

Response to Questions on the FY 2016 Budget

Request By: Supervisor Cook

Question: What would be the effect on the General Employee’s pension if, for new employees, the County set a minimum retirement age of 60 and raised the rule of 85 to a rule of 90?

Response: An actuarial study would be required to determine the savings from the changes proposed in this question. However, it is anticipated that the savings resulting from changing the minimum retirement age from 55 to 60 and raising the rule of 85 to the rule of 90 will be similar to the savings resulting from similar changes made to the Employees’ Retirement System in FY 2013. As the Board will recall, these changes included, among others, increasing the minimum retirement age for normal service retirement from 50 to 55 and increasing the rule of 80 to the rule of 85 for new hires effective January 1, 2013.

Estimated savings from the FY 2013 changes to the minimum retirement age and rule of 80 are presented in the table below. The estimated savings listed are for the General Fund only; additional savings will be realized by other funds and the Schools. Savings from the FY 2013 changes are first realized in FY 2015, and are small initially as the changes applied only to new hires. Savings grow over time as post-2013 hires account for a larger percentage of the total workforce, reaching a savings to the General Fund of just under \$5.9 million in FY 2027 when approximately 80 percent of the workforce is expected to fall under the revised pension rules.

Fiscal Year	Estimated General Fund Savings from Retirement Eligibility Changes for New Hires, Effective 1/1/2013
FY 2013	\$0
FY 2014	0
FY 2015	314,000
FY 2016	647,000
FY 2017	988,000
FY 2018	1,337,000
FY 2019	1,707,000
FY 2020	2,105,000
FY 2021	2,531,000
FY 2022	2,990,000
FY 2023	3,484,000
FY 2024	4,017,000
FY 2025	4,591,000
FY 2026	5,212,000
FY 2027	5,879,000

It should be noted that the County has yet to realize the full savings from the changes made in FY 2013. These savings have been included in the long-term actuarial projections for the plans and contribute to the County’s ability to reach a 90 percent funded status by FY 2025.