**SUBMITTAL TO THE BOARD OF SUPERVISORS**
**COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

9.24

**FROM:** Executive Office

**SUBMITTAL DATE:**
September 1, 2009

**SUBJECT: Response to the Grand Jury Report: Riverside County Temporary Assignment Program (TAP) and 401 (a) Retirement Plan**

**RECOMMENDED MOTION:** That the Board of Supervisors:

1) Approve with or without modifications, the attached response to the Grand Jury's recommendations regarding Riverside County Temporary Assignment Program (TAP) and 401 (a) Retirement Plan.

2) Direct the Clerk of the Board to immediately forward the Board's finalized response to the Grand Jury, to the Presiding Judge, and the County Clerk-Recorder (for mandatory filing with the State).

**BACKGROUND:** On July 14, 2009, the Board directed staff to prepare a draft of the Board's response to the Grand Jury's report regarding Temporary Assignment Program (TAP) and 401 (a) Retirement Plan.

Section 933 (c) of the Penal Code requires that the Board of Supervisors comment on the Grand Jury's recommendations pertaining to the matters under the control of the Board, and that a response be provided to the Presiding Judge of the Superior Court within 90 days.

**KAREN JOHNSON**
Management Analyst

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Departmental Concurrence

| **FINANCIAL DATA** | **Current F.Y. Total Cost:** | $ N/A | **In Current Year Budget:** |
|---|---|---|---|
| | **Current F.Y. Net County Cost:** | $ | **Budget Adjustment:** |
| | **Annual Net County Cost:** | $ | **For Fiscal Year:** |

**SOURCE OF FUNDS:**

**Positions To Be Deleted Per A-30** ☐

**Requires 4/5 Vote** ☐

**C.E.O. RECOMMENDATION:** ~~APPROVE~~

BY: 
Dean Deines

**County Executive Office Signature**

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone and Ashley
Nays: None
Absent: None
Date: September 1, 2009
xc: E.O., H.R./TAP, Grand Jury, Presiding Judge, ACR(2)

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

☒ Policy ☐ Consent Dep't Recomm.:
☒ Policy ☐ Consent Per Exec. Ofc.:

| **Prev. Agn. Ref.: 3.10 – 07/14/09** | **District:** | **Agenda Number:** 3.13 |
|---|---|---|

## FINDINGS:

### Number 1a:

**Sworn testimony revealed that the orientation program for new TAP employees explains the protocols such as working hours, parking, etc., but not the 401(a) pension plan. This plan is outlined in a nine-page handout, which is difficult to understand. It is not uncommon for TAP employees to consider their plan to be the more commonly understood 401(k) plan, which would refund their full contribution.**

### Response:

**Respondent partially agrees with the finding. Explanation:**

*During the TAP new hire orientation employees are provided with a copy of the 401(a) Summary Plan description, given a brief overview of the program and directed to contact a member of the Retirement Division with any questions they may have regarding their plan benefits. Employees can reach a member of the Retirement Division for any questions they may have regarding their retirement and/or health benefits by calling the Benefits Information line at (951) 955-4981. If needed, employees can also schedule a one-on-one meeting with a retirement staff member.*

*Further, Retirement Division staff has attended and are available to attend departmental meetings to explain the 401(a) plan and answer employees' questions. Personalized benefit statements are distributed to employees during these meetings. Employees also receive an annual statement of their accrued benefits mailed to their home at the end of each calendar year.*

*The TAP new hire orientation has been revised to include allotted time to discuss the primary differences between the 401(a) defined benefit plan and the more commonly understood 401(k) plan. The Summary Plan description is also being updated so that it is more easily understood to be defined benefit plan and not a defined contribution (401(k)) plan.*

### Number 1b:

**There is a way for those employees who remain employed by the County to cash out their benefits, but not until they terminate their temporary status. If the present value of accrued benefits does not exceed $5,000 at the time of termination of employment, participants receive a lump-sum equivalent instead of the lifetime benefit. Note: this is not a return of contributions and will not equal their contributions to the 401(a) pension plan. If it does exceed $5,000 the participants are qualified to receive a pension from the 401(a) pension plan at age 65.**

