



# ORANGE COUNTY FIRE AUTHORITY

P.O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Jeff Bowman, Fire Chief

(714) 573-6000

[www.ocfa.org](http://www.ocfa.org)

August 4, 2017

VIA CERTIFIED U.S. MAIL

The Honorable Charles Margines  
Presiding Judge  
O.C. Grand Jury  
700 Civic Center Drive West  
Santa Ana, CA 92701

Dear Judge Margines,

Subject: OCFA Response to 2016/17 Grand Jury Report "Pension Enhancements: A question of Government Code Compliance."

At its July 27, 2017, meeting, the Orange County Fire Authority's Board of Directors approved and authorized the attached responses to the Findings/Conclusions and the Recommendations to the 2016/17 Grand Jury Report entitled "Pension Enhancements: A question of Government Code Compliance" as requested.

Please feel free to let me know if you have any questions or need additional information.

Sincerely,

Sherry A.F. Wentz, CMC  
Clerk of the Authority

cc: Grand Jury Foreman Robert Niccum

Enclosure: OCFA Response to 2016/17 Grand Jury Report "Pension Enhancements: A question of Government Code Compliance."

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

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July 31, 2017

The Honorable Charles Margines  
Presiding Judge  
Orange County Superior Court  
700 Civic Center Drive West  
Santa Ana, CA 92701

Your Honor,

The Orange County Fire Authority (OCFA) Board of Directors reviewed the Grand Jury report, "Pension Enhancements: A Question of Government Code Compliance" during its public meeting held on July 27, 2017. The Board has reviewed and authorized this formal response from our agency.

We appreciate the time and effort the Grand Jury has devoted to the citizens of Orange County and we share its dedication to fair and transparent governance.

If I may be of service in the clarification of this response, please feel free to contact me at [jeffbowman@ocfa.org](mailto:jeffbowman@ocfa.org) or (714) 573-6010.

Sincerely,



Jeff Bowman  
Fire Chief

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

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**MINUTES  
ORANGE COUNTY FIRE AUTHORITY**

**Board of Directors Regular and Special Meetings**

**July 27, 2017  
6:00 P.M.**

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**3. CONSENT CALENDAR**

**G Response to Grand Jury Report Regarding Benefit Enhancements" (F: 20.04A9)**

On motion of Director Johnson and second by Director Davies, the Board of Directors voted unanimously by those present as required by the Grand Jury, to approve and authorize the Clerk of the Authority to submit to the Presiding Judge of the Superior Court the Orange County Fire Authority's response to the Orange County Grand Jury report entitled "Pension Enhancements: A Question of Government Code Compliance."

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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## Summary

### Response to Findings and Recommendations

**Finding 1:** When the OCFA Board of Directors approved 3% at 50 for firefighters in 2002, only one week notice was given to the public.

*The OCFA agrees in part and disagrees in part. It is true that at least a week's notice was provided before the OCFA Board approved MOU Amendments in 2002. However, the notice requirements of Government Code Section 7507 as that section existed in 2002 didn't apply to the OCFA Board of Directors actions in 2002 because the County Board of Supervisors had already authorized the enhanced public safety pension benefit.*

### Discussion

*The 3% at 50 Pension Benefit was Adopted by the County Board of Supervisors in Accordance with California Government Code 31664.1.*

In 2000, the California Legislature adopted A.B. 1937 authorizing counties to adopt an enhanced pension benefit for safety employees, one of which is commonly referred to by the shorthand "3% at 50." That authorization was codified in Government Code Section 31664.1. The text of Section 31664.1 is attached hereto as **Exhibit 1**.

As it existed in 2001-2002, and as it still exists today, Section 31664.1 provided that the benefit would apply after "the Board of Supervisors of the county" adopts a resolution applying the section in the county.<sup>1</sup>

On June 6, 2001, General Counsel for the Orange County Employees Retirement System (OCERS) informed OCERS that "if the Board of Supervisors makes those provisions applicable in Orange County, the provisions will be binding on all other participating [public agencies] that also employ safety members in the system." A copy of the June 6, 2001, memo from Harvey Leiderman to the OCERS Board of Retirement is attached as **Exhibit 2**.

As a result, the OCERS Board approved a motion on June 18, 2001, to notify its participating districts (which included OCFA) of OCERS' intent "to apply the increase in safety retirement under AB 1937 uniformly to all safety members if the law is made applicable in Orange County by resolution of the County Board of Supervisors." (See Minutes, item I-9; Excerpts the Minutes of the June 18, 2001, OCERS Board Meeting are attached as **Exhibit 3**.<sup>2</sup>)

On December 4, 2001, the Orange County Board of Supervisors, at a regular, public meeting, considered the pension benefit enhancement authorized by AB 1937 and approved a Resolution adopting Government Code Section 31664.1.<sup>3</sup> (A copy of the December 4, 2001, Board of Supervisors Resolution is attached as **Exhibit 4**.)<sup>4</sup> And as stated in the County Board's Resolution, the County had already provided the required actuarial study showing the costs of the benefits and complied with Section 7507 prior to approving the Resolution.

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<sup>1</sup> Cal. Gov't Code § 31664.1 [Emphasis added.]

<sup>2</sup> The complete Minutes of the June 18, 2001 OCERS Board Meeting are available at OCERS website at [http://www.ocers.org/pdf/public\\_meetings/2001minutes/061801b.htm](http://www.ocers.org/pdf/public_meetings/2001minutes/061801b.htm).

<sup>3</sup> As stated in Exhibit 4, the County complied with Section 7507 prior to approving the Resolution.

<sup>4</sup> Although the Board of Supervisors' Resolution purported to limit its effect to County employee members of OCERS, the legal effect of the Board's approval of the benefit was binding on OCFA and the other participating public agencies that employed safety employees, as confirmed in the opinion of OCERS legal counsel (See Exhibit 2).



## Grand Jury Response: “Pension Enhancements: A Question of Government Code Compliance”

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As a result, although the OCFA undertook negotiations of MOU amendments with its safety employees about the timing and funding of that enhanced benefit and about the employees' increased contributions in order to reduce the fiscal impact of the benefit on OCFA, the actual increase of the pension benefit had already been adopted by the County Board of Supervisors in December 2001.<sup>5</sup>

### *Government Code section 7507*

The current version of section 7507 was adopted in 2008. When the 2002 MOU amendments were negotiated, a slightly different version of section 7507 was in place. The version of Government Code section 7507 in effect in 2002 provided:

The Legislature and local legislative bodies shall secure the services of an enrolled actuary to provide a statement of the actuarial impact upon future annual costs before authorizing increases in public retirement plan benefits. An “enrolled actuary” means an actuary enrolled under subtitle C of Title III of the federal Employee Retirement Income Security Act of 1974 and “future annual costs” shall include, but not be limited to, annual dollar increases or the total dollar increases involved when available.

The future annual costs as determined by the actuary shall be made public at a public meeting at least two weeks prior to the adoption of any increases in public retirement plan benefits.<sup>6</sup>

In conclusion, pursuant to Section 7507 as it existed in 2001-2002, the requirement to circulate in advance of a public meeting a statement of the actuarial impact of an increase in retirement benefits upon future annual costs applied prior to adopting increases in public retirement plan benefits. And as summarized above, in accordance with Government Code Section 31664.1, those benefit increases were adopted by the County Board of Supervisors.

**Recommendation 1:** The OCFA should implement procedures that ensure compliance with all transparency requirements including those relating to the approval of pension enhancements.

*Although there has not been a violation of any transparency requirements for the reasons articulated above, the OCFA nevertheless agrees that the Authority will continue to implement procedures that ensure continuing compliance with all applicable transparency requirements. The OCFA already complies with and exceeds State law and when it applies as it strives for utmost transparency and responsibility with pension benefits.*

The OCFA’s commitment to transparency, including but not limited to compliance with the requirements of Government Code section 7507 when it applies, was demonstrated by the Board of Director’s adoption in 2010 and 2011 of new retirement benefits applicable to the members of OCFA’s Orange County Professional Firefighters Association, the Chief Officers Association, the Orange County Employees Association, and to OCFA’s unrepresented safety members of Executive Management. (See the December 3, 2010, February 2, 2011, and May 31, 2011, letters from OCFA Fire Chief to the Chief Executive Officer of OCERS, attached hereto as **Exhibit 6**.)

