Alternatives Advisory Commission on a wide range of complex retirement issues. At the September 28, 2010 Board meeting, the Board delayed this item and requested that staff return with an accounting of the specific estimated costs for the Commission's requested analysis.

Background:

At the time the Advisory Commission was formed, the Board recognized that actuarial services could be needed once the Commission began to identify reforms it wished to consider as potential recommendations to the Board. At that time, the Board directed that if actuarial services were needed, staff would return to the Board to obtain authorization to contract for such services. At the Retirement Program Alternatives Advisory Commission's August 19, 2010 meeting, the Commission directed the County's actuary, Bill Hallmark of Cheiron, Inc., to provide a report on a variety of alternatives at the Commission's September 30, 2010 meeting. The requested analysis included:

Safety:

- 3% at 55 for all
- 2% @ 50
- FAS1 and FAS3
- 3% and 2% COLA – and funding of it; perhaps a 50% split between the employer and employees
- Full rates for all
- Zero employer contribution to employee portion of contribution

General:

- 2% @ 61¼
- 1.62% @ 65
- FAS1 and FAS3
- 3% and 2% COLA – and funding of it; perhaps a 50% split between the employer and employees
- Full rates for all
- Zero employer contribution to employee portion of contribution

Cheiron Inc. estimates this work and future work will require approximately \$65,000 to complete.

Update

This item was initially on the Board's September 28, 2010 agenda. During that meeting, the Board directed staff to return with an itemized estimate of the costs associated with the requests made by the Commission. Cheiron has provided the requested information, which is shown below:

Actuarial Consulting for Retirement Program Alternatives Advisory Commission

1. (\$8,500) Presentation to Advisory Commission providing:

- a. County objectives
- b. Financial analysis and projections of County contribution rates under a variety of economic scenarios for the current plans
- c. Income replacement ratios development for the current plans and Social Security
- d. Overview of available '37 Act benefit formulas
- e. Income replacement ratios for one '37 Act alternative plan and financial impact for a CalPERS alternative

2. (\$2,500) Preparation for and attendance at Advisory Commission meeting to hear SEIU presentation on solving the problem
3. (\$20,000) Actuarial work and presentation to Advisory Commission providing:
 - a. Estimated normal cost for 4 alternative general member plans (2 formulas x 2 COLAs)
 - b. Estimated normal cost for 4 alternative safety member plans (2 formulas x 2 COLAs)
 - c. Income replacement ratios for current and alternative plans (including Social Security for general members)
 - d. Projections of financial implications of all plans studies of the County contribution rates as new hires phase in with the new alternative plans
4. (\$10,000) Preparation and attendance at up to four additional meetings to provide advice for the Commission's recommendations .
5. (\$24,000) Additional cost analysis and funding projections of County contributions for different formulas including reflecting new assumption alternatives proposed/adopted by SBCERS. (Actual cost depends on specific requests.)

| Task | Estimated Cost |
|--|-----------------|
| Initial Presentation to Commission | \$8,500 |
| Preparation and attendance for SEIU presentation to Commission | \$2,500 |
| Requested actuarial work and presentation | \$20,000 |
| Estimated four additional meetings and preparation work (as needed)* | \$10,000 |
| Additional cost analysis and funding projections (as needed)* | \$24,000 |
| Estimated Total | \$65,000 |

* *Should a lesser amount of work be requested by the Advisory Commission, unused funds would be returned to contingency.*

Fiscal and Facilities Impacts:

Budgeted: No. Funding will require a transfer from contingency (4/5 vote).

Fiscal Analysis:

The term of the purchasing contract that will be established with Cheiron, Inc. will expire no later than June 30, 2011 at a value not to exceed \$65,000 including all fees and reimbursable expenses.

| <u>Funding Sources</u> | <u>Current FY Cost</u> | <u>Annualized Ongoing Cost</u> | <u>Total One-Time Project Cost</u> |
|------------------------|------------------------|------------------------------------|--|
| General Fund | | | |
| State | | | |
| Federal | | | |
| Fees | | | |
| Other: | | | |
| Total | \$ - | \$ - | \$65,000 |

Attachments: Budget Revision Request

cc: County Counsel

Budget Revision Request

Gov. Code Sec. 29125 & 29130

BJE 0001157

Budget Journal Entry #

JE

Related Journal Entry #

Subject / Title: Provide a short description for this budget revision request. For example: "Designate funds for zoning ordinance amendments" or "Distribute proceeds from sale of 2005 COPS"

CEO/Human Resources: This revision transfers \$65,000 from contingency to CEO/Human Resource's (CEO/HR) budget for the purpose of contracting with Cheiron Consulting for actuarial and consulting services in support of the County's Retirement Program Alternatives Advisory Commission.

Justification: For all changes: explain what the change is for and why it is needed. Attach additional justification, board Letters or spreadsheet, if appropriate. When moving Appropriation: explain why it's available. When Revenue is adjusted: explain the reason for the increase or decrease. For adjustments to General Fund Contingency: explain why no other alternative funding source is available.

The Board of Supervisors established the Retirement Program Alternatives Advisory Commission to assist with the development of retirement program alternatives designed to mitigate the growing costs related pension benefits. At that time, the Board directed that, if actuarial services were required, staff would return to the Board to obtain authorization to contract for such services. At the July 22, 2010 meeting of the Advisory Commission, the Commissioners requested actuarial analysis on a variety of options and alternatives. Estimated cost for this analysis and anticipated future work is \$65,000.

CEO/HR did not budget for and does not have the funds available in the Department's operating budget to fund the services requested by the Commission. Therefore, CEO/HR is requesting a transfer of funds from contingency to cover these costs.

Financial Summary

| Increase or (Decrease) in Appropriation for / Uses: | Department / Fund 064 / 0001 | Department / Fund / | Department / Fund / | Department / Fund / |
|--|---------------------------------|------------------------|------------------------|------------------------|
| Salaries & Benefits | 00 | 00 | 00 | 00 |
| Services & Supplies | 65,000 00 | 00 | 00 | 00 |
| Other Charges | 00 | 00 | 00 | 00 |
| Fixed Assets | 00 | 00 | 00 | 00 |
| Other Financing Uses | 00 | 00 | 00 | 00 |
| Intrafund Transfers | 00 | 00 | 00 | 00 |
| Reserve or Designation | 00 | 00 | 00 | 00 |
| Sources: | | | | |
| Revenue | 00 | 00 | 00 | 00 |
| Other Financing Sources | 00 | 00 | 00 | 00 |
| Intrafund Transfers | 00 | 00 | 00 | 00 |
| Reserve or Designation | 00 | 00 | 00 | 00 |
| Effect on Contingency / RE | (65,000) 00 | 00 | 00 | 00 |

| Departmental Authorization | Auditor-Controller | CEO's Recommendation | Board of Supervisor's Action |
|--|---|---|--|
| <div>Department Head Date</div> <div>Department Head Date</div> <div>Department Head Date</div> | <div>Budget Journal Entry and Related Journal Entry if applicable Approved as to Accounting Form.</div> <div>Auditor-Controller</div> | <div> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove Date </div> <div>Transfer/Revision in Accordance with Board Policy dated 8/3/93.</div> <div>County Executive Officer</div> | <div> <input type="checkbox"/> Approved <input type="checkbox"/> Disapproved Date </div> <div>Agenda Item</div> <div>Clerk of the Board of Supervisors</div> |