

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



**ITEM: 3.10
(ID # 18425)**

MEETING DATE:
Tuesday, March 01, 2022


FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Approval of revised Board of Supervisors Policy B-25. All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve revisions to the Board of Supervisors Policy B-25, Pension Management and Other Post-Employment Benefits.


ACTION:Policy


Don Kent, Director of Finance 2/18/2022

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: March 1, 2022
xc: E.O., COBAB

Kecia R. Harper
Clerk of the Board
By 
Deputy

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

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment:	No
			For Fiscal Year:	21/22

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

At its January 20, 2022 meeting, the Pension Advisory Review Committee (PARC) reviewed staff recommendations for updating the Board of Supervisors Policy B-25, Pension Management and Other Post-Employment Benefits. Last amended in January 2020, the proposed revisions largely reflect refined administrative language to several areas within the body of the policy.

In addition, on page one, the proposed policy introduces “and other retirement or termination related items such as compensated absences for employees’ accrued annual, vacation or sick leave balances.” The purpose of this is to broaden the understanding and research potential opportunities for mitigating the long-term effects of current employee’s growing balances on departmental budgets with potential solutions in the future.

For today’s action, staff recommends acceptance of revisions to Board Policy B-25. A redline and clean version are attached for reference. Staff and PARC will continue to periodically bring forward specific revisions to the Board for further refinement, when necessary.

Impact on Residents and Businesses

Pension and related costs have budgetary impacts across all the departments, and, as a result, have impacts on the costs of services that are provided to citizens and residents of the County. The refined language will update Policy B-25 and seeks to address the long-term effects of compensated absences.

ATTACHMENTS:

1. Board Policy B-25 Redline Version
2. Board Policy B-25 Final

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


Michael Ambolo, Chief Finance Officer

2/22/2022



Gregory V. Priaplos, Director County Counsel

2/22/2022

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Policy:

The County of Riverside (the "County") has created this Pension Management and Other Post-Employment Benefits policy ~~PEB policy~~ (the "Policy") to ensure ~~the financial stability of the County~~ through proper management. The purpose of this policy is to safeguard the public trust by assuring prudent decisions regarding the County's pension plans, Other Post-Employment Benefits (OPEB), ~~and Section 115 Trusts (Pension and OPEB), and~~ other retirement or termination related items such as compensated absences for employees' accrued annual, vacation or sick leave balances, ~~providing proper oversight and administration of the benefits provided, and their associated cost.~~

This Policy applies to all County defined benefit pension plans currently administered by the California Public Employees' Retirement System ("CalPERS"), the Section 115 OPEB Trust administered by ~~the~~ California Employers' Benefit Trust (CERBT), the Temporary and Part-Time Employees' Retirement Plan (a defined benefit program for its Temporary Assistance Program ("TAP") employees) administered by the County, and the Section 115 Pension Trusts administered by Public Agency Retirement Services (PARS).

I. Definitions

- A. The term "Pension Plans" shall mean the County's Miscellaneous, Safety, Flood Control, Park District and Waste Management plans administered by CalPERS.
- B. The term "~~Funding~~ Funded StatLevelus" shall mean plan actuarial assets ~~(CalPERS pension plan and any Section 115 Trust money)~~ divided by plan actuarial liability.
- C. The term "Committee" shall mean the Pension Advisory Review Committee.
- D. The term "Liability Management Fund (LMF)" shall mean the fund created in conjunction with the County's 2005 Pension Obligation Bonds (POBs), and, any additional bonds held in trust by a designated trustee and funded by pension savings, and used solely for pension cost purposes.
- E. The term "OPEB" shall mean ~~the Section 115 Trust for Other Post-Employment Benefits provided by the County, dedicated to prefunding those retiree benefits.~~
- F. The term "TAP Pension Plan" shall mean the County's Temporary and Part-

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Time Employees' Retirement Plan, a defined benefit pension plan of which the County's eligible temporary employees are participants.

- G. The term "Section 115 Trust" shall mean the Pension Trust adopted by the Board of Supervisors for the purpose of pre-funding CalPERS pension obligations as well as the OPEB Trust.
- H. The term "implicit subsidy" shall mean the difference between the "true cost" of coverage and the actual rate paid. Under CalPERS health plans (or any County health plans), participating retirees may receive a benefit prior to age 65 by paying premiums that are developed by blending active and retiree costs. ~~Generally~~Generally, retirees cost more than active. As a result, the premium paid by the retiree is less than the true cost of coverage.

II. Pension Management

- A. The assets of the County's pension plans constitute a trust independently administered by CalPERS which exists to satisfy the County's obligation to provide retirement benefits and to meet distribution obligations to all covered employees.
- B. The assets of the TAP Pension Plan constitute a trust to meet the County's obligation to provide retirement benefits to its TAP employees.
- ~~B.C.~~ The County has established a Section 115 Pension Trusts for pension rate stabilization which can pre-fund rising pension liabilities. This program can mitigate long-term investment volatility, provide the County with control of assets, and assist in paying a portion of the actuarially determined contributions when revenues may become impaired due to adverse based on economic conditions.
- ~~C.D.~~ Any withdrawal of a group of employees from participation in the plans will not necessarily trigger a distribution of any assets. All contracts or grants will include the full amount of estimated pension cost in the contract or grant. Upon the termination of such contracts or grants, a termination payment may be negotiated to reflect any unfunded liability associated with such employees.
- ~~D.E.~~ Additionally, if any employee group or department separates from the County, the associated actuarial liability and pension assets will be subject to an independent actuarially determined "true value".