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<sup>5</sup> As discussed above, Section 7507 didn't apply to approval of the OCFA MOU amendments because the benefit enhancements for safety employees had already been adopted by the County Board of Supervisors. As noted in the Grand Jury's report, the OCFA nevertheless secured the services of an actuary and publicly circulated that report a week before the Board approved the amendments to its safety MOUs.

<sup>6</sup> Cal. Gov't Code § 7507 [emphasis added]. Copies of the version of Section 7507 that was in effect in 2002 and the current version of Government Code section 7507 are attached hereto as **Exhibit 5**.

## **Grand Jury Response: “Pension Enhancements: A Question of Government Code Compliance”**

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As shown in Exhibit 6 and its attachments, before approving the revised benefits the OCFA secured the services of an actuary to provide the required cost study and made the cost study public at the OCFA Board Meeting on November 18, 2010 – a full two weeks before the Board adopted the revised benefits on December 2, 2010, and several months before the Board’s actions amending the pension benefits on January 27, 2011, and May 26, 2011.

As demonstrated by that public process and by the analysis and public disclosures that exceeded the legal requirements applicable in 2002, the OCFA is and remains committed to transparency and consistently meets and exceeds the transparency requirements of Government Code Section 7507.

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

## Exhibit 1

§ 31664.1. Additional service pension, CA GOVT § 31664.1

West's Annotated California Codes  
Government Code (Refs & Annos)  
Title 3. Government of Counties (Refs & Annos)  
Division 4. Employees (Refs & Annos)  
Part 3. Retirement Systems (Refs & Annos)  
Chapter 3. County Employees Retirement Law of 1937 (Refs & Annos)  
Article 7.5. Retirement of Safety Members for Service (Refs & Annos)

West's Ann.Cal.Gov.Code § 31664.1

§ 31664.1. Additional service pension

Effective: January 1, 2001  
Currentness

(a) This section may be made applicable in any county on the first day of the month after the board of supervisors of the county adopts, by majority vote, a resolution providing that this section shall become applicable in the county.

(b) Notwithstanding any other provisions of this chapter, the current service pension or the current service pension combined with the prior service pension is an additional pension for safety members purchased by the contributions of the county or district sufficient when added to the service retirement annuity to equal 3 percent of the member's final compensation set forth opposite his or her age at retirement, taken to the preceding completed quarter year, in the following table, multiplied by the number of years of current service or years of current and prior service with which the member is entitled to be credited at retirement. In no event shall the total retirement allowance exceed the limitation of the safety member's final compensation as set forth in Section 31676.1, as it now reads or may hereafter be amended to read.

Age at Retirement	Fraction
41.....	6258
41 ¼ .....	6350
41 ½ .....	6442
41 ¾ .....	6533
42%.....	6625
42 ¼ .....	6720
42 ½ .....	6814
42 ¾ .....	6909
43%.....	7004
43 ¼ .....	7102

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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## § 31664.1. Additional service pension, CA GOVT § 31664.1

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43 ½ .....	7200
43 ¾ .....	7299
44 .....	7397
44 ¼ .....	7499
44 ½ .....	7601
44 ¾ .....	7703
45 .....	7805
45 ¼ .....	7910
45 ½ .....	8016
45 ¾ .....	8121
46 .....	8226
46 ¼ .....	8339
46 ½ .....	8452
46 ¾ .....	8586
47 .....	8678
47 ¼ .....	8780
47 ½ .....	8882
47 ¾ .....	8983
48 .....	9085
48 ¼ .....	9194
48 ½ .....	9304
48 ¾ .....	9413
49 .....	9522
49 ¼ .....	9641
49 ½ .....	9761
49 ¾ .....	9880
50 and over.....	1,0000

(c) Contributions shall not be made by safety members having credit for 30 years of continuous service.

## Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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§ 31664.1. Additional service pension, CA GOVT § 31664.1

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### Credits

(Added by Stats.2000, c. 237 (A.B.1937), § 2.)

### Editors' Notes

#### OPERATIVE EFFECT

<For operative effect of certain provisions of this chapter, see Government Code § 31899.6.>

West's Ann. Cal. Gov. Code § 31664.1, CA GOVT § 31664.1

Current with urgency legislation through Ch. 28, also including Chs. 38, 42, 47, 50, 51, 52, 55, and 65 of 2017 Reg.Sess

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End of Document

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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Exhibit 2

STEEFEL  
LEVITT  
& WEISS

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EXECUTIVE SUMMARY FOR THE BOARD

TO: Board of Retirement  
Orange County Employees Retirement System 10990

FROM: Harvey L. Leiderman, Esq.  
Steeffel, Levitt & Weiss, P. C.

DATE: June 6, 2001

RE: Increased Safety Member Retirement under AB 1937

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In August, 2000, Governor Davis signed AB 1937 into law. Among the provisions of the new law, AB 1937 establishes alternative "3% at 50" and "3% at 55" formulae for calculating the benefits of safety members of retirement systems governed by the County Employees Retirement Law of 1937 ("CERL"). Each of the relevant sections of AB 1937 (Government Code Sections 31664.1 and 31664.2) states:

*"This section may be made applicable in any county on the first day of the month after the board of supervisors of the county adopts, by majority vote, a resolution providing that this section shall become applicable in the county."*<sup>1</sup>

You have asked us to advise the Board as to whether the benefit schedules set forth in AB 1937, if adopted by the Board of Supervisors of Orange County, would be binding on the safety members employed by other districts participating in OCERS.

Based upon our analysis of AB 1937, and other analogous law, we conclude that if the Board of Supervisors makes those provisions applicable in Orange County, the provisions will be binding on all other participating districts that also employ safety members of the system. We do not find language in AB 1937 sufficient as a matter of law to establish that different plan sponsors may elect to grant different benefit levels to their safety employees.

Our conclusion runs counter to what appears to have been the sponsors' and drafters' intent when moving AB 1937 through the Legislature. The Legislative Counsel's Digest that accompanies the reported text of the bill states that "[t]his bill would authorize counties or districts, subject to approval of the county board of supervisors," to provide the increased benefits set forth in the formulae. This language implies a desire to allow counties and districts to decide independently whether to extend the enhanced benefits to their employees. Under this approach, once the board of supervisors acts to make one or both of the formulae

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<sup>1</sup> All references to "Section" hereinafter refer to sections of CERL, and all references to "AB 1937" refer to Sections 31664.1 and 31664.2.



## Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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available in the county, each participating employer would be free to bargain with its own safety employees for the enhanced benefits.

In addition, the legislative analysis that accompanied AB 1937 notes that supporters of AB 1937 contended that "because this bill does not *mandate* any benefit increases at the local level, it also provides *local agencies* with the flexibility needed to attract and retain qualified employees." By stating that the bill does not "mandate" any benefit increases at the local level, and by identifying "local agencies" rather than "counties" as attracting and retaining qualified employees, the legislative analysis would further support the view that AB 1937 affords districts an independent ability to implement the new benefit formulae for their safety members, once the county board of supervisors has made them applicable in the county.

If this was, indeed, the sponsors' and drafters' intent, they unfortunately failed to express that intent in the text of the bill that was signed into law. Nowhere in AB 1937 is this intent reflected in its operative language. The absence of such language is significant, because elsewhere in the same statute the Legislature has expressly provided for separate adoption of benefits levels by districts after county action making the provisions applicable in the county.