**For example, suppose an employee, over many assignments, has earned wages totaling $35,000. At 3.75 percent the TAP employee would have contributed**

**$1,312.50 rounded to $1,313. The method of determining the distribution value is to multiply the eligible earnings by 2 percent resulting in $700. Then multiplying that value by the actuarial rate for the given age will provide the distribution value.**

**As an example, at age 24 the TAP employee paid-in $1,313 and opting out would only result in a return lump-sum of $194. Note that the older the employee the more payout over the $1,313 contributed. However, the younger employee opting-out does not receive anywhere close to his/her contribution.**

| Separation Age | Paid-In | Actuarial Rate | Distribution Value | Gain (Loss) |
|---|---|---|---|---|
| 24 | $1,313 | 0.277 | $194 | ($1,119) |
| 30 | $1,313 | 0.443 | $310 | ($1,003) |
| 50 | $1,313 | 2.166 | $1,517 | $204 |
| 60 | $1,313 | 5.115 | $3,580 | $2,267 |
| 65 | $1,313 | 8.195 | $5,736* | $4,423 |

**As can be seen by the table, those in their twenties and early thirties actually do not receive the bulk of their contributions. In essence, the County benefits by paying only 3.75 percent to the IRS. These monies unjustly enrich the County to the detriment of TAP employees. From their standpoint it would be better to pay full Social Security at 6.2 percent that would be added to their Federal retirement benefit.**

<u>Response:</u>

**Respondent wholly disagrees with the finding. Explanation:**

*This is not a 401(k) plan. Participant accounts are not individually maintained. The 401(a) is an IRS qualified defined benefit plan designed in accordance with IRS Code Section 3121 (b)(7)(F), i.e. the Safe Harbor regulations for plans provided in lieu of social security to provide retirement benefits equivalent to social security benefits. The plan is funded by employer and employee contributions.*

*The County does not pay 3.75 percent to the IRS - - all monies allocated by the plan are held in trust by the County. The employer contribution is determined periodically through an actuarial valuation. The current employer contribution rate is 5.78 percent of the participant's eligible earnings. Contributions to the* *plan do not enrich the County. Contributions are invested by the plan Trustee for the exclusive purpose of providing benefits to plan participants.*

*Participants pay 3.75 percent of their eligible earnings (up to the annual social security limit) and the County pays benefits according to an actuarial valuation of plan liabilities.*

*This plan is similar to the way that Social Security works, but costs the employees 2.45% less than Social Security would cost them. The benefit formula is 2% of career compensation (up to the social security wage limit for each year), paid as a monthly benefit for life, beginning at the end of the plan year in which the participant reaches at least 65 years of age* ***and*** *has separated from County employment. Like social security, participants are not given their contributions plus interest, but a calculated benefit for the remainder of their life. A participant's accrued benefit increases as they reach the plan's Normal Retirement age, 65. Like Social Security, the further a participant is from the Normal Retirement age, the lower their benefit's value. Unlike Social Security, if the present value of the accrued benefits does not exceed $5,000 at the time of termination of employment, the participant may receive a lump sum equivalent instead of the lifetime retirement benefit, and may place that lump sum into an Individual Retirement Annuity. This amount is calculated by an actuarial formula.*

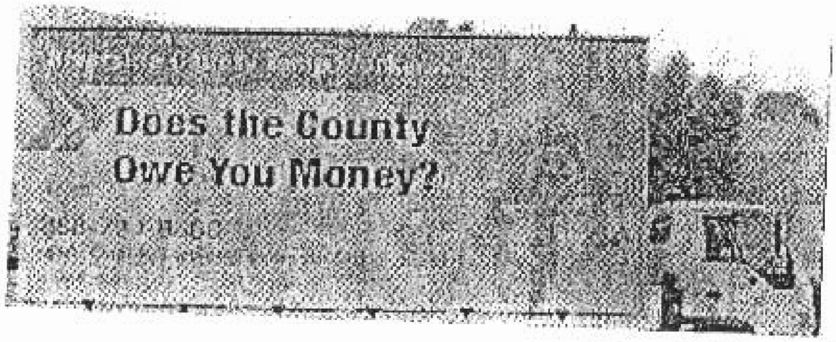
*Effective September 16, 2008, the Board of Supervisors adopted a restatement of the Part-Time and Temporary Employee's plan document amending the interest rates used to calculate lump sum distributions. The rates follow the provisions of Section 417(e) of the IRS Code, including provisions by the Pension Protection Act of 2006 and are provided each fiscal year by the plan's actuary.*

