

2017-2018 Retirement Workgroup
April 3, 2018

Final Items for Consideration

(To be forwarded to the full Board at the Budget Committee Meeting at 3:00pm)

General principles agreed upon:

- Parameters of new proposed plan outlined on following pages. In addition:
 - Reaffirm commitment to defined benefit plan
 - New plan will apply to employees hired January 1, 2019 and beyond
 - New plan must be sustainable over the long-run; do not create new plans for new employees every few years
- Support the institution of a retirement "education" template that could be used by managers during annual evaluation process, mainly to remind employees of the need to pay attention to their retirement planning.
- Work with the County Executive to develop a template for transfer of knowledge/succession planning by employees who enter DROP. Manager would be responsible for ensuring that the transfer of knowledge starts at the beginning of the DROP period and continues throughout.
- County should continue to monitor health care costs and the health insurance marketplace for opportunities which could reduce costs for retirees.

Additional context for the long-term impact:

After the March 13 meeting, the County's actuary provided the information in the following table regarding the impact of the proposed package on the timeline to reach full funding for each system:

	Employees'	Uniformed	Police
No Changes	December 2032	March 2031	November 2031
New Package	June 2032	October 2030	June 2031
Months Early	6 Months	5 Months	5 Months

The proposed benefit changes will place downward pressure on contribution rates. However, given that these changes will impact only new hires as of January 1, 2019, this impact grows very slowly over time.

By holding actual contribution rates steady, the excess funding will be utilized to move to full funding faster. This will also allow for flexibility in the contribution rates which can help to prevent rate increases in the case of a significant market downturn.

While the time to reach fully funded status is not substantially reduced, this is due to the time required to pay off the existing unfunded liability based on benefits already accrued. One of the primary benefits of the changes proposed is that they will help to minimize the accrual of future obligations. Once the plans are fully funded, the reduced normal cost will make it more likely that future funding costs will be manageable for the County. In the event of another market downturn, the County will be able to focus on paying for the unfunded liability without being overburdened by funding accruals for that year.

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Summary of Potential Changes

	Potential Change for New Hires	3/13/18 Package
1a	MINIMUM RETIREMENT AGE: Increase Minimum Retirement Age in ERS from 55 to 60	☑
1c	MINIMUM RETIREMENT AGE: Establish a Minimum Retirement Age of 50 in URS/PORS	☑
2	RETIREMENT ELIGIBILITY: Increase from Rule of 85 to Rule of 90 in ERS	☑
3a	SALARY AVERAGING: Increase Salary Averaging Period from 3 Years to 5 Years	☑
4	ELIMINATE PRE-SOCIAL SECURITY SUPPLEMENT: Eliminate Pre-Social Security Supplement in ERS/URS	☑
9	ELIMINATE 3% FORMULA INCREASE: Eliminate the provision that increases the calculated retirement annuity by 3%	☑
10	INCREASE EMPLOYEE CONTRIBUTION: Increase the employee contribution rate from 5.33% to 6% (ERS), from 7.08% to 8% (URS), and from 8.65% to 10% (PORS)	☑
	Employees' System Percent Change in Employer Normal Cost	(24.68%)
	Uniformed System Percent Change in Employer Normal Cost	(20.41%)
	Police Officers System Percent Change in Employer Normal Cost	(18.63%)
	Total Projected GF Savings when Fully Realized based on Current Payroll	\$16.38m

Additional Recommendations:

- There are currently two options (plans C and D) that are open to new hires who become members of the Employees' Retirement System. The changes proposed include offering only one plan to new hires effective January 1, 2019, which will be based on the current plan D.
- Any proposal to eliminate the pre-Social Security supplement should include the implementation of an actuarially cost-neutral benefit payout option that allows retirees to choose to receive a larger annuity before becoming eligible for Social Security age-based benefits in exchange for a lower annuity after Social Security benefits begin. This type of benefit payout option is a common feature of the retirement systems of other jurisdictions in the area.
- Staff should review early service (reduced) retirement criteria and benefit levels to determine whether any changes are recommended based on the proposed changes to retirement eligibility requirements, especially the increase in the minimum retirement age to 60 in the Employees' system.

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Package Overview:

The changes proposed in this package for new employees hired on or after January 1, 2019, are shown in the table below. The plan features in place for employees hired on or before December 31, 2012, as well as the benefits currently offered to new hires, are also shown. Changes are shown in red and bold.

	Employees Hired December 2012 and Prior	Employees Hired January 2013 to December 2018	Employees Hired January 2019 and Later
Employees' Retirement System (ERS)			
Employee Contribution	4.00% (Plan A) 5.33% (Plan B)	4.00% (Plan C) 5.33% (Plan D)	6.00% (Plan E)
Retirement Eligibility	Rule of 80 or Age 65 with 5 Years of Service	Rule of 85 or Age 65 with 5 Years of Service	Rule of 90 or Age 65 with 5 Years of Service
Minimum Retirement Age	50	55	60
Salary Averaging Period	3 Years	3 Years	5 Years
Benefit Level¹	2% per Year of Service, Total then Increased by 3%	2% per Year of Service, Total then Increased by 3%	2% per Year of Service
Pre-Social Security Supplement	1.0% per Year of Service	Removed from DROP Balances	Eliminated
Use of Sick Leave for Retirement Purposes	Unlimited	Capped at 2,080 Hours	Capped at 2,080 Hours
Uniformed Retirement System (URS)			
Employee Contribution	7.08%	7.08%	8.00%
Retirement Eligibility	25 Years of Service or Age 55 with 6 Years of Service	25 Years of Service or Age 55 with 6 Years of Service	25 Years of Service or Age 55 with 6 Years of Service
Minimum Retirement Age	None	None	50
Salary Averaging Period	3 Years	3 Years	5 Years
Benefit Level	2.5% per Year of Service, Total then Increased by 3%	2.5% per Year of Service, Total then Increased by 3%	2.5% per Year of Service
Pre-Social Security Supplement	0.3% per Year of Service	Removed from DROP Balances	Eliminated
Use of Sick Leave for Retirement Purposes	Unlimited	Capped at 2,080 Hours	Capped at 2,080 Hours
Police Officers Retirement System (PORS)			
Employee Contribution	8.65%	8.65%	10.00%
Retirement Eligibility	25 Years of Service or Age 55	25 Years of Service or Age 55	25 Years of Service or Age 55
Minimum Retirement Age	None	None	50
Salary Averaging Period	3 Years	3 Years	5 Years
Benefit Level	2.8% per Year of Service, Total then Increased by 3%	2.8% per Year of Service, Total then Increased by 3%	2.8% per Year of Service
Use of Sick Leave for Retirement Purposes	Unlimited	Capped at 2,080 Hours	Capped at 2,080 Hours