For example, Section 31676.1, establishing a retirement formula for general members of CERL systems, provides

*"This section may be made applicable to any county . . . after the board of supervisors of such county adopts, by majority vote, a resolution providing that this section shall become applicable in such county".*

Two additional sections, however, go on to provide available enhancements to the general benefits set forth in Section 31676.1. Both Sections 31676.95 and 31676.96 (enacted in 1955) expressly state that in a county that has adopted Section 31676.1, previously retired members may receive enhanced benefits; however,

*"[t]his section shall not apply...unless and until the governing board of the county or district covered by such retirement system elects to be subject to the provisions of this section..."*

Similarly, see Section 31751 (enacted in 1984), which is the section affecting the Contra Costa County retirement system and its ability to choose to grant Tier 1 or Tier 2 benefits to its employees, notwithstanding action by the county to limit them to Tier 2 status. Section 31751 expressly provides

*"(a)(1) The board of supervisors of Contra Costa County may make this section, Tier Two, applicable to officers and employees for whom it is the governing body, by adopting a resolution specifying the future operative date of its application.*

Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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*"(2) After the board of supervisors has adopted such a resolution, the governing body of a district not governed by the board of supervisors may make this section applicable as Tier Two to its officers and employees on and after the future operative date it specifies."<sup>2</sup>*

Finally, compare new Section 31678.2, which states, in pertinent part:

*"a board of supervisors or a governing body of a district may, by resolution adopted by majority vote, make any section of this chapter prescribing a formula for calculation of retirement benefits applicable to service credit earned on or after the date specified in the resolution, which date may be earlier than the date the resolution is adopted."*

This new section passed the Legislature as SB 1696 in 2000, at the same time as AB 1937, and was signed into law the following month. The included language of this provision underscores the omitted language from AB 1937 – any mention of the ability of a participating district independently to adopt the new benefit formulae for its own safety employees.

Our review of AB 1937 in the context of the statutory framework of CERL persuades us that the Legislature could have, but did not, grant participating districts the independent right to adopt or refuse to adopt the "3% at 50" or "3% at 55" benefits for safety employees once AB 1937 is made applicable by resolution of the county board of supervisors. While this may confound the intent of the bill's sponsors and drafters, we are not at liberty to ignore the express language of the statute in an effort to achieve an "intended" result. The authority to correct an error in the statute, if appropriate, resides with the Legislature, not with the administrative body responsible for carrying out its terms.

We respectfully recommend that the Board of Retirement notify the County and all affected participating districts of OCERS' intent to apply the increase in safety retirement under AB 1937 uniformly to all safety members of the retirement system if the law is made applicable in Orange County by resolution of the County Board of Supervisors.

cc: Keith S. Bozarth, Executive Director

<sup>2</sup> In finding Section 31751's grant of independent authority to district, the appellate court in Corcoran v. Contra Costa County Employees Retirement Board (1997) 60 Cal.App.4<sup>th</sup> 89 recognized that the retirement board was the governing body of employees of a district not governed by the county board of supervisors, notwithstanding that all of its employees are required to be county employees under CERL.

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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## Exhibit 3

7/20/2017

Retirement Board Minutes - June 18, 2001

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF RETIREMENT  
2223 WELLINGTON AVENUE  
SANTA ANA, CALIFORNIA

REGULAR MEETING  
JUNE 18, 2001  
MINUTES

The Chairman called the meeting to order at 8:30 a.m. and read the opening statement into the record. Attendance was as follows:

Present: George W. Jeffries, Chairman; Frank E. Eley, Vice-Chairman; Reed L. Royalty; Thomas J. Lightvoet; John M.W. Moorlach; Charles H. Simons; Thomas N. Fox; Keith L. Concannon, and Sharon L. Neebe

Alternate: David J. Thompson, alternate for all elected Board Members

Absent: Mr. Lightvoet left the meeting at 11:00 a.m.

Also present: Keith Bozarth, Chief Executive Officer; James W. Buck, Chief Operations Officer; Farouki Majeed, Chief Investment Officer; Shanta Chary, Investment Analyst; Toi Dang, Chief Financial Officer; Ricki Contreras and Andre Kujawski, Disability Investigators; Fred Messerer, Disability Staff Attorney; Stephen Cadena, Member Services Manager; Alicia Cavazos, Human Resources Manager; Anthony Beltran, Audio/Visual Technician, Jayne Ritchey Recording Secretary.

Harvey Leiderman, Esq. of Steefel, Levitt & Weiss

Mr. Royalty led the pledge of allegiance and Mr. Jeffries offered the invocation.

## CONSENT AGENDA

*Mr. Moorlach pulled item C-2B and Mr. Lightvoet pulled item C-3*

A motion was made by Mr. Simons and seconded by Mr. Lightvoet to approve the remainder of the consent agenda. The motion carried.

### C-1 MATERIAL DISTRIBUTED

Applications and  
Notices

- June 18, 2001

Recommendation: Receive and file.

### C-2 BOARD MEETINGS AND COMMITTEE MEETINGS:

#### A. MEETING AUTHORIZATION

Regular Board  
Meeting



## Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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7/20/2017

Retirement Board Minutes - June 18, 2001

Mr. Majeed presented the Chief Investment Officer's report. After discussion, a motion was made by Mr. Fox and seconded by Mr. Lightvoet to receive and file the CIO's report. The motion carried.

### I-4 UPDATE ON THE CURRENT STATUS OF MARS PROJECT

Carolyn Ford of Carolyn Ford and Associates, Inc. presented to the Board an update on the current status of the MARS project. After discussion, a motion was made by Mr. Concannon and seconded by Mr. Lightvoet to receive and file the report. The motion carried.

### I-5 PROPOSAL FOR INTERNAL AUDIT SERVICES FROM LINK, MURREL & CO.

A motion was made by Mr. Moorlach and seconded by Mr. Lightvoet to:

- (1) Authorize staff to enter into an agreement with Link, Murrel & Co. to perform a review of OCERS' system of Internal Control at the cost not to exceed \$49,250 and
- (2) Approve a supplemental budget appropriation to defray the actual internal audit costs.

Gary Crouch of Link, Murrel & Company addressed the board.

After discussion, the motion carried.

### I-6 YEAR 2001 BUDGET ADJUSTMENT FOR BUILDING LEASE OF SUITE 320 OCCUPIED BY OCERS' DISABILITY SECTION.

A motion was made by Mr. Fox and seconded by Mr. Royalty to approve budget adjustment of \$45,000 for Suite 320 lease. The motion carried with Mr. Moorlach voting no.

### I-7 OPTION 4, BENEFIT PAYMENT ELECTION FOR RETIRING MEMBER ROBERT LOHRMAN

A motion was made by Mr. Lightvoet and seconded by Mr. Moorlach to grant election of retirement benefit payment Option 4, based on Towers Perrin actuarial report for retiring member Robert Lohman. The motion carried.

### I-8 OCERS – OCLAFCO MEMBERSHIP AGREEMENT

A motion was made by Mr. Moorlach and seconded by Mr. Lightvoet to approve the proposed membership agreement between OCERS and OCLAFCO. The motion carried.

### I-9 APPLICATION OF PROPOSED INCREASE IN SAFETY RETIREMENT UNDER AB 1937

A motion was made by Mr. Fox and seconded by Mr. Royalty to approve counsel's recommendation to notify participating districts of OCERS' intent to apply the increase in safety retirement under AB 1937 uniformly to all safety members if the law is made applicable in Orange County by resolution of the County Board of Supervisors. After discussion, the motion carried.

### I-10 REQUEST FOR STAFF TO DEVISE A METHOD BY WHICH ALL CANDIDATES FOR BOARD ELECTION MAY DISTRIBUTE MATERIALS TO ALL ELIGIBLE VOTERS.