*After ten years of operation, the plan has ninety-three (93) retirees receiving a monthly pension, 685 participants who have a benefit with a present value of $5,000 or greater and are under the age of 65, and fifty-eight (58) participants over the age of 65 who will receive a monthly pension once they separate from employment. Since 2002, the County has paid out over $2.9 million in lump sum payments to over 4,662 short-term participants.*

**Number 1c.**

**The Service Employee International Union (SEIU) is attempting to convince TAP employees to join the union by misrepresenting the 401(a) plan. Investigation found no evidence that the unionization of TAP employees serves any useful purpose. A pension plan for temporary employees is an oxymoron, but has become the basis for union organizing. Recognizing the complexity of the 401(a) plan, the SEIU has exploited it by accusing the**

**county of cheating TAP employees. A large truck travels the county with its trailer emblazoned with the following:**




(Source: SEIU Local 721)

Response:

**Respondent wholly agrees with the finding.**

Number 1d.

**At a recent Riverside County Board of Supervisor's meeting a TAP employee complained about being cheated. This employee expected to get back his full contribution, which demonstrates the lack of understanding of the 401(a) pension plan. The supervisors discussed the possibility of reverting to outside agencies rather than TAP. The SEIU immediately filed a labor relations charge, the outcome of which is still pending.**

Response:

**Respondent partially agrees with the finding. Explanation:**

*The Human Resources Department agrees that some participants do not clearly understand the provisions of the 401(a) pension plan and that they have expressed their concern to the County Board of Supervisors. The Human Resources Department agrees that the Board of Supervisors has discussed the Temporary Assignment Program at Board meetings, but also asserts that TAP has been discussed at multiple meetings and in many contexts including discussing alternative options available to the County for the cost effective recruitment of temporary employees, responding to complaints from SEIU members who speak during public comment, and other matters related to the existence of the Temporary Assignment Program. This is due diligence on the Board's part.*

*The Respondent agrees that SEIU filed a "labor relations charge"; generally called an unfair labor practice charge. SEIU has filed a host of labor relations charges in various venues. Most of the charges have been unsuccessful and not related to the 401(a) pension plan. The charge referenced in this finding was that the Board made a threat to eliminate the Temporary Assignment Program. In reality, Board members simply questioned whether returning to the use of outside agencies might be more effective than the current program, which is a reasonable issue to be analyzed on a regular basis.*

**RECOMMENDATIONS:**

**Number 1.**

**Terminate the 401(a) pension plan for TAP employees and let them benefit by paying into Social Security.**

**Response:**

**The recommendation will not be implemented because it is not warranted or is not reasonable. Explanation:**

*Termination of the 401(a) plan is not warranted. The plan is fair. The plan is expressly authorized, implemented, and designed pursuant to IRS Code Section 3121 (b)(7)(F), i.e. the Safe Harbor regulations for plans provided in lieu of Social Security.*

*Since the plan's inception in 1999, plan participants have saved $7,972,281 and the County has saved $10,317,803 in Social Security contributions. Social Security taxes both the employer and the employee at the rate of 6.2 percent of pay, while this plan costs the employee only 3.75 percent of pay, a savings of 2.45 percent in every paycheck. The plan's actuarial valuation dated October 22, 2008, indicates that the plan has an Actuarial Accrued Liability of $20,467,852, Assets of $13,777,896, and an Unfunded Actuarial Accrued Liability of $6,689,956. Defined benefit plans are often not 100% funded. Most experts agree that a funded status of 80% or better represents a sound position for government pensions. Aon Consultants, the plan's actuary, estimates that as of July 1, 2008, the plan's Actuarial Accrued Liability is funded at 87 percent. See attached copy of the actuarial valuation marked as Exhibit A.*