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~~E.F.~~ The County seeks to maintain a minimum ~~funding level~~funded status of 80% in its CalPERS defined benefit pension plans. To the extent the funded status ~~funding level~~ falls below that, the County will prepare a plan to address the issue.

~~E.G.~~ The County seeks to maintain a minimum ~~funding level~~funded status of 80% in its TAP Pension Plan. To the extent the funded status ~~funding level~~ falls below that, the County will set rates sufficient to meet the minimum funded status within a reasonable period of time.

~~G.H.~~ Any proposed changes to pension benefits, CalPERS liability amortization schedules or the issuance of any Pension Obligation Bonds (POBs) will be reviewed by the Committee, which shall provide the Board with an analysis of the long-term costs and benefits and related recommendations. Such evaluations are to take into account any outstanding POBs.

~~H.I.~~ The County will set annual CalPERS pension plan contribution rates sufficient to:

- 1.) Pay any amounts due to CalPERS,
- 2.) Capture full cost of the annual debt service on any pension obligation bonds that are outstanding,
- 3.) Collect amounts sufficient to make required deposits to the Liability Management Fund and pay the cost of consultants hired to assist the Committee.

III. Other Post-Employment Benefits (OPEB)

A. The County seeks to maintain a minimum ~~funding level~~funded status of 80% in its OPEB plan, excluding any implicit subsidy liability. To the extent the funded status falls below that, the County will set rates sufficient to meet the minimum funded status within a reasonable period of time. ~~To the extent the funding level falls below that, the County will prepare a plan to address the issue.~~

B. The County will set the required OPEB funding contribution based on the actuarial valuation for the target funded status.

IV. Pension Obligation Financing

A. Any issuance of pension related debt will be reviewed first by the PARC.

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B. The County has established a Liability Management Fund (LMF) in connection with its 2005 POBs and may establish such a fund for any future POBs. The LMF shall be funded by capturing a portion of the projected savings associated with issuance and be used upon the recommendation of the County Finance Officer Executive Office to:

- 1.) retire pension bond debt, or,
- 2.) be transferred to CalPERS to reduce any unfunded liability, or,
- 3.) deposit in the Section 115 Pension Trust to assist with pension rate stabilization, or,
- 4.) potentially share with departments, or,
- 5.) any combination of the above.

C. The County has established a Section 115 Pension Trusts. They ~~It~~ shall be funded by capturing all savings from pension management strategies.

D. The Committee will evaluate annually the recommendation to prepay POBs, or, to make additional discretionary payments to CalPERS and evaluate the potential associated savings.

V. Pension Advisory Review Committee

A. The members of the Pension Advisory Review Committee (PARC) shall be comprised of the following:

- 1.) ~~The~~ A representative of the County Finance Officer Executive Office
(Chair)
- 2.) The County Treasurer-Tax Collector
- 3.) The Human Resources Director
- 4.) The County Auditor-Controller
- 5.) a local safety member department representative

B. The Chair of the Committee will be responsible for preparing and distributing the agenda for each meeting.

C. Members of the PARC ~~may~~ shall designate staff to represent them by notifying. ~~Members shall notify~~ the Chair, in writing, of the name and title of ~~staff those~~ that are authorized to represent them. Upon written notification, the designee will be approved ~~authorized~~ to represent and vote on behalf of the member in the event of their absence. ~~Members shall also designate~~

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staff available to assist the Committee in its analysis and the production of reports.

D. PARC meetings shall be convened at least annually or as necessary upon the call of the Chair.

E. The PARC may retain experts or consultants.

F. The PARC shall prepare a public report, at least annually, the plan status of the County's CalPERS pension plans, the Temporary and Part-Time Employees' Retirement plan, the Other Post-Employment Benefits plan and Section 115 OPEB Trust, and, the County's Section 115 Pension Trusts.

G. As a Board established Committee, the PARC is subject to, and will comply with, all provisions of the Brown Act.

Reference:

Minute Order 16.3 of 01/25/05
Minute Order 3.41 of 09/12/06
Minute Order 3.3 of 04/10/07
Minute Order 3.4 of 05/22/18
Minute Order 3.3 of 01/14/20
Minute Order X.X of 00/00/22

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I. Definitions

- A. The term "Pension Plans" shall mean the County's Miscellaneous, Safety, Flood Control, Park District and Waste Management plans administered by CalPERS.
- B. The term "Funded Status" shall mean plan actuarial assets divided by plan actuarial liability.
- C. The term "Committee" shall mean the Pension Advisory Review Committee.
- D. The term "Liability Management Fund (LMF)" shall mean the fund created in conjunction with the County's 2005 Pension Obligation Bonds (POBs), and, any additional bonds held in trust by a designated trustee and funded by pension savings, and used solely for pension cost purposes.
- E. The term "OPEB" shall mean Other Post-Employment Benefits provided by the County.
- F. The term "TAP Pension Plan" shall mean the County's Temporary and Part-Time Employees' Retirement Plan, a defined benefit pension plan of which the County's eligible temporary employees are participants.