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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## Exhibit 4

11-30-01 02:11pm From=CLERK OF T/ TARD

7148344439

T-049 P 07/10 F-488

Attachment II

RESOLUTION OF THE BOARD OF SUPERVISORS OF  
ORANGE COUNTY, CALIFORNIA  
ADOPTING GOVERNMENT CODE SECTION 31664.1  
\_\_\_\_\_, 2001

WHEREAS, the Board of Supervisors has the authority to adopt certain provisions of the County Employees Retirement Law of 1937 for calculating the benefits available to safety members of the County and other retirement plan sponsors of the Orange County Employees Retirement System within the County; and

WHEREAS, Government Code Section 31664.1 establishes an alternative "3% at 50" formula for calculating the benefits of safety members of retirement systems governed by the County Employees Retirement Law of 1937; and

WHEREAS, by making such benefits available, this Board does not mandate such benefits for any employees or employer; and

WHEREAS, implementation of such benefits is properly the subject of collective bargaining as set out in the Meyers - Milias - Brown Act (Government Code Section 3500 et seq.); and

WHEREAS, the County of Orange ("County") has concluded meeting and conferring with the Association of Orange County Deputy Sheriffs representing certain classifications designated as safety members of the Orange County Employees Retirement Systems; and

WHEREAS, this Board does not wish to mandate the costs and benefits of Government Code Section 31664.1 on County and non-County members of the Orange County Employees Retirement System prior to completion of their respective meet and confer requirements; and

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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11-30-01 02:12pm From-CLERK OF THE CLERK

7148344439

T-048 P 08/10 F-488

WHEREAS, as required by Government Code Section 7507, the County has provided an actuarial study showing the potential cost of the implementation of such benefits.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors hereby resolves that Government Code section 31664.1 shall become applicable in Orange County effective June 28, 2002.

BE IT FURTHER RESOLVED that on June 28, 2002 this Resolution is applicable to employees and officials of the Orange County Sheriff's Department and Orange County District Attorney's Office in classifications designated as safety members of the Orange County Employees Retirement System.

BE IT FURTHER RESOLVED that the Board of Supervisors requests, to the extent permitted by law, that the Orange County Employees Retirement System implement the retirement allowance provided in Government Code Section 31664.1 as to County and non-County members of the Retirement System only after the completion of any meet and confer requirements applicable to those member agencies and employees.

PASSED AND APPROVED THIS \_\_\_\_\_ day of \_\_\_\_\_ 2001;

EFFECTIVE DATE OF RESOLUTION: June 28, 2002



# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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## Exhibit 5

### Government Code Section 7507 – Version in effect in 2002

§ 7507. Actuarial impact upon future annual costs prior to..., CA GOVT § 7507

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West's Annotated California Codes Government Code (Refs & Annos) Title 1. General Division 7. Miscellaneous Chapter 21. Public Pension and Retirement Plans (Refs & Annos)
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This section has been updated. [Click here](#) for the updated version.

West's Ann. Cal. Gov. Code § 7507

§ 7507. Actuarial impact upon future annual costs prior to authorizing increases in benefits; use of enrolled actuary

Effective: [See Text Amendments] to December 31, 2008

The Legislature and local legislative bodies shall secure the services of an enrolled actuary to provide a statement of the actuarial impact upon future annual costs before authorizing increases in public retirement plan benefits. An "enrolled actuary" means an actuary enrolled under subtitle C of Title III of the federal Employee Retirement Income Security Act of 1974<sup>1</sup> and "future annual costs" shall include, but not be limited to, annual dollar increases or the total dollar increases involved when available.

The future annual costs as determined by the actuary shall be made public at a public meeting at least two weeks prior to the adoption of any increases in public retirement plan benefits.

#### Credits

(Added by Stats.1977, c. 941, p. 2874, § 1. Amended by Stats.1980, c. 481, § 3.)

#### Footnotes

<sup>1</sup> See 29 U.S.C.A. § 1001 et seq.

West's Ann. Cal. Gov. Code § 7507, CA GOVT § 7507

Current with urgency legislation through Ch. 28, also including Chs. 38, 42, 47, 50, 51, 52, 55, and 65 of 2017 Reg.Sess

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End of Document

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# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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## Government Code Section 7507 – Version currently in effect (2017)

§ 7507. Definitions; actuarial impact upon future annual costs..., CA GOVT § 7507

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West's Annotated California Codes  
Government Code (Refs & Annos)  
Title 1. General  
Division 7. Miscellaneous  
Chapter 21. Public Pension and Retirement Plans (Refs & Annos)  
Article 1. General Provisions (Refs & Annos)

West's Ann. Cal. Gov. Code § 7507

§ 7507. Definitions; actuarial impact upon future annual costs prior to authorizing increases in benefits; public meetings; application

Effective: January 1, 2017

Currentness

(a) For the purpose of this section:

(1) "Actuary" means an actuary as defined in Section 7504.

(2) "Future annual costs" includes, but is not limited to, annual dollar changes, or the total dollar changes involved when available, as well as normal cost and any change in accrued liability.

(b)(1) Except as provided in paragraph (2), the Legislature and local legislative bodies, including community college district governing boards, when considering changes in retirement benefits or other postemployment benefits, shall secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, including normal cost and any additional accrued liability, before authorizing changes in public retirement plan benefits or other postemployment benefits.

(2) The requirements of this subdivision do not apply to:

(A) An annual increase in a premium that does not exceed 3 percent under a contract of insurance.

(B) A change in postemployment benefits, other than pension benefits, mandated by the state or federal government or made by an insurance carrier in connection with the renewal of a contract of insurance.

(c)(1)(A) With regard to local legislative bodies, including community college district governing boards, the future costs of changes in retirement benefits or other postemployment benefits, as determined by the actuary, shall be made public at a public meeting at least two weeks prior to the adoption of any changes in public retirement plan benefits or other postemployment benefits. If the future costs of the changes exceed one-half of 1 percent of the future annual costs, as defined in paragraph (2) of subdivision (a), of the existing benefits for the legislative body, an actuary shall be present to provide information as needed at the public meeting at which the adoption of a benefit change shall be considered. The adoption of any benefit to which this section applies shall not be placed on a consent calendar.

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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§ 7507. Definitions; actuarial impact upon future annual costs..., CA GOVT § 7507

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(B) The requirements of this paragraph do not apply to:

(i) An annual increase in a premium that does not exceed 3 percent under a contract of insurance.

(ii) A change in postemployment benefits, other than pension benefits, mandated by the state or federal government or made by an insurance carrier in connection with the renewal of a contract of insurance.

(2) With regard to the Legislature, the future costs as determined by the actuary shall be made public at the policy and fiscal committee hearings to consider the adoption of any changes in public retirement plan benefits or other postemployment benefits. The adoption of any benefit to which this section applies shall not be placed on a consent calendar.

(d) Upon the adoption of any benefit change to which this section applies, the person with the responsibilities of a chief executive officer in an entity providing the benefit, however that person is denominated, shall acknowledge in writing that he or she understands the current and future cost of the benefit as determined by the actuary. For the adoption of benefit changes by the state, this person shall be the Director of Human Resources.

(e) The requirements of this section do not apply to a school district or a county office of education, which shall instead comply with requirements regarding public notice of, and future cost determination for, benefit changes that have been enacted to regulate these entities. These requirements include, but are not limited to, those enacted by Chapter 1213 of the Statutes of 1991 and by Chapter 52 of the Statutes of 2004.

## Credits

(Added by Stats.2008, c. 371 (S.B.1123), § 3. Amended by Gov.Reorg.Plan No. 1 of 2011, § 45, eff. Sept. 9, 2011, operative July 1, 2012; Stats.2012, c. 665 (S.B.1308), § 41; Stats.2016, c. 415 (A.B.2375), § 4, eff. Jan. 1, 2017.)

