

Response to Questions on the FY 2019 Budget

Request By: Supervisor Herrity

Question: If the retirement benefit multiplier changed by 0.5 percent for new employees what would the impact be?

Response:

The table below provides the impact of a reduction of 0.5 percent in the benefit multiplier for each retirement system on the Normal Cost rate for new hires, as well as the percentage reduction in the employer share of Normal Cost for new hires that would result from the reduction.

Retirement System	Current Base Benefit Multiplier	Benefit Multiplier After 0.5 Percent Reduction	Impact on Normal Cost Rate for New Hires	Percent Impact on Employer Share of Normal Cost for New Hires
Employees'	2.0% ¹	1.5%	(2.80%)	(36.4%)
Uniformed	2.5%	2.0%	(4.10%)	(25.4%)
Police Officers	2.8%	2.3%	(3.95%)	(22.0%)

¹ New hires in the Employees' Retirement System can choose to be members of either Plan C or Plan D. The base benefit multiplier for Plan D is 2.0% as shown, while the multiplier for Plan C is 1.8%.

The reductions in the Normal Cost rate shown above would materialize gradually as new employees are hired under the revised plan provisions. However, due to the County's commitment to not reduce the employer contributions to the retirement systems until each system is fully funded, no savings are anticipated to accrue to the General Fund until the plans reach a 100 percent funding level, which is currently projected to occur between FY 2031 and FY 2033. As an estimate of the potential savings from a 0.5 percent reduction in the benefit multiplier for all three systems, the projected savings based on the current General Fund payroll, if fully realized with all current employees replaced by employees hired under the revised plan provisions, would be \$21.75 million.