*Termination of the 401(a) plan is not reasonable, because it creates an immediate financial liability to be paid. The County of Riverside faces unprecedented financial challenges entering into fiscal year 2009-2010. Recent losses in property and sales taxes as well as cuts in state funding have required a substantial reduction in the County General Fund operating budget. On October 8, 2008, the County Executive Officer indicated that the General Funded departments must plan for a 25% reduction over four years.*

*Upon termination of the plan, the County would be obligated to immediately settle 100% of the Unfunded Liability and liquidate all plan assets. The plan's actuary is responsible for calculating the plan's total Unfunded Liability at the time of plan termination. As of the plan's most recent actuarial valuation dated October 22, 2008, the Unfunded Liability was estimated at $6,689,956. The County would be required to transfer $6,689,956 from the General Fund into the plan in order to settle this obligation. Termination of the plan requires the purchase of annuities from an insurance company for all eligible participants with a present value over $5,000. Participants who do not qualify for a monthly annuity would receive a lump sum payout.*

*In addition, plan participants would immediately be enrolled in Social Security. The County and plan participants would be subject to contribute 6.2 percent of the participant's earnings (up to the annual social security limit) each year, a cost of approximately $2,562,658 annually for both the County and plan participants. This estimate is based on the eligible earnings provided in the valuation dated October 22, 2008. The financial impact to the County in the first year after plan termination is estimated at approximately $9,252,614 including Social Security and Unfunded Liability payments. Additionally, employees would pay more for equivalent benefits.*

*Another option is freezing the plan. Freezing the plan would stop participants from accruing any additional benefit in the plan. Plan participants would immediately be enrolled in Social Security. Both the County and plan participants would be subject to contribute 6.2 percent of the participant's earnings (up to the annual social security limit) each year, estimated at approximately $2,562,658 each for both the County and plan participants annually.*

*Participants would not be eligible to receive an immediate distribution from the plan. The plan would continue to operate in accordance with the terms of the plan document and distributions from the plan would only be made in the amount, form, and times specified by the plan document.*

*The plan would continue to be subject to actuarial valuations and the County would be required to continue making the Annual Required Contribution (ARC) each year as determined by the plan's actuary. The ARC for fiscal year ending June 30, 2008, was $745,031, which includes $1,770,988 in Normal Cost, an amortization payment of $524,038 and an offsetting employee contribution amount of $1,549,995. Freezing the plan will eliminate the Normal Cost and employee contributions resulting in an ARC of approximately $550,000. The total estimated financial impact to the County for freezing the plan is approximately $3,112,658 including social security and the ARC in the first year.*

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EXHIBIT "A"

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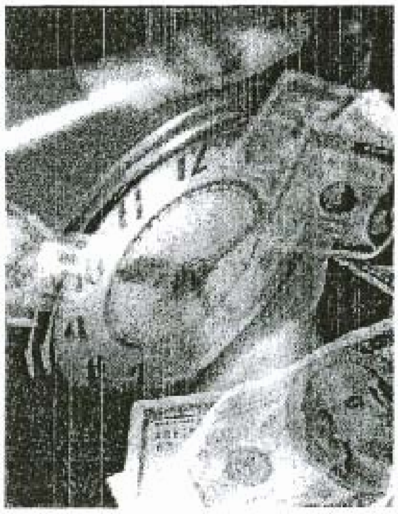

# COUNTY OF RIVERSIDE

# PART-TIME AND TEMPORARY EMPLOYEES' RETIREMENT PLAN

Valuation Date: July 1, 2007

Date of Report: October 22, 2008

# Table of Contents

# I. Executive Summary

## Background

The County of Riverside established the Part-Time and Temporary Employees' Retirement Plan to provide retirement benefits to eligible employees as a substitute for benefits under Social Security, as allowed under OBRA '90. The Plan is an IRS Section 401(a) defined benefit plan.

## Valuation Results

The purpose of the actuarial valuation of the Plan is to:

- Provide disclosure information for reporting purposes under GASB Statements No. 25 and 27, as amended by GASB Statement No. 50; and
- Calculate the plan funded status, plan funding requirements, and pertinent costs.

