

## Response to Questions on the FY 2016 Budget

**Request By:** Supervisor Herrity

**Question:** Please provide a breakdown of pension expenditures between active employees and retirees.

**Response:** The funding of liabilities for the retirement systems is performed in a pooled fashion, and assets are not specifically designated to cover retiree liability versus active liability. Contribution dollars are also not characterized as being attributable to retirees or active employees. However, in response to this question, the actuary for the retirement systems developed the following methodology to provide a representation of the breakdown of County contributions to the systems between active employees and retirees:

1. The current County contribution rate was separated into normal cost (which is wholly attributable to actives), Unfunded Actuarial Liability (UAL) amortization, and administrative expenses.
2. The UAL amortization component was allocated between active employees and retirees on the basis of the total liability for each group.
3. For active employees, the UAL component was added to the normal cost component as an approximation of the proportion of the total contribution that is being paid toward actives.

Based on this methodology, the actuary for the retirement systems has estimated that 68 percent of the total County contribution to the systems is for active employees, 31 percent is for retirees, and 1 percent is for administrative expenses. As the UAL is paid off, the percentage going towards funding benefits for current active employees will increase.