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- G. The term "Section 115 Trust" shall mean the Pension Trust adopted by the Board of Supervisors for the purpose of pre-funding CalPERS pension obligations as well as the OPEB Trust.
- H. The term "implicit subsidy" shall mean the difference between the "true cost" of coverage and the actual rate paid. Under CalPERS health plans (or any County health plans), participating retirees may receive a benefit prior to age 65 by paying premiums that are developed by blending active and retiree costs. Generally, retirees cost more than active. As a result, the premium paid by the retiree is less than the true cost of coverage.

II. Pension Management

- A. The assets of the County's pension plans constitute a trust independently administered by CalPERS which exists to satisfy the County's obligation to provide retirement benefits and to meet distribution obligations to all covered employees.
- B. The assets of the TAP Pension Plan constitute a trust to meet the County's obligation to provide retirement benefits to its TAP employees.
- C. The County has established Section 115 Pension Trusts for pension rate stabilization which can pre-fund rising pension liabilities. This program can mitigate long-term investment volatility, provide the County with control of assets, and assist in paying a portion of the actuarially determined contributions when revenues may become impaired due to adverse economic conditions.
- D. Any withdrawal of a group of employees from participation in the plans will not necessarily trigger a distribution of any assets. All contracts or grants will include the full amount of estimated pension cost in the contract or grant. Upon the termination of such contracts or grants, a termination payment may be negotiated to reflect any unfunded liability associated with such employees.
- E. Additionally, if any employee group or department separates from the County, the associated actuarial liability and pension assets will be subject to an independent actuarially determined "true value".
- F. The County seeks to maintain a minimum funded status of 80% in its CalPERS defined benefit pension plans. To the extent the funded status falls below that, the County will prepare a plan to address the issue.

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- G. The County seeks to maintain a minimum funded status of 80% in its TAP Pension Plan. To the extent the funded status falls below that, the County will set rates sufficient to meet the minimum funded status within a reasonable period of time.
- H. Any proposed changes to pension benefits, CalPERS liability amortization schedules or the issuance of any Pension Obligation Bonds (POBs) will be reviewed by the Committee, which shall provide the Board with an analysis of the long-term costs and benefits and related recommendations. Such evaluations are to take into account any outstanding POBs.
- I. The County will set annual pension plan contribution rates sufficient to:
 - 1.) Pay any amounts due to CalPERS,
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 - 3.) Collect amounts sufficient to make required deposits to the Liability Management Fund and pay the cost of consultants hired to assist the Committee.

III. Other Post-Employment Benefits (OPEB)

- A. The County seeks to maintain a minimum funded status of 80% in its OPEB plan, excluding any implicit subsidy liability. To the extent the funded status falls below that, the County will set rates sufficient to meet the minimum funded status within a reasonable period of time.
- B. The County will set the required OPEB funding contribution based on the actuarial valuation for the target funded status.

IV. Pension Obligation Financing

- A. Any issuance of pension related debt will be reviewed first by the PARC.
- B. The County has established a Liability Management Fund (LMF) in connection with its 2005 POBs and may establish such a fund for any future POBs. The LMF shall be funded by capturing a portion of the projected savings associated with issuance and be used upon the recommendation of the County Executive Office to:

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- 1.) retire pension bond debt, or,
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- 3.) deposit in the Section 115 Pension Trust to assist with pension rate stabilization, or,
- 4.) potentially share with departments, or,
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V. Pension Advisory Review Committee

- A. The members of the Pension Advisory Review Committee (PARC) shall be comprised of the following:
- 1.) A representative of the County Executive Office (Chair)
 - 2.) The County Treasurer-Tax Collector
 - 3.) The Human Resources Director
 - 4.) The County Auditor-Controller
 - 5.) a local safety member department representative
- B. The Chair of the Committee will be responsible for preparing and distributing the agenda for each meeting.
- C. Members of the PARC shall designate staff to represent them by notifying the Chair, in writing, of the name and title of those that are authorized. Upon written notification, the designee will be approved to represent and vote on behalf of the member in the event of their absence. Members shall also designate staff available to assist the Committee in its analysis and the production of reports.
- D. PARC meetings shall be convened at least annually or as necessary upon the call of the Chair.
- E. The PARC may retain experts or consultants.
- F. The PARC shall prepare a public report, at least annually, the plan status of the County's CalPERS pension plans, the Temporary and Part-Time

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Employees' Retirement plan, the Other Post-Employment Benefits plan and Section 115 OPEB Trust, and, the County's Section 115 Pension Trusts.

G. As a Board established Committee, the PARC is subject to, and will comply with, all provisions of the Brown Act.

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