The following table summarizes the valuation results as of July 1, 2007 for the fiscal year ending June 30, 2008:

| | | |
|---|---|---|
| 1. | Actuarial Accrued Liability: | $20,467,852 |
| 2. | Plan Assets | 13,777,896 |
| 3. | Unfunded Actuarial Accrued Liability (UAAL) | 6,689,956 |
| 4. | 20-year Amortization of UAAL | 524,038 |
| 5. | Total Normal Cost, including interest | 1,770,988 |
| 6. | Expected Employee Contributions | 1,549,995 |
| 7. | Annual Required Contribution, (4) + (5) – (6) | $745,031 |
| 8. | Expected Participant Compensation | $41,333,201 |
| 9. | Annual Required Contribution as a Percentage of Compensation | 1.80% |

The ARC for the 2007-2008 fiscal year is calculated as the sum of the 20-year amortization of the unfunded actuarial accrued liability, plus the employer normal cost, less the expected annual contributions.

The return on assets for the plan year ending June 30, 2007, net of expenses, was 4.6%, as compared to 3.4% in the preceding year.

# I. Executive Summary (cont.)

**Comparison to Prior Valuation Results**

The ARC is comparable to the County contribution rate determined in the prior valuation performed by the former actuary. As a percentage of payroll, this cost is 1.80% for the fiscal year ending June 30, 2008 compared to 5.78% for the fiscal year ended June 30, 2007.

The difference in costs compared to the prior year is significant and can be explained by the following items:

- A change from the prior actuary's Entry Age Normal cost method to the Projected Unit Credit method.
- Interest rate decreased from 6% to 5%
- Mortality assumption changed from the 1994GAM table to the RP2000 table
- Number of active participants increased from 1,900 to 2,630
- Average benefit service decreased from 1.8 years to 1.6 years
- Average age of actives decreased from 40.2 years to 37.6 years

* * *

The following report provides details of the results summarized above. This July 1, 2007 valuation is based on census data provided as of June 30, 2007 and shows results for the purposes of providing financial statement disclosure information and the Annual Required Contribution for the fiscal year ending June 30, 2008.

# II. Actuarial Certification

This report presents the results of the Actuarial Valuation for the County of Riverside Part-time and Temporary Employees' Retirement Plan as of July 1, 2007 for development of the Annual Required Contribution and disclosure items under Governmental Accounting Standards Board (GASB) Statements No. 25 and 27, as amended by GASB No. 50.

This report was prepared using generally accepted actuarial practices and methods. The actuarial assumptions used in the calculations are individually reasonable and reasonable in aggregate.

Aon Consulting did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Actuarial computations under GASB No. 25 and 27 are for purposes of fulfilling plan and employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations for purposes other than meeting Employer financial accounting requirements may be different from these results.

This report is intended for the sole use of the County of Riverside. It is intended only to supply information for the county to comply with the stated purpose of the report and may not be appropriate for other business purposes. Reliance on information contained in this report by anyone for other than the intended purposes, puts the relying entity at risk of being misled because of confusion or failure to understand applicable assumptions, methodologies, or limitations of the report's conclusions. Accordingly, no person or entity, including the County of Riverside should base any representations or warranties in any business agreement on any statements or conclusions contained in this report without the written consent of Aon Consulting.

The actuary whose signature appears below is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. The actuary is available to answer any questions with regard to the matters enumerated in this report.

# II. Actuarial Certification (cont.)

Aon's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of our work.

Respectfully submitted,

Bradley Au

Bradley J. Au, MAAA
Senior Vice President

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brad_au@aon.com

Aon Consulting
707 Wilshire Boulevard
Suite 2600
Los Angeles, CA 90017

October 22, 2008

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# III. Plan Liabilities

The **Actuarial Accrued Liability (AAL)** is the liability attributable to past service. The **Normal Cost** is the liability that is allocated to the current plan year for active employees.

The AAL in this report is based on the Projected Unit Credit cost method.

Amounts are shown as of the July 1, 2007 actuarial valuation date.

| | |
|---|---|
| 1. Actuarial Accrued Liability*: | |
| Actives | $10,562,987 |
| Deferred Vested Terminated | 8,337,735 |
| Retirees | 1,567,130 |
| Total Actuarial Accrued Liability | 20,467,852 |
| 2. Normal Cost | $1,727,793 |

* Participants who become full-time employees and transfer to CalPERS are no longer accruing a benefit under the plan and are being treated as inactives.

