



AGENDA SUBMITTAL TO SOLANO COUNTY BOARD OF SUPERVISORS

ITEM TITLE Consider adopting a resolution amending the County's Position Allocation List deleting 91 positions effective April 30, 2011 and adding 22 positions effective May 1, 2011 to implement the Board-approved Public Agency Retirement Services (PARS) Supplementary Retirement Plan (SRP); and Authorizing the County Administrator and Auditor-Controller to jointly administer and implement the PARS SRP funding through an annuity with cost recovery and to execute required documents to implement the SRP		BOARD MEETING DATE April 5, 2011	AGENDA NUMBER 13
Dept: Contact: Extension:	County Administrator Michael D. Johnson 6100	Supervisory District Number ALL	
	Published Notice Required?	Yes _____	No <u> X </u>
	Public Hearing Required?	Yes _____	No <u> X </u>

DEPARTMENTAL RECOMMENDATION:

The County Administrator recommends the Board of Supervisors consider:

1. Adopting a resolution amending the County's Position Allocation List deleting 91 positions effective April 30, 2011 and adding 22 positions effective May 1, 2011 to implement the Board-approved Public Agency Retirement Services (PARS) Supplementary Retirement Plan (SRP); and
2. Authorizing the County Administrator and Auditor-Controller to jointly administer and implement the PARS SRP funding through an annuity with cost recovery and to execute required documents to implement the SRP.

SUMMARY & DISCUSSION:

On January 11, 2011, the Board of Supervisors approved offering the PARS SRP for eligible Miscellaneous and Safety retirement plan members. Under the SRP, participating employees will receive a supplemental retirement benefit equivalent to 6% of final pay (base pay plus longevity) to be paid out in accordance with a payment option chosen by the retiring employee.

On March 22, 2011, the Board of Supervisors adopted modifications to the PARS SRP Plan Document which enabled the offering of the SRP to eligible Miscellaneous and Safety Retirement Plan members by department, by division, by classification, thereby maximizing the ability of County departments to offer the SRP to a greater number of employees. The terms of the SRP allowed the County to withdraw the SRP offering to those employees for whom the County determined participation in the SRP would be fiscally and operationally impractical.

Of the 836 eligible employees who were eligible for participation in the SRP, 168 eligible employees completed enrollment packets for the SRP. After a thorough review of the role of each employee's position within his/her Department's operations and the fiscal viability of his/her participation in the SRP, the County determined the offer would be fiscally and operationally viable for 91 of the 168 enrolled employees. On Thursday, March 24, 2011, all 168 employees were notified in writing of the County's determination of approval or non-approval of their participation in the SRP. Attachment A is a list of the 91 positions participating in the SRP. In accordance with the terms of the SRP, which enables the County to replace up to a maximum of 25% of the 91 positions if needed and fiscally cost effective, 22 (equivalent to 24.18%) of the 91 positions are recommended to be replaced. Attachment B identifies the 22 replacement positions. Staff recommends the adoption of a resolution (Attachment C) amending the County's allocation list to reflect the deletion of the 91 positions participating in the PARS SRP effective April 30, 2011, and adding the 22 replacement positions, effective May 1, 2011.

FINANCING:

PARS' estimates of the County's savings, resulting from the 91 employees participating in the SRP, net of replacing 22 positions and of the County's costs for the SRP, are: \$2.8 million in Year 1, \$8.6 million in Year 3, and \$14.4 million in Year 5. These estimated savings are derived from PARS' comparisons of the savings projected over a five-year period from offering the SRP, to the savings expected over the same period if natural attrition (retirements) runs its normal course (statistically projected). PARS' model for arriving at their estimates is a well-accepted model, and has been used nationwide by PARS "for well over one thousand plans." The savings are expected to be achieved through the deletion of positions and replacement of no more than 25% of the deleted positions over the five-year period.

The County's cost to implement the SRP is anticipated at around \$1.2 to \$1.3 million per year for each of the five years for an estimated total of around \$6.2 million, and the County has approximately \$1.9 million in accrued leave payoff obligation for the retiring 91 employees. An employee's accrued leave is an obligation the County has and would have to pay off were the employee to leave County employment, regardless of having participated in the SRP.

The County has three alternatives for funding the cost of the SRP: (1) to self-fund (\$6.2 million), (2) to open a PARS Trust (\$6.0 million), or (3) to annuitize (\$5.8 million). In self-funding, the County would take on all risks, including the likely fluctuation of interest rates and the perils inherent in actuarial projections.

In the alternative of a PARS Trust, the County would pay PARS to pay out the retiree, pre-paying an annual amount for each of the next five years. The PARS Trust would invest the prepayment amount and pay out the benefits to the retirees. If the actuarial projections and assumptions do not hold and the funds held in trust are insufficient, PARS would have recourse to the County for any shortfall.

In the third alternative, the County could purchase an annuity for the entire SRP's obligation. This could be done in different ways. Per PARS, the most common alternative used by its many clients is to annuitize the obligation over five years, paying an equal amount in each of the next five years. Through this alternative, the County would shift all risks, including the fluctuation of interest rates and the perils inherent in actuarial projections, to the agency offering the annuity.

The third alternative (annuitizing the cost of the SRP) will realize a savings of \$0.4 million over the self-funding alternative and a \$0.2 million savings over the PARS Trust alternative. Staff recommends the Board authorize the CAO and the Auditor to jointly administer the PARS SRP and take necessary actions to implement the County's participation in the SRP, including funding through an annuity, and to execute the documents required to implement the SRP.

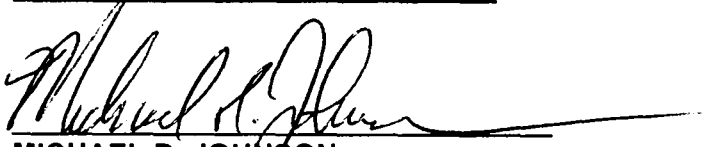
ALTERNATIVES:

The Board could choose not to receive the report on the PARS SRP and/or not to adopt the recommended resolution. The Board could also choose not to authorize the CAO and the Auditor-Controller to jointly administer the PARS SRP. These alternatives are not recommended by staff. The County General Fund and several other operating budgets continue to face structural deficits. The SRP will assist the County in reducing the current workforce by means other than layoffs, and the savings will help reduce the County's structural deficit in FY2011/12.

OTHER AGENCY INVOLVEMENT:

All County departments were involved in discussions with the CAO on the fiscal and operational viability of their staff's participation in the SRP. The Pension Advisory Committee, consisting of the Auditor-Controller, Treasurer/Tax Collector/County Clerk and CAO, reviewed the financing options and recommend the Board proceed with securing an annuity to finance the cost of the SRP.

DEPARTMENT HEAD SIGNATURE:



MICHAEL D. JOHNSON
County Administrator

Attachment A -- List of SRP Positions, Pages 4-6

Attachment B -- List of Replacement Positions, Page 7

Attachment C -- Resolution, Pages 8-10