Response to Questions on the FY 2019 Budget

Request By: Supervisor McKay

Question: What savings have been achieved as a result of the last changes that were made to the retirement system?

Response:

At the request of the Board of Supervisors, a review of County retirement benefits was conducted by an outside consultant and the findings and recommendations of that study were presented to the Board in 2012. As a result of the study, the Board approved the changes to the retirement systems shown in the table below. These changes apply to employees hired on or after January 1, 2013.

	Employees'	**Uniformed**	**Police Officers**
Minimum Retirement Age for Normal Service Retirement	Increased from age 50 to age 55	No change	No change
Normal Service Retirement Eligibility	Increased from the Rule of 80 (years plus service) to the Rule of 85 (years plus service)	No change	No change
Pre-Social Security Supplement and DROP	Removed pre-Social Security supplement from balances accumulated during the DROP period		Not applicable
Use of Sick Leave	Placed a cap on the use of sick leave for purposes of determining retirement eligibility and benefits at 2,080 hours		

As these changes applied only to new hires, savings were anticipated to accrue gradually over time. The table below provides the projected savings from these changes each year as calculated by the actuary for the retirement systems at the time of implementation.

Fiscal Year	Savings
FY 2013	$0
FY 2014	$0
FY 2015	$602,000
FY 2016	$1,246,000
FY 2017	$1,909,000
FY 2018	$2,590,000
FY 2019	$3,312,000
FY 2020	$4,088,000
FY 2021	$4,920,000
FY 2022	$5,822,000
FY 2023	$6,797,000
FY 2024	$7,849,000
FY 2025	$8,982,000
FY 2026	$10,211,000
FY 2027	$11,538,000

It should be noted that the figures in the table reflect savings based on total County payroll, including savings that are anticipated to accrue to the General Fund and other funds. As shown in the table, savings of approximately $3.3 million are anticipated in FY 2019. These savings are included in the employer contribution rates as determined through the annual actuarial valuation of the systems, and have offset the increases in contributions that have been required to implement the Board’s retirement funding policy that commits to fully funding the annual required contribution for each system by FY 2020. As a result of that funding policy, employer contribution rates will not be reduced until each system reaches fully-funded status. Therefore, the savings shown in future years are not expected to be realized immediately in employer contributions, but instead will allow the systems to reach fully-funded status sooner or may offset required increases in future years as a result of adverse liability or investment experience.