# IV. Development of Annual Required Contribution

The ARC amounts shown on this page represent the total actuarial annual cost to the County under GASB 27 for the fiscal year ending June 30, 2008.

The ARC amounts shown assume payments are made at the middle of the year.

| | |
|---|---|
| **Unfunded Actuarial Accrued Liability** | |
| 1. Actuarial Accrued Liability as of 7/1/2007 | $20,467,852 |
| 2. Actuarial Value of Plan Assets as of 7/1/2007 | 13,777,896 |
| 3. Unfunded Actuarial Accrued Liability (UAAL) | 6,689,956 |
| **Annual Required Contribution** | |
| 4. 20-year Amortization Payment of UAAL | 524,038 |
| 5. Normal Cost, including interest | 1,770,988 |
| 6. Expected Employee Contributions During Plan Year ending 6/30/2008 | 1,549,995 |
| 7. Annual Required Contribution, (4)+(5)-(6), not less than 0 | $745,031 |
| **Annual Required Contribution as a Percentage of Pay** | |
| 8. Participant Compensation | $41,333,201 |
| 9. Amortization of UAAL | 1.27% |
| 10. Normal Cost | 4.28% |
| 11. Employee Contributions | 3.75% |
| 12. Annual Required Contribution, (9)+(10)-(11), not less than 0 | 1.80% |

# V. Summary of Plan Assets

| | | | |
|---|---|---|---|
| **Statement of Invested Plan Assets as of July 1, 2007** | | | |
| 1. | Net Accounts Receivables | | $209,741 |
| 2. | Interest Receivable | | 5,729 |
| 3. | Due to Third-Parties | | 9,193 |
| 4. | Investments, at Fair Value | | $13,553,233 |
| 5. | Total Assets held in Trust for Pension Benefits | | $13,777,896 |
| **Reconciliation of Plan Assets** | | | |
| 1. | Market Value of Assets at beginning of Plan year | | $10,519,753 |
| 2. | Receipts During Plan year | | |
| | a. Employer Contributions Net of Expenses | 1,914,020 | |
| | b. Employee Contributions | 1,378,574 | |
| | c. Interest and Dividend Income | 546,784 | |
| | d. Realized Gains/(Losses) | 0 | |
| | e. Unrealized Gains/(Losses) | 0 | |
| | f. Other contributions | $2,866 | |
| | g. Subtotal | | $3,842,244 |
| 3. | Disbursements During Plan year | | |
| | a. Benefit Payments | | (451,541) |
| | b. Administrative Expenses | | (132,559) |
| | c. Subtotal | | (584,100) |
| 4. | Statement Value at 7/1/2007 (1)+(2)+(3) | | $13,777,896 |
| 5. | Employer Contributions Receivable for 2006 Plan Year | | $0 |
| 6. | Actuarial Asset Value at 7/1/2007 | | $13,777,896 |
| 7. | Rate of Return for 2007 Plan year (net of expenses) | | 4.6% |
| 8. | Rate of Return for 2007 Plan year (including expenses) | | 3.5% |

## VI. GASB Reporting and Disclosure Information

***This report assumes the County adopts GASB 25 and 27, as amended by GASB 50, for the fiscal year ending June 30, 2008.***

GASB requires certain items to be disclosed in the footnotes to the plan's and County's financial statements, including the following:

- Plan description
  - Name of plan and identification of the entity that administers plan
  - Brief description of the types of benefits
- Funding policy
  - Required contribution rates of plan members
  - Required contribution rates of employer

In addition, the tables below show required supplementary information to be shown with three years of historical information in the financial statements.