## Notes of Decisions (3)

West's Ann. Cal. Gov. Code § 7507, CA GOVT § 7507

Current with urgency legislation through Ch. 28, also including Chs. 38, 42, 47, 50, 51, 52, 55, and 65 of 2017 Reg.Sess

End of Document

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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Exhibit 6



**ORANGE COUNTY FIRE AUTHORITY**

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

[www.ocfa.org](http://www.ocfa.org)

December 3, 2010

Mr. Steve Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701

Dear Mr. Delaney:

In the Fall of 2010, representatives from the Orange County Fire Authority (OCFA) began the meet and confer process with the Orange County Professional Firefighters Association (OCPFA) and the Chief Officers Association (COA) regarding potential amendments to their current Memorandums of Understanding (MOUs). As part of the meet and confer process, the parties have agreed to a new retirement benefit formula commonly referred to as "3% @ 55" for future implementation effective July 1, 2012. This retirement benefit has been included in the Amended MOUs which were approved by the Board of Directors on December 2, 2010.

Prior to this Board action and pursuant to Government Code Section 7507, OCFA secured the services of an actuary to provide a cost study, and we made that study public at our November 18, 2010 meeting of the Board of Directors (attached). I have reviewed the cost study and have gained an understanding of the current and future cost of reducing the current safety retirement formula from 3%@50 to the new formula of 3%@55, as determined by the actuary. The enclosed cost study estimates the normal cost for the reduced 3%@55 formula to be 2.77% less than the normal cost for the current 3%@50 formula. While the normal cost component of our safety retirement rates will be reduced, I understand that the UAAL component of our safety rates will remain unchanged as a result of this transition.

This letter is provided in compliance with the requirements of Government Code Section 7507. We will also forward complete and executed copies of the Amended MOUs, as well as executed copies of the Resolutions which have been adopted by the Board of Directors under separate cover.

If you have any questions, you may contact me at (714) 573-6010 or Lori Zeller of my staff at (714) 573-6020.

Respectfully,

A handwritten signature in black ink that reads "Keith Richter".

Keith Richter  
Fire Chief

Attachments

cc: Lori Zeller, Assistant Chief, Business Services  
Zenovy Jakymiw, Director, Human Resources

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RESIDENTIAL SPRINKLERS AND SMOKE DETECTORS SAVE LIVES

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**ORANGE COUNTY FIRE AUTHORITY**

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

[www.ocfa.org](http://www.ocfa.org)

February 2, 2011

Mr. Steve Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701

Dear Mr. Delaney:

We previously advised you that our firefighters and chief officers had agreed to amend their Memorandums of Understanding (MOUs) to implement the new retirement benefit formula commonly referred to as "3% @ 55" for future new employees hired on or after July 1, 2012. The amendment to the firefighters' and chief officers' MOUs were approved by the Board of Directors on December 2, 2010.

Following that action, on January 27, 2011, the Board of Directors approved additional amendments to the OCFA's Personnel & Salary Resolution (P&SR), which covers unrepresented safety members of Executive Management. These amendments included implementation of the same new retirement benefit formula ("3% @ 55") for newly hired safety members of Executive Management; however, the new tier shall be effective July 1, 2011 for this group.

Prior to this Board action and pursuant to Government Code Section 7507, OCFA secured the services of an actuary to provide a cost study, and we made that study public at our November 18, 2010 meeting of the Board of Directors (attached). I have reviewed the cost study and have gained an understanding of the current and future cost of reducing the current safety retirement formula from 3%@50 to the new formula of 3%@55, as determined by the actuary. The enclosed cost study estimates the normal cost for the reduced 3%@55 formula to be 2.77% less than the normal cost for the current 3%@50 formula. While the normal cost component of our safety retirement rates will be reduced, I understand that the UAAL component of our safety rates will remain unchanged as a result of this transition.

This letter is provided in compliance with the requirements of Government Code Section 7507. We will also forward complete and executed copies of the Amended P&SR, as well as an executed copy of the Board-approved Resolution under separate cover.

If you have any questions, you may contact me at (714) 573-6010 or Lori Zeller of my staff at (714) 573-6020.

Respectfully,

A handwritten signature in black ink that reads "Keith Richter".

Keith Richter  
Fire Chief

Attachments

cc: Lori Zeller, Assistant Chief, Business Services  
Zenovy Jakymiw, Director, Human Resources

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**ORANGE COUNTY FIRE AUTHORITY**

P. O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

www.ocfa.org

May 31, 2011

Mr. Steve Delaney  
Chief Executive Officer  
Orange County Employees Retirement System  
2223 Wellington Avenue  
Santa Ana, CA 92701

Dear Mr. Delaney:

We previously advised you that our firefighters and chief officers had agreed to amend their Memorandums of Understanding (MOUs) to implement the new retirement benefit formula commonly referred to as "3% @ 55" for future new employees hired on or after July 1, 2012. We also advised you of approved amendments to the OCFA's Personnel & Salary Resolution (P&SR), implementing the same new retirement benefit formula ("3% @ 55") for newly hired safety members of Executive Management effective July 1, 2011.

We are now pleased to report our final labor concession action impacting future retirement benefits for the last of our three labor groups, the Orange County Employees' Association (OCEA). On May 26, 2011, the Board of Directors approved amendments to the MOU with OCEA, including the implementation of a new retirement benefit formula ("2% @ 55") for newly hired members of OCEA effective July 1, 2011.

Prior to this Board action and pursuant to Government Code Section 7507, OCFA secured the services of an actuary to provide a cost study, and we made that study public at our November 18, 2010 meeting of the Board of Directors (attached). I have reviewed the cost study and have gained an understanding of the current and future cost of reducing the current retirement formula from 2.7%@55 to the new formula of 2%@55, as determined by the actuary. The enclosed cost study estimates the normal cost for the reduced 2%@55 formula to be 3.83% less than the normal cost for the current 2.7%@55 formula. While the normal cost component of our retirement rates will be reduced, I understand that the UAAL component of our rates will remain unchanged as a result of this transition.

This letter is provided in compliance with the requirements of Government Code Section 7507. We will also forward a complete and executed copy of the Amended MOU, as well as an executed copy of the Board-approved Resolution under separate cover.

If you have any questions, you may contact me at (714) 573-6010 or Lori Zeller of my staff at (714) 573-6020.

Respectfully,

  
Keith Richter  
Fire Chief

Attachments

cc Lori Zeller, Assistant Chief, Business Services  
Zenovy Jakymiw, Director, Human Resources

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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CONSENT CALENDAR - AGENDA ITEM NO. 11  
BOARD OF DIRECTORS MEETING  
November 18, 2010

TO: Board of Directors, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Special Study to Provide Alternative Retirement Benefits**

Summary:

This agenda item is submitted to the Board for review of the attached actuarial cost study prepared by The Segal Company in June 2009.

Recommended Action:

Receive and file the *2009 Special Study to Provide Alternative Retirement Benefits for New General and Safety Employees* prepared by The Segal Company, pursuant to Government Code Section 7507.

Background:

The severe market downturn and devastating 2008 investment losses sustained by the Orange County Retirement System (OCERS) had a major and negative cost impact on the retirement rates that the OCFA is obligated to pay to OCERS. The total retirement rate, also known as the annual contribution rate, has two components: the Normal Cost Component plus the current year's cost for the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost Component is the cost to pay for the current year's value of retirement benefits as earned. The UAAL Component is the accrued liability for past services which were not funded by prior contributions and investments.

OCFA's UAAL has increased from \$276 million in 2008 to \$391 million in 2009. Of the \$391 million UAAL, 88% or \$345 million is attributed to Safety members and 12% or \$46 million is attributed to General members. The OCERS system is now 69% funded, down from 71% in 2008. While a new tier of retirement cannot eliminate, or even reduce the unfunded liability that has already accumulated, a new tier can be beneficial in lowering the Normal Cost Component.

For OCFA, a new retirement tier with a reduced pension benefit formula would not have a significant impact in the short term; however, as we hire new employees over the long term, it would begin to reduce our average retirement contribution rate and volatility of rates. Therefore, pursuant to the Board's direction to meet and confer with labor regarding potential concessions, one of the areas being explored is a new tier. There is no certainty regarding whether or not any proposed concession packages will include a new tier; however, in the event they do, there are provisions of Government Code Section 7507 that we must comply with prior to implementation, as further described below.

