

# County Connection

## INTER OFFICE MEMO

To: Administration and Finance Committee

Date: October 29, 2013

From: Kathy Casenave, Director of Finance

Reviewed by:

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**SUBJECT:** Correspondence with CalPERS regarding Employer rate increase

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### Summary of Issues:

In June staff reported that the employer rate for County Connection had been increased to 7.321% for FY 2014 from the previously calculated 5.416% because of the new pension reform legislation.

Many assumptions go into the calculation of the normal cost- salary increases, mortality, terminations, age of retirements. *CalPERS uses assumptions based on the collective historical experience of all public agencies.* When the actual experience of each individual pension plan differs from the actuarial assumptions used to project the funding requirements, adjustments to the employer rate can occur. *Historically County Connection has received a credit each year.* The actuarial report received in November 2012 reduced the normal cost by 1.905%, so that the net employer rate for next year would have been 5.416%.

The new legislation does not allow for reductions in the normal cost rate, even though that rate is calculated using standard assumptions that may not be reflective of the experience of individual plans. Therefore, our rate next year will be 7.321%.

The A&F Committee asked staff to contact Bob Blum at Hanson Bridgett to discuss whether there was any pending legislation that would address this issue.

I contacted Mr. Blum and discovered that he was taking a position with a medical care provider and would be leaving H&B shortly. He did not think there was any pending legislation that would change this requirement and suggested we contact CalPERS directly. I contacted our actuary (see attached letter) and she responded that there is no legislation that would change this requirement. She forwarded my letter to the chief and deputy chief actuaries for their comments. I have not received any further communication.

There are not many CalPERS plans that are in our predicament so it is very likely that this issue will not be addressed at present. Another attorney at Hanson Bridgett stated that there is a provision in the new law that would provide some relief at the 130% funded ratio. Staff will investigate further if our plan approaches that benchmark.

**Financial Implications:** The increase in the rate has added about \$230,000 per year to pension costs, which has been included in the FY 2014 budget and ten year forecast.

# County Connection

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September 3, 2013

Fritzie Archuleta  
Senior Pension Actuary  
CalPERS Actuarial Office

RE: Central Contra Costa Transit Authority 2146548042

Dear Ms. Archuleta;

I spoke to you in June expressing concern that our PERS employer rate went up to 7.321% (the normal cost) because of the new pension law. This will increase our employer contribution by about \$230,000 in FY 2014, and obviously will increase our costs in the out years also.

I realize that many CalPERS plans are underfunded but this has not been the experience of Central Contra Costa Transit Authority. I have reviewed all of the reports since 1997. *In every year our contribution rate has been less than the normal cost rate and, except for the last three years, the plan has been fully funded, even using the market value of assets rather than the actuarial value of assets. (See next page).*

Clearly, the actual events and demographics at our agency are different than the global assumptions that CalPERS uses in calculating the normal cost rate.

We of course want to have a fully funded pension plan but we have been able to achieve this under the old law. It seems like we are being penalized because *other plans* are significantly underfunded.

I am asking if there is anything that CalPERS can do to remedy this situation for us and other public agencies who have historically achieved a fully funded pension plan using the old method of calculating the employer contribution rate.

Very truly yours,



Katherine Casenave  
Director of Finance  
Central Contra Costa Transit Authority

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Moraga • Orinda • Pleasant Hill • San Ramon • Walnut Creek



**CENTRAL CONTRA COSTA TRANSIT AUTHORITY**

Central Contra Costa Transit Authority Contribution Rates & Funded Status

Fiscal Yr for rate	Employer Normal Cost rate	Credit for Surplus	PERS ER rate	Funded Status- MVA basis	MVA as of
1997	7.353%	-0.668%	6.685%	102.8%	6/30/1994
1998	7.481%	-0.192%	7.289%	110.5%	6/30/1995
1999	8.572%	-8.572%	0.000%	129.6%	6/30/1996
2000	7.292%	-7.292%	0.000%	156.2%	6/30/1997
2001	7.085%	-7.085%	0.000%	170.1%	6/30/1998
2002	6.706%	-6.706%	0.000%	172.3%	6/30/1999
2003	6.704%	-6.704%	0.000%	166.2%	6/30/2000
2004	6.808%	-6.808%	0.000%	136.6%	6/30/2001
2005	6.882%	-2.846%	4.036%	114.4%	6/30/2002
2006	7.395%	-1.620%	5.775%	100.3%	6/30/2003
2007	7.355%	-1.486%	5.869%	107.5%	6/30/2004
2008	7.177%	-2.009%	5.168%	113.3%	6/30/2005
2009	7.240%	-1.921%	5.319%	116.0%	6/30/2006
2010	7.230%	-2.453%	4.777%	129.1%	6/30/2007
2011	7.221%	-2.347%	4.874%	113.3%	6/29/2008
2012	7.640%	-2.422%	5.218%	78.9%	6/29/2009
2013	6.976%	-1.757%	5.219%	84.0%	6/29/2010
2014	7.321%	-1.905% not applied	7.321%	93.9%	6/29/2011



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## FW: Central Contra Costa Transit Authority's employer rate

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Archuleta, Fritzie <Fritzie\_Archuleta@calpers.ca.gov>

Tue, Sep 3, 2013 at 2:16 PM

To: "Milligan, Alan" <Alan\_Milligan@calpers.ca.gov>, "Lamoureux, David" <David\_Lamoureux@calpers.ca.gov>

Cc: "casenave@cccta.org" <casenave@cccta.org>

Hi Katherine,

Unfortunately, we did not come up with this regulation. Agencies must pay the full normal cost due to the governor's pension reform law. At this point in time, I do not believe there is anything CalPERS can do other than administer the law as it was written.

I have cc'd the chief actuary and our deputy chief so that they can add comments.

FRITZIE ARCHULETA

*Senior Pension Actuary*

*CalPERS Actuarial Office*

*(916)795-1262*

**From:** Katherine Casenave [mailto:casenave@cccta.org]

**Sent:** Tuesday, September 03, 2013 1:40 PM

**To:** Archuleta, Fritzie

**Subject:** Central Contra Costa Transit Authority's employer rate

Ms. Archuleta-

Please see the attached letter expressing my concern about the pension law change and how it is affecting our organization.

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Kathy Casenave  
Director of Finance  
Central Contra Costa Transit Authority