

March 8, 2019

Board of Supervisors
County of Ventura
800 S. Victoria Avenue
Ventura, CA 93009

**SUBJECT: ADOPTION OF EMPLOYER AND EMPLOYEE RETIREMENT CONTRIBUTION RATES FOR
FISCAL YEAR 2019-2020**

Dear Board Members:

RECOMMENDATION:

Adopt, pursuant to Government Code sections 31453 and 31454, the employer and employee retirement contribution rates for the County and participating districts as detailed in the enclosed Actuarial Valuation and Review as of June 30, 2018, prepared by Segal Consulting ("Study").

FISCAL IMPACTS - COUNTY:

Contribution rates for specific County employee member categories are provided on the following page, reflecting a 50/50 sharing of Normal Cost for non-PEPRA tiers pursuant to labor agreements and the County's Management Resolution. The average employer rate for all County active member categories (after reflecting the 50/50 sharing) will increase from 27.09% of payroll to 28.49% of payroll due primarily to changes in actuarial assumptions and lower-than-expected total actual payroll growth. Annual employer contribution rates will increase for each active member category. Total annual employer contributions are projected to increase from \$201.9 million to approximately \$216.8 million based upon a projected total plan compensation payroll of approximately \$745 million last fiscal year and \$761 million this fiscal year, respectively.

The average member contribution rate for County employees will increase from 9.75% to 10.05%.¹ This increase is primarily due to changes in actuarial assumptions. Total annual member contributions are projected to increase from \$72.6 million to \$76.4 million in the upcoming fiscal year (see Study, pages v and 21).

SUMMARY OF RESULTS FROM JUNE 30, 2018 ACTUARIAL VALUATION AND REVIEW:

- VCERA's plan assets earned 8.8% for fiscal year ending June 30, 2018 on a market value basis.
- The investment return on the valuation value of assets in the Study was 8.6% due to the deferral of most of the current year investment gains and recognition of prior years' investment gains and losses.
- There was \$11.3 million in net unrecognized investment gains as of June 30, 2018, compared to \$0.6 million in deferred gains as of June 30, 2017.
- VCERA's funded status (i.e., the ratio of valuation value of assets to accrued liabilities) was 87.8% as of June 30, 2018, an increase of 0.9% since June 30, 2017.

¹ Average member rate reflects impact of cessation of member contributions after 30 years of service for non-PEPRA tiers.

The following table provides the new total retirement contribution rates to be adopted for County employees in each benefit tier for the fiscal year beginning July 1, 2019. It reflects the Normal Cost as well as the costs associated with the Unfunded Actuarial Accrued Liability (UAAL) and, where applicable, cost-of-living adjustments (COLA).

2019-2020 CONTRIBUTION RATES (REFLECTING 50/50 COST SHARING FOR LEGACY MEMBERS)			
MEMBER CATEGORY	TOTAL* EMPLOYER RATE	TOTAL* MEMBER RATE	
		First \$350	Over \$350
General Tier 1 Members (Legacy)	25.75%	6.89%	10.33%
General Tier 2 Members w/o COLA (Legacy)	17.04%	5.05%	7.57%
General Tier 2 Members w/COLA (Legacy)	23.13%	7.68%	10.20%
Safety Members (Legacy)	55.20%	15.25%	15.25%
General PEPRA Tier 2 Members w/o COLA	17.09%	7.50%	
General PEPRA Tier 2 Members w/COLA	23.23%	10.13%	
Safety Members (PEPRA)	52.89%	14.42%	

**Combines Normal Cost, UAAL and COLA costs, where applicable*

Note: The Legacy contribution rates for General members in the table above also apply to employees of the Air Pollution Control District which has implemented 50/50 cost sharing through labor negotiations and the applicable Management Resolution. The County administers payroll for the Superior Court and the Ventura County Air Pollution Control District.

The following table provides the new total retirement contribution rates to be adopted for Court employees in each benefit tier for the fiscal year beginning July 1, 2019. It reflects the Normal Cost as well as the costs associated with the Unfunded Actuarial Accrued Liability (UAAL) and, where applicable, cost-of-living adjustments (COLA). For legacy members, this table reflects the statutory rates calculated under the County Employees Retirement Law of 1937 ("CERL"), or "CERL Rates", without 50/50 cost sharing.

2019-2020 CONTRIBUTION RATES (COURTS)			
MEMBER CATEGORY	TOTAL EMPLOYER RATE*	TOTAL MEMBER RATE	
		First \$350	Over \$350
General Tier 1 Members (Legacy)	26.05%	6.68%	10.02%
General Tier 2 Members w/o COLA (Legacy)	18.40%	4.11%	6.17%
General PEPRA Tier 2 Members w/o COLA	17.09%	7.50%	

**Combines Normal Cost & UAAL*

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DISCUSSION:

The unrecognized investment gain of \$11.3 million indicated above will be recognized in the determination of the actuarial value of assets for funding purposes over the next few years. This net unrecognized gain represents about 0.2% of the market value of assets.

The Study was previously provided to the County Executive Office in December 2018 for use in developing budget projections for the upcoming fiscal year.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Webb".

Linda Webb

Retirement Administrator

Enclosure

cc: Michael Powers, County Chief Executive Officer
Leroy Smith, County Counsel
Jeff Burgh, Auditor-Controller
Kaye Mand, County Chief Financial Officer