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

Consent Calendar - Agenda Item No. 11  
Board of Directors Meeting  
November 18, 2010 Page 2

## Government Code Section 7507

Government Code Section 7507 requires that OCFA secure the services of an actuary to provide a cost study, and to make the cost study public at a public meeting at least two weeks prior to adoption of the new formula. In addition, the chief executive officer, or in OCFA's case the Fire Chief, must acknowledge in writing that he understands the current and future cost of the benefit as determined by the actuary.

OCFA is submitting the actuary's report to the Board at this time to comply with the requirement of Government Code 7507 in the event the Board wishes to move forward in implementing a new tier. The earliest that staff would potentially return to the Board with an MOU including a new retirement tier would be at the Special Meeting scheduled for December 2, 2010.

## The Actuarial Study

The first step that OCFA took in exploring a new tier was to engage the actuarial firm, The Segal Company, in June 2009 to prepare a cost study in the event OCFA found it necessary to discuss a potential new tier for new hires (See Attachment). The Segal study compares the Normal Cost of the current Safety formula (3%@50) and the Normal Cost of the current General formula (2.7%@55) with the Normal Cost of several lower formulas permitted under the '37 Act for Retirement Systems. In addition to the Normal Cost rates, the study explains that the employer would have to continue to contribute the same UAAL rates of 12.59% and 21.94% for General and Safety members respectively, determined in the December 2008 valuation.

The attached Actuarial Cost Study demonstrates how changing to a lower formula lowers the Normal Cost rate of retirement (see page 6 of the Study):

	Safety Members - Benefit Formulas			General Members - Benefit Formulas		
	3@50	3@55	2@50 *	2.7@55	2.5@55	2.0@55
Employer Rate	20.33%	18.30%	15.24%	12.11%	10.90%	11.11%
Employee Rate	13.44%	12.70%	12.17%	11.12%	10.92%	8.29%
Total Normal Cost	33.77%	31.00%	27.41%	23.23%	21.82%	19.40%
UAAL Cost	21.94%	21.94%	21.94%	12.59%	12.59%	12.59%
Total Rate	55.71%	52.94%	49.35%	35.82%	34.41%	31.99%
Difference from Current Formula		(2.77%)	(6.36%)		(1.41%)	(3.83%)

\*The 2@50 formula grows to a benefit level of 2.62% at age 55.

Staff will continue to explore the possibility of including a new retirement tier in any potential concession packages and return to the Board at a later date for consideration of any amended MOU's that result from negotiations.

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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Consent Calendar - Agenda Item No. 11  
Board of Directors Meeting  
November 18, 2010 Page 3

Impact to Cities/County:  
Not Applicable.

Fiscal Impact:  
There is no immediate financial impact but rather there is potential for future savings by implementing a lower benefit retirement formula.

Staff Contacts for Further Information:  
Lori Zeller, Assistant Chief  
Business Services Department  
[LoriZeller@ocfa.org](mailto:LoriZeller@ocfa.org)  
(714) 573-6020

Zenovy Jakymiw  
Director of Human Resources  
[ZenovyJakymiw@ocfa.org](mailto:ZenovyJakymiw@ocfa.org)  
(714) 573-6801

Tricia Jakubiak  
Treasurer  
[TriciaJakubiak@ocfa.org](mailto:TriciaJakubiak@ocfa.org)  
(714) 573-6301

Attachment:  
*Special Study to Provide Alternative Retirement Benefits for New General and Safety Employees*

Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**ORANGE COUNTY FIRE AUTHORITY (OCFA)**

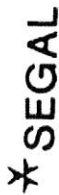
*Special Study to Provide Alternative Retirement Benefits for New  
General and Safety Employees*

**FOR DISCUSSIONS WITH CLIENT**

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# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"



The Segal Company  
100 Montgomery Street, Suite 500 San Francisco, CA 94104  
T 415.263.8200 F 415.263.8200 www.segalco.com

June 1, 2009

Ms. Tricia Jahubiat  
Purchasing Agent  
Orange County Fire Authority  
1 Fire Authority Road  
Building C  
Irvine, CA 92602

Dear Tricia:

*We are pleased to submit our study of the proposed alternative benefits formulas for new General and Safety employees of the Orange County Fire Authority (OCFA).*

*As these proposed formulas would only be offered to new employees, and data for these employees are not currently available, we have assumed in this valuation that their demographic profiles (e.g., entry age, composition of male versus female, etc.) can be approximated by the data profiles of current OCFA General and Safety active members hired in the three years prior to the last valuation as of December 31, 2008. No current active, inactive vested members, retirees, or beneficiaries have been included in this valuation. With the exception of the service retirement assumptions under the Safety formulas, this study utilizes the actuarial assumptions and methodologies adopted by the OCERS Board of Retirement for use in the December 31, 2008 valuation. A brief description of the methodology we used to select the service retirement assumptions for the new Safety formulas is provided in Section I.*

*The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, Enrolled Actuary.*

*We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.*

Sincerely,

THE SEGAL COMPANY

By: Paul Angelo, FSA, MAAA, EA  
Senior Vice President and Actuary  
MYM/ty

Andy Yeung, ASA, MAAA, EA  
Vice President and Associate Actuary

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

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<b>SECTION I</b>	<b>REVIEW SUMMARY</b>	Contribution Recommendations ... 1
<b>SECTION II</b>	<b>VALUATION RESULTS</b>	<ul style="list-style-type: none"> <li>A. Demographics as of December 31, 2008 ..... 4</li> <li>B. Comparison of Contribution Rates Before and After Change in Benefit Formulas for General Members ..... 5</li> <li>C. Comparison of Contribution Rates Before and After Change in Benefit Formulas for Safety Members ..... 6</li> </ul>
<b>SECTION III</b>	<b>SUPPORTING EXHIBITS</b>	<ul style="list-style-type: none"> <li>EXHIBIT I Actuarial Assumptions and Plan Summary for OCFAs General and Safety Members ..... 7</li> <li>EXHIBIT II Individual Member Contribution Rates ..... 13</li> </ul>

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# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

**SECTION 1: Proposed Benefit Changes for New OCFA General and Safety Members Review Summary**

**CONTRIBUTION RECOMMENDATIONS**

- > Currently, General and Safety members of OCFA are enrolled in Rate Groups 10 and 8, respectively. Within each of the two Rate Groups, there are members who are in Tier 1 (referred to as General Plan I and Safety Plan E) and Tier 2 (referred to as General Plan J and Safety Plan F). If adopted by OCFA, we assume members who join OCFA after the effective date of the proposed benefit formulas will continue to be rated separately from the other employers whose employees are entitled to the same benefit formulas. These members could be tracked by creating a new Rate Group or by creating a new Tier within Rate Groups 10 and 8.
- > We have studied the cost of four alternative formulas for General members. For each alternative formula, we have included an "a" scenario with a 3% COLA and a "b" scenario with a 2% COLA.

Alternative #1a: (OCERS Plan A except with Final 3-Year Average Compensation)	Section 31676.12 – 1.77% at 55 with 3% COLA
Alternative #1b:	Same as #1a but with 2% COLA
Alternative #2a: (OCERS Plan B)	Section 31676.1 – 1.49% at 55 with 3% COLA
Alternative #2b:	Same as #2a but with 2% COLA
Alternative #3a: (OCERS Plan N)	Section 31676.16 – 2.08% at 55 with 3% COLA
Alternative #3b:	Same as #3a but with 2% COLA
Alternative #4a: (OCERS Plan H)	Section 31676.18 – 2.50% at 55 with 3% COLA
Alternative #4b:	Same as #4a but with 2% COLA

As a reminder, new General OCFA employees are currently entitled to a benefit under Section 31676.19 which provides a 2.70% of Final 3-year Average Compensation for retirement at age 55, with a 3% COLA paid after retirement (General Plan J).

Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

**SECTION 1: Proposed Benefit Changes for New OCFA General and Safety Members Review Summary**

> With the exceptions of Alternatives #1a and #1b, the basic General member rates are set using the same formulas as those provided under the 1937 Act for members in existing Plans B, N and H. For Alternatives #1a and #1b, we have not applied the "half-rate" formula (reference: Section 31621.5 which requires the member to fund a benefit equal to one two-hundredth of the final average compensation at age 60) because that would result in a decrease in the member rate and an increase in the employer rate compared to those calculated under the current 2.70% at 55 formula.

The "full-rate" formula (reference: 31621.2) we use in this study would require the member to fund a benefit equal to one one-hundredth of the final average compensation at age 60.

We have continued the current practice of assuming that members would pay one-half of the cost to provide future COLA benefits.

> We have studied the cost of two alternative formulas for Safety members. For each alternative, we have included an "a" scenario with a 3% COLA and a "b" scenario with a 2% COLA.

Alternative #1a:	Section 31664 – 2% at 50 with 3% COLA
Alternative #1b:	Same as #1a but with 2% COLA
Alternative #2a:	Section 31664.2 – 3% at 55 with 3% COLA
Alternative #2b:	Same as #2a but with 2% COLA

As a reminder, new Safety OCFA employees are currently entitled to a benefit under Section 31664.1 which provides a 3% of Final 3-year Average Compensation for retirement age 50, with a 3% COLA paid after retirement (Safety Plan F). The basic Safety member rates are set using the same formula as that used for the current 3% at 50 formula (reference: Section 31639.25).

We have continued the current practice of assuming that members would pay one-half of the cost to provide future COLA benefits.

> To estimate the potential cost impact, this study assumes that the demographic profiles of new OCFA General and Safety members would be comparable to current General and Safety OCFA active members hired in the three years prior to the December 31, 2008 actuarial valuation. For comparison purposes only, we have calculated the employer Normal Cost contribution rates for these groups of members under the proposed alternative benefit formulas as of December 31, 2008, and compared these rates to the employer Normal Cost contribution rates under their current tiers of membership for these members (General Plan J or Safety Plan F).

# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

## SECTION 1: Proposed Benefit Changes for New OCF A General and Safety Members Review Summary

- > In addition to the employer Normal Cost rates provided in Section 2B, it is anticipated that the employer would have to continue to contribute the same UAAL rates of 12.59% and 21.94% for General and Safety members, respectively, determined in the December 31, 2008 valuation. This is because the UAAL rates were determined as of December 31, 2008 assuming the UAAL determined in that valuation would be paid off by contributions based on payrolls for all current and new entrants who entered the System after December 31, 2008.
- > In Section 2B, we compare the member rates for new General and Safety members based on the demographic profiles of the members hired in the three years prior to the December 31, 2008 actuarial valuation. The tables in Section 2B summarize the member contribution rates for the new OCF A General and Safety members utilizing the same estimated data used for calculating the employer contribution rates. The detailed entry age based member rates are provided in Section 3, Exhibit II.
- > Most of the actuarial assumptions used in this study are the same as those adopted by the Retirement Board for use in the December 31, 2008 valuation. In that valuation, the Retirement Board adopted retirement assumptions to anticipate earlier retirement for those employees receiving improved benefits that apply to all General plans except Plans A and B. Those retirement rates are applied in this study for the General Alternatives #3 and #4. For the General Alternatives #1 and #2, we have used the retirement rates for General members that apply to General Plans A and B, i.e., members not receiving improved benefits, in the December 31, 2008 valuation.
- > We have used new retirement rates for Safety members in anticipation of members retiring later under both of the alternative formulas. In selecting these new service retirement assumptions, we have reviewed the System's service retirement rates prior to the recent 3% at 50 Safety improvement. We have also looked at the adjustments made by other Segal 1937 Act County clients that have recently implemented lower benefit formulas.

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

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**SECTION 2: Proposed Benefit Changes for New OCFA General and Safety Members  
Valuation Results**

**A. Demographics as of December 31, 2008**

Category	OCFA General	OCFA Safety
Active members in valuation*		
Average entry age	33.7	27.0
Projected average compensation	\$ 60,800	\$ 68,900

\* The data used for this study for new OCFA General and Safety members is based on the December 31, 2008 valuation member data for OCFA active General and Safety members hired in the three years prior to the December 31, 2008 actuarial valuation.

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**SECTION 2: Proposed Benefit Changes for New OCFA General and Safety Members Valuation Results**

**B. Comparison of Normal Cost Rates Before and After Change in Benefit Formula for General Members:**

Formula	Benefit	Maximum Annual COLA	Employer Rate		Average Member Rate	
			% of Payroll	Average Annual Amount <sup>a</sup>	% of Payroll	Estimated Average Annual Amount <sup>a</sup>
Current Formula	2.70% at 55	3%	12.11%	\$7,400	11.12%	\$6,800
Alternative #1a	1.77% at 55	3%	10.33%	\$6,300	9.42%	\$5,700
Alternative #1b	1.77% at 55	2%	9.34%	\$5,700	8.50%	\$5,200
Alternative #2a	1.49% at 55	3%	9.31%	\$5,700	7.95%	\$4,800
Alternative #2b	1.49% at 55	2%	8.49%	\$5,200	7.15%	\$4,300
Alternative #3a	2.08% at 55	3%	11.11%	\$6,800	8.29%	\$5,000
Alternative #3b	2.08% at 55	2%	10.14%	\$6,200	7.35%	\$4,500
Alternative #4a	2.50% at 55	3%	10.90%	\$6,600	10.92%	\$6,600
Alternative #4b	2.50% at 55	2%	9.84%	\$6,000	9.86%	\$6,000

<sup>a</sup>These per member amounts are based on the December 31, 2008 average annual payroll for OCFA active General members hired within the past three years of \$60,800.

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

**SECTION 2: Proposed Benefit Changes for New OCFa General and Safety Members  
Valuation Results**

**C. Comparison of Normal Cost Rates Before and After Change in Benefit Formula for Safety Members:**

Formula	Benefit	Maximum Annual COLA	Employer Rate		Average Member Rate	
			% of Payroll	Estimated Average Annual Amount <sup>c</sup>	% of Payroll	Estimated Average Annual Amount <sup>c</sup>
Current Formula	3.00% at 50	3%	20.33%	\$14,000	13.44%	\$9,300
Alternative #1a	2.00% at 50	3%	15.24%	\$10,500	12.17%	\$8,400
Alternative #1b	2.00% at 50	2%	13.64%	\$9,400	10.60%	\$7,300
Alternative #2a	3.00% at 55	3%	18.30%	\$12,600	12.70%	\$8,800
Alternative #2b	3.00% at 55	2%	16.45%	\$11,300	10.91%	\$7,500

*<sup>c</sup>These per member amounts are based on the December 31, 2008 average annual payroll for OCFa active Safety members hired within the past three years of \$68,900.*



Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members  
Supporting Exhibits**

**EXHIBIT I**

**Actuarial Assumptions and Plan Summary for OCFA General and Safety Members**

**Actuarial Assumptions:**

The service retirement assumptions that are used in determining results for the alternative formulas are shown on the next page. All the other actuarial assumptions are the same as those adopted by the Retirement Board for use in the December 31, 2008 actuarial valuation.

