

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

670



FROM: Human Resources Department

SUBMITTAL DATE:
August 2, 2011

SUBJECT: Service Employees International Union National Industry Pension Fund Withdrawal Liability Payment

RECOMMENDED MOTION: That the Board of Supervisors 1) ratify and approve the Service Employees International Union (SEIU) National Industry Pension Fund (NIPF) revised final withdrawal liability payments beginning June 30, 2011 (pay period 15), to be funded by County departments for regular SEIU employees who were covered by NIPF at the time of the County's withdrawal over a period of 12 years; and 2) authorize Human Resources to establish a one-time department charge equivalent to \$73.37 for each regular SEIU employee covered by NIPF at the time of the County's withdrawal and totaling an estimated \$423,008 to pay for principal, interest and surcharges assessed as a result of the revised payment schedule and contribution payments attributable to furloughs.

Departmental Concurrence

Barbara A. Olivier

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Asst. County Executive Officer/Human Resources Dir.

FINANCIAL DATA	Current F.Y. Total Cost:	\$1,815,551	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$453,888 (estimated 25%)	Budget Adjustment:	No
	Annual Net County Cost:	\$453,888	For Fiscal Year:	2011/12

SOURCE OF FUNDS: Department Budgets	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: **APPROVE**
 BY: *Robert Tremaine*

 Robert Tremaine
County Executive Office Signature

- Consent
- Policy
- Consent
- Policy

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: 09/14/2010, 3.25 | **District:** ALL | **Agenda Number:**

3.57

BACKGROUND: On September 14, 2010, the Board approved SEIU NIPF withdrawal liability monthly payments of \$84,212 based on a provisional withdrawal liability of \$5,752,946. NIPF calculated the provisional withdrawal liability based on information as of December 31, 2009, and the Plan's unfunded vested liability as of December 31, 2008.

Final Withdrawal Liability

Human Resources advised the Board that when actuarial data for the 2010 plan year became available, SEIU NIPF would recalculate the withdrawal liability. The SEIU NIPF has since recalculated the County's final gross withdrawal liability to be \$11,510,151. The recalculated withdrawal liability is based on the NIPF's information for the County's withdrawal occurring July 1, 2010, and on the Plan's unfunded vested liability as of December 31, 2009. Aon Hewitt, the County's independent actuary has reviewed the SEIU NIPF final withdrawal liability calculation and has determined it to be reasonable. The increase in liability is primarily due to a decrease in interest rates from 5.17% to 4.41%, as published by the Pension Benefit Guarantee Corporation (PBGC) and used in the calculation.

Human Resources requested SEIU NIPF to provide optional payment schedules over a 7, 10, 12 and 20 year period. The monthly payments, total principal and interest are listed in the table below.

Term*	7 Years	10 Years	12 Years	20 Years
Principal	\$11,510,150.97	\$11,510,150.97	\$11,510,150.97	\$11,510,150.97
Interest	\$2,725,766.67	\$4,182,717.03	\$5,200,370.79	\$9,166,457.28
Total Principal and Interest	\$14,235,917.64	\$15,692,868.00	\$16,710,521.76	\$20,676,608.25
Monthly Payment	\$169,475.21	\$130,773.90	\$116,045.29	\$89,676.65
Payment Per Member Per Pay Period **	\$14.70	\$11.34	\$10.06	\$7.78

* SEIU NIPF does not assess an early pre-payment penalty.

**Estimated payment per member.

Human Resources recommends the 12 year payment option, with a required monthly funding requirement of \$116,045. The 12 year payment option saves the County approximately \$4 million when compared to the 20 year payment option. The County has paid monthly payments in the amount of \$84,212 for 12 months (July 2010 – June 2011). The revised withdrawal liability requires the County to submit monthly payments of \$116,045 and submit an additional \$31,834 of principal for each of the prior 12 months for an estimated total of \$382,008. If approved, Human Resources will collect the amount as a \$66.26 one-time charge to departments for each regular SEIU employee covered by the NIPF at the time of the County's withdrawal.

Pension Fund Contribution Surcharge

Contributions for SEIU members who participated in the County's Mandatory and Voluntary Furlough programs from August 13, 2009 through June 30, 2010 were submitted to NIPF on November 3, 2010. Additional mandatory surcharge fees, due to the NIPF's funding status and interest charges in the amount of \$41,000 are now payable to the NIPF. Human Resources recommends a \$7.11 one-time fee charged to departments for each regular SEIU employee covered by the agreement at the time of the County's withdrawal.

Conclusion

If approved, County departments will fund the Service Employees International Union National Industry Pension Fund withdrawal liability each pay period over a twelve year period. If the recommendations are not approved and the County does not make the monthly payment, NIPF may require immediate payment of the outstanding amount of the County's withdrawal liability, plus accrued interest on the total outstanding liability from the due date of the first payment that was not made timely.