### A. Schedule of Funding Progress*

| Actuarial Valuation Date | Actuarial Value of Assets [a] | Actuarial Accrued Liability (AAL) Projected Unit Credit [b] | Unfunded AAL (UAAL) [b-a] | Funded Ratio [a/b] | Covered Payroll [c] | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 6/30/2001 | $3,000,000 | $4,578,962 | $1,578,962 | 65.5% | $26,257,566 | 6.0% |
| 6/30/2002 | 4,330,154 | 7,102,502 | 2,772,348 | 61.0 | 18,956,230 | 14.6 |
| 6/30/2003 | 5,944,786 | 8,466,471 | 2,521,685 | 70.2 | 31,359,559 | 8.0 |
| 6/30/2003 | 5,944,786 | 8,454,089 | 2,509,303 | 70.3 | 31,359,559 | 8.0 |
| 6/30/2004 | 7,352,468 | 9,337,531 | 1,985,063 | 78.7 | 29,670,035 | 6.7 |
| 6/30/2005 | 8,534,036 | 11,019,768 | 2,485,732 | 77.4 | 27,387,826 | 9.1 |
| 6/30/2006 | 10,519,753 | 13,673,219 | 3,153,466 | 76.9 | 29,123,900 | 10.8 |
| 6/30/2007 | 13,777,896 | 20,467,852 | 6,689,956 | 67.3 | 41,333,201 | 16.2 |

*All amounts provided prior to June 30, 2007 were based on information from reports from the prior actuary. The prior actuary's reports are based on the Entry Age Normal cost method. The Projected Unit Credit cost method is used as of June 30, 2007.

### B. Employer Contributions

| Year Ended June 30 | Actual County Contribution [a] | Annual Required Contribution [b] | Percentage Contributed [a/b] | Annual Pension Cost [c] | Percentage Contributed [a/c] | Net Pension Obligation at End of Year |
|---|---|---|---|---|---|---|
| 2008 | $1,992,857 | $745,031 | 267% | $745,031 | 267% | ($1,247,826) |

# VI. GASB Reporting and Disclosure Information (cont.)

## C. Development of the Net Pension Obligation at June 30, 2008

| | | | |
|---|---|---|---|
| 1. | | Net pension obligation at June 30, 2007 | $0 |
| 2. | a. | Annual required contribution for FYE 6/30/2008 | $745,031 |
| | b. | Interest on net pension obligation | 0 |
| | c. | Adjustment to annual required contribution | 0 |
| | d. | Annual pension cost for FY 2008 | $745,031 |
| 3. | | Employer contributions made during 2008 | 1,992,657 |
| 4. | | Net pension obligation at June 30, 2008 (1)+(2d)-(3) | (1,247,626) |

## D. Development of the Annual Pension Cost for 2008

| | | |
|---|---|---|
| 1. | Annual required contribution for FYE June 30, 2008 | $745,031 |
| 2. | Interest on net pension obligation | 0 |
| 3. | Adjustment to annual required contribution | 0 |
| 4. | Annual pension cost for FYE June 30, 2008 (1)+(2)+(3) | $745,031 |

## E. Schedule of Net Pension Obligation (NPO) and Annual Pension Cost

| Fiscal Year Ending | Annual Required Contribution | Actual Contribution | NPO End of Year | Interest on NPO | Adjustment to the ARC | Annual Pension Cost | Interest Rate | Salary Scale | Amortization Factor |
|---|---|---|---|---|---|---|---|---|---|
| 06/30/07 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 06/30/08 | $745,031 | $1,992,657 | ($1,247,626) | $0 | $0 | $745,031 | 5.0% | 3.0% | 12.8 |

# VII. Participant Information

These exhibit summaries contain participant demographic information.

| | |
|---|---|
| **Number of Participants*:** | |
| Actives | 2,630 |
| Deferred Vested | 6,578 |
| Retirees | 68 |
| Total | 9,276 |
| **Participant Compensation – Actives Participants Under Normal Retirement Age** | |
| Compensation | $41,333,201 |
| Number of Active Participants | 2,516 |
| Average Compensation | $16,428 |
| **Actives** | |
| Average Age | 37.6 |
| Average Benefit Service (years)** | 1.6 |
| **Deferred Vested** | |
| Average Age | 40.4 |
| Average Accrued Annual Benefit | $281 |
| **Retired** | |
| Average Age | 71.7 |
| Average Annual Benefit | $2,368 |

