

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

113



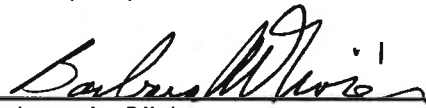
FROM: Human Resources Department

SUBMITTAL DATE:
May 5, 2010

SUBJECT: SEIU National Industry Pension Fund Contribution Surcharge

RECOMMENDED MOTION: That the Board of Supervisors approve payment of an additional \$0.073 per hour contribution surcharge to the SEIU National Industry Pension Fund to be funded by County Departments each pay period for the balance of the Fiscal Year 2009/10.

BACKGROUND: On September 1, 2009, Item 3.62, the Board of Supervisors approved the 2009 – 2010 Memorandum of Understanding (MOU) with Service Employees International Union, Local 721 (SEIU). Article 25 of the SEIU MOU provides for County contributions to the SEIU National Industry Pension Fund (NIPF) of \$.10 per hour for all hours worked on behalf of Regular employees covered by the agreement. Contributions to the SEIU NIPF first began in June of 2001 with the SEIU 2001- 2003 MOU at \$.06 per hour and were increased to \$.10 per hour on June 30, 2003 with the 2003 – 2006 SEIU MOU. In Calendar year 2009 the County paid \$1,008,701 in contributions to the SEIU NIPF for approximately 5,800 employees.


Barbara A. Olivier
Acting Asst. County Executive Officer/HR Director


FINANCIAL DATA	Current F.Y. Total Cost:	\$ 84,639	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 25,391 (estimated 30%)	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2009/10

SOURCE OF FUNDS: Department Budgets

Positions To Be Deleted Per A-30 ☐
Requires 4/5 Vote ☐

C.E.O. RECOMMENDATION:

APPROVE

BY: 
Karen L. Johnson

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley

Nays: None

Absent: None

Date: May 18, 2010

xc: HR, SEIU

Kecia Harper-Ihem

Clerk of the Board

By: 
Deputy

Prev. Agn. Ref.:

District:

Agenda Number:

3.33

Fiscal Year 2009/10 Contribution Increase

In December 2009 the Human Resources Department received notice that as a result of investment losses incurred in Calendar Year 2008 the County will be required to make supplemental and surcharge contributions to the SEIU NIPF starting retroactively from April 30, 2009.

The SEIU NIPF is a defined benefit multi-employer pension plan; the County is a participating employer of the Plan. Because the NIPF is sponsored by SEIU and is not a governmental plan it is fully subject to ERISA and all regulations pertaining to private sector pension plans.

In 2006 the Pension Protection Act (PPA) was enacted to improve the financial condition of defined benefit pension plans. Under the PPA, plans are required to take corrective action if the plan's funded status (ratio of assets to liabilities) declines below prescribed levels. Multi-employer pension plans must also certify their funded status annually and provide a Zone Certification Notice to participants and participating employers. Plans are assigned one of the following zone categories:

- ◆ Green Zone pension plans are considered to be in good financial health
- ◆ Yellow Zone pension plans are in endangered status
- ◆ Red Zone pension plans are in critical status

As a result of the Calendar Year 2008 investment losses, the SEIU NIPF has moved from the Green Zone to the Red Zone. Plans in the Red Zone are generally less than 65% funded. The PPA requires participating employers (including the County of Riverside) to pay an automatic surcharge equal to 5% of required contributions in the initial year and 10% of required contributions in each succeeding year the plan is in the Red Zone until the effective date of a new Collective Bargaining Agreement.

For the SEIU NIPF, the 5% surcharge came into effect as of April 30, 2009 and lasted through December 31, 2009. The 10% surcharge began on January 1, 2010 and remains in effect until the earlier of a new collective bargaining agreement with SEIU Local 721 or until December 31, 2010, which is 180 days after the current agreement terminates.

Human Resources recommends departmental funding of the 5% and 10% surcharge, estimated at a total cost of \$84,639 over the next three (3) pay periods of FY09/10. This will result in an increased contribution rate from \$.10 to \$.173 funding per hour for all hours worked on behalf of regular employees covered by the SEIU agreement for the three pay periods.

Collective Bargaining Considerations

The PPA requires plans in the Red Zone to adopt a Rehabilitation Plan. The Rehabilitation Plan must include one or more schedules involving a combination of decreased benefits and increased contributions. One schedule is designated the Default Schedule, which requires the maximum decrease in benefits permitted by law and the minimum increase in contributions. Pension funds are permitted to impose the Default Schedule on bargaining parties who fail to adopt another schedule under the Rehabilitation Plan.

The SEIU NIPF Trustees have adopted a Rehabilitation Plan that cuts benefits for participants who retire on or after January 1, 2010 and reduces future accruals earned on or after January 1, 2010. The Rehabilitation Plan is comprised of two schedules, a Preferred Schedule and a Default Schedule.

Once a new Collective Bargaining Agreement (CBA) is reached between the County and SEIU Local 721 the 10% Surcharge contributions will cease and Supplemental contributions will begin according to a schedule adopted in the Rehabilitation Plan. The SEIU NIPF Trustees have stated that if the next CBA

between the County and SEIU Local 721 does not include their Preferred Schedule they will impose the Default Schedule. The Default Schedule has steeper benefit cuts to participants and higher Supplemental Contributions payable by the County.

Below we show contribution rates and benefit reductions for the Preferred and Default Schedules.

Preferred Schedule Supplemental Contributions (increases from current rate):

Year of CBA Signing	Rate Increase Year 1	New Rate Year 1 (based on current rate \$0.10)	Rate Increase Each year thereafter through 2022	New Rate Each year thereafter through 2022
2010	10.0%	\$0.1100	7.75%	\$0.1185
2011	18.5%	\$0.1185	7.75%	\$0.1277
2012	27.7%	\$0.1277	7.75%	\$0.1376
2013	37.6%	\$0.1376	7.75%	\$0.1483
2014	48.3%	\$0.1483	7.75%	\$0.1598
2015	59.8%	\$0.1598	7.75%	\$0.1722

Default Schedule Supplemental Contributions (increases from current rate):

Year of CBA Signing	Year 1 (Based on negotiated contributions prior to Surcharges)	New Rate Year 1 (based on current rate \$0.10)	Each year thereafter through 2022	New Rate Each year thereafter through 2022
2010	21.3%	\$0.1213	10.25%	\$0.1337
2011	33.7%	\$0.1337	10.25%	\$0.1474
2012	47.4%	\$0.1474	10.25%	\$0.1625
2013	62.5%	\$0.1625	10.25%	\$0.1792

Summary of Benefit Accrual Reductions:

Rehabilitation Plan:	Accrual Rate	Example: Monthly Benefit for \$1,000 of Contributions
Preferred Schedule	1.75%	\$17.50
Default Schedule	1.0%	\$10.00
Prior to Rehabilitation Plan:		
Accrual on or prior to January 1, 2008	2.50%	\$25.00
Accrual after January 1, 2008	2.25%	\$20.00

Under the Pension Protection Act, Pension Trustees cannot accept a Collective Bargaining Agreement that includes any of the following:

- Reduced contributions
- Suspension of contributions
- Direct or indirect exclusion of new or younger employees from participation.

Withdrawal from the SEIU NIPF:

The County can negotiate with SEIU Local 721 a complete withdrawal from the SEIU NIPF. A complete withdrawal entails a cessation of future benefit accruals and contributions for represented employees. The County will have a Withdrawal Liability for unfunded benefits that will need to be calculated by the Trustees of the SEIU NIPF. The County can elect to pay off the amount over a number of years not to exceed twenty years. This option is under discussion as part of the current collective bargaining process.