## Reconciliation of Participants from Prior Valuation

| | Active | Terminated Vested and Full-time Actives | Retirees and Beneficiaries | Total |
|---|---|---|---|---|
| As of July 1, 2006 | 1,900 | 6,704 | 40 | 8,644 |
| New Entrants | 1,556 | 1,011 | 5 | 2,572 |
| Vested Terminations | (588) | 588 | | 0 |
| Vested to Actives | 208 | (208) | | 0 |
| Retired | (11) | (13) | 24 | 0 |
| Deaths | | | (1) | (1) |
| Rehires | | | | 0 |
| Lump Sum Cash-outs | (435) | (1,504) | | (1,939) |
| Net Change | 730 | (126) | 28 | 632 |
| As of July 1, 2007 | 2,630 | 6,578 | 68 | 9,276 |

* Participants who become full-time employees and transfer to CalPERS are no longer accruing a benefit under the plan and are being treated as inactives.

** Date of hire is not provided in the data, so we determine date of hire and the corresponding service based on the first plan year that compensation is reported. We assume members are hired mid-year.

# VII. Participant Information (cont.)

### Active Age Distribution as of July 1, 2007

| Age | Number of Participants |
|---|---|
| 15-19 | 102 |
| 20-24 | 496 |
| 25-29 | 422 |
| 30-34 | 298 |
| 35-39 | 284 |
| 40-44 | 232 |
| 45-49 | 262 |
| 50-54 | 194 |
| 55-59 | 138 |
| 60-64 | 95 |
| 65-69 | 52 |
| 70 + | 55 |
| Total | 2,630 |

### Active Career Earnings Distribution as of July 1, 2007

| Career Earnings | Number of Participants |
|---|---|
| Under $5,000 | 788 |
| $5,000 - $10,000 | 663 |
| $10,000 - $25,000 | 636 |
| $25,000 - $50,000 | 176 |
| $50,000 - $100,000 | 137 |
| Over $100,000 | 230 |
| Total | 2,630 |

This valuation includes the following active participants by category.

| Category | Number of participants |
|---|---|
| ▪ Regular | 1,010 |
| ▪ Seasonal | 43 |
| ▪ Resident/physician | 43 |
| ▪ Per Diem | 371 |
| ▪ Temporary | 1,163 |
| | 2,630 |

# VIII. Summary of Plan Provisions

1. **Membership Requirements**

   All employees of the County not covered by another retirement plan as provided by Code Section 3121(b)(7)(F).

2. **Career Compensation**

   Total amount of compensation, limited annually by the Social Security Wage Base.

3. **Service Retirement**

   Eligibility: Age 65

   Benefit: 2% times Career Compensation, payable as a single life annuity

4. **Pre-Retirement Death Benefit**

   Refund of contributions accumulated with interest at 5% per annum.

5. **Death after Retirement**

   None. Benefits are payable for the life of the employee only.

6. **Termination Benefit**

   Normal retirement benefit accrued to date of termination.

   A lump sum distribution is available if the actuarial equivalent benefit is less than $5,000. Actuarial Equivalence is based on an interest rate of 8% and the UP 1984 Unisex Projected Mortality Table.

7. **Vesting**

   Benefits are 100% vested immediately.

8. **Member Contributions**

   3.75% of compensation per pay period.

# IX. Summary of Actuarial Assumptions

1. **Retirement Age**

   Age 65

2. **Termination Rates**

| Attained Age | Probability of Termination |
|---|---|
| Under Age 29 | .55 |
| 30-49 | .50 |
| 50-64 | .40 |

3. **Mortality**

   RP2000 Mortality Table for males and females

4. **Interest Rate**

   5%

5. **Salary Increases**

   3% per Year

6. **Actuarial Funding Method**

   Projected Unit Credit

7. **Actuarial Value of Assets**

   Market Value plus Receivables.

8. **Annual Required Contribution**

   20-year Amortization of Unfunded Liability plus Normal Cost less Employee Contributions

9. **Changes in assumptions and methods since the prior valuation:**

   Actuarial cost method - The actuarial cost method changed from the Entry Age Normal, level percent of pay method, to the Projected Unit Credit method.

   Mortality – The mortality table was changed from the 1994 GAM Table to the RP 2000 Table

   Interest rate – The interest rate changed from 6% to 5%.