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members**  
**Supporting Exhibits**

**Retirement Rates:**

Age	Rates (%)					
	General			Safety <sup>(1)</sup>		
	Current and Alternatives #3 and #4	Alternatives #1 and #2	Current	Alternative #1	Alternative #2	Alternative #2
50	2.50	3.00	10.00	6.00	8.00	8.00
51	2.50	3.00	12.00	8.00	10.00	10.00
52	2.50	3.00	14.00	9.00	11.00	11.00
53	2.50	3.00	15.00	10.00	12.00	12.00
54	5.00	3.00	17.00	11.00	14.00	14.00
55	15.00	4.00	25.00	23.00	24.00	24.00
56	8.00	5.00	25.00	20.00	23.00	23.00
57	8.00	6.00	30.00	24.00	27.00	27.00
58	10.00	7.00	30.00	24.00	27.00	27.00
59	10.00	9.00	40.00	32.00	36.00	36.00
60	13.00	11.00	100.00	100.00	100.00	100.00
61	13.00	13.00	100.00	100.00	100.00	100.00
62	15.00	15.00	100.00	100.00	100.00	100.00
63	15.00	17.00	100.00	100.00	100.00	100.00
64	20.00	19.00	100.00	100.00	100.00	100.00
65	20.00	25.00	100.00	100.00	100.00	100.00
66	24.00	20.00	100.00	100.00	100.00	100.00
67	24.00	20.00	100.00	100.00	100.00	100.00
68	24.00	20.00	100.00	100.00	100.00	100.00
69	24.00	20.00	100.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00

<sup>(1)</sup> Retirement rate is 100% after a member accrues a benefit of 100% of final average compensation.

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

**SECTION 3: Proposed Benefit Changes for New OCFAs General and Safety Members**  
Supporting Exhibits

<b>Plan Provisions:</b>	Please note that with the exception of the plan provisions described below, all the other plan provisions are assumed to be the same as those used in the December 31, 2008 valuation.	
<b>Membership Eligibility:</b>		
<i>General</i>	All General members hired on or after the effective date of the adoption of the alternative benefit formula.	
<i>Safety</i>	All Safety members hired on or after the effective date of the adoption of the alternative benefit formula.	
<b>Final Compensation for Benefit Determination:</b>		
<i>General and Safety</i>	Highest consecutive thirty-six months of compensation earnable (§31462) (FAS3).	
<b>Retirement Benefit Formula:</b>		
<b>General Plans</b>	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Current (§31676.19)</i>	50	(2.00% x FAS3 x Yrs)
<i>OCERS Plan J</i>	55	(2.70% x FAS3 x Yrs)
	60	(2.70% x FAS3 x Yrs)
	62	(2.70% x FAS3 x Yrs)
	65	(2.70% x FAS3 x Yrs)
<b>Alternative #1 (§31676.12)</b>	50	(1.34% x FAS3 x Yrs)
<i>OCERS Plan A, except with FAS3 instead of FAS1</i>	55	(1.77% x FAS3 x Yrs)
	60	(2.34% x FAS3 x Yrs)
	62	(2.62% x FAS3 x Yrs)
	65	(2.62% x FAS3 x Yrs)

Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members  
Supporting Exhibits**

Benefit Formula (continued):	Retirement Age	Benefit Formula
<i>Alternative #2 (§31676.1) OCERS Plan B</i>	50	(1.18% x FAS3 x Yrs)
	55	(1.49% x FAS3 x Yrs)
	60	(1.92% x FAS3 x Yrs)
	62	(2.09% x FAS3 x Yrs)
	65	(2.43% x FAS3 x Yrs)
<i>Alternative #3 (§31676.16) OCERS Plan N</i>	50	(1.43% x FAS3 x Yrs)
	55	(2.00% x FAS3 x Yrs)
	60	(2.26% x FAS3 x Yrs)
	62	(2.37% x FAS3 x Yrs)
	65	(2.42% x FAS3 x Yrs)
<i>Alternative #4 (§31676.18) OCERS Plan H</i>	50	(2.00% x FAS3 x Yrs)
	55	(2.50% x FAS3 x Yrs)
	60	(2.50% x FAS3 x Yrs)
	62	(2.50% x FAS3 x Yrs)
	65	(2.50% x FAS3 x Yrs)
<b>Safety Plans</b> <i>Current (§31664.1) OCERS Plan F</i>	50	(3.00% x FAS3 x Yrs)
	55	(3.00% x FAS3 x Yrs)
	60	(3.00% x FAS3 x Yrs)

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members Supporting Exhibits**

**Benefit Formula (continued):**

	<b>Retirement Age</b>	<b>Benefit Formula</b>
<i>Alternative #1 (§31664)</i>	50	(2.00% x FAS3 x Yrs)
	55	(2.62% x FAS3 x Yrs)
	60	(2.62% x FAS3 x Yrs)
<i>Alternative #2 (§31664.2)</i>	50	(2.29% x FAS3 x Yrs)
	55	(3.00% x FAS3 x Yrs)
	60	(3.00% x FAS3 x Yrs)
<b>Maximum Benefit:</b>	100% of Highest Average Compensation	
		(\$31676.1, \$31676.12, \$31676.16, \$31676.18, \$31676.19, \$31664.1, \$31664.2)

**Post-retirement**

**Cost-of-Living Benefits:**

- Current General and General Alternatives #1a, #2a, #3a and #4a, Current Safety and Safety Alternatives #1a and #2a*
- General Alternatives #1b, #2b, #3b and #4b and Safety Alternatives #1b and #2b*

Future changes based on Consumer Price Index to a maximum of 3% per year, excess "banked." (§31870.1)

Future changes based on Consumer Price Index to a maximum of 2% per year, excess "banked." (§31870)

Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

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**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members Supporting Exhibits**

<b>Member Contributions:</b>	<b>Please refer to Exhibit II for the specific rates.</b>
<b>General Plans</b>	
<i>Current and Alternative #4</i>	
<i>Basic</i>	
<i>Cost-of-Living Alternative #1</i>	Provide for an average annuity payable at age 55 equal to 1/100 of FAS3. (\$31621.8) Provide for 50% of the cost for future Cost-of-Living benefits.
<i>Basic</i>	
<i>Cost-of-Living Alternative #2</i>	Provide for an average annuity payable at age 60 equal to 1/100 of FAS3. (\$31621.5) Provide for 50% of the cost for future Cost-of-Living benefits.
<i>Basic</i>	
<i>Cost-of-Living Alternative #3</i>	Provide for an average annuity payable at age 60 equal to 1/120 of FAS3. (\$31621) Provide for 50% of the cost for future Cost-of-Living benefits.
<i>Basic</i>	
<i>Cost-of-Living Alternative #3</i>	Provide for an average annuity payable at age 60 equal to 1/120 of FAS3. (\$31621) Provide for 50% of the cost for future Cost-of-Living benefits.
<b>Safety Plans</b>	
<i>Current</i>	
<i>Basic</i>	
<i>Cost-of-Living Alternative #1</i>	Provide for an average annuity payable at age 50 equal to 1/100 of FAS3. (\$31639.25) Provide for 50% of the cost for future Cost-of-Living benefits.
<i>Basic</i>	
<i>Cost-of-Living Alternative #2</i>	Provide for an average annuity payable at age 50 equal to 1/100 FAS3. (\$31639.25) Provide for 50% of the cost for future Cost-of-Living benefits.
<i>Basic</i>	
<i>Cost-of-Living</i>	Provide for an average annuity payable at age 50 equal to 1/100 FAS3. (\$31639.25) Provide for 50% of the cost for future Cost-of-Living benefits.

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

**SECTION 3: Proposed Benefit Changes for New OCA General and Safety Members Supporting Exhibits**

**EXHIBIT II  
Individual Member Contribution Rates**

**General Members' Contribution Rates (Expressed as a Percentage of Monthly Payroll)  
Calculated Under Recommended Assumptions**

Entry Age	Current Formula		Alternative #1a		Alternative #1b		Alternative #2a		Alternative #2b	
	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total
15	5.72%	7.77%	4.86%	6.52%	4.86%	5.88%	4.05%	5.50%	4.05%	4.94%
16	5.72%	7.77%	4.86%	6.52%	4.86%	5.88%	4.05%	5.50%	4.05%	4.94%
17	5.83%	7.91%	4.96%	6.65%	4.96%	5.99%	4.13%	5.60%	4.13%	5.03%
18	5.94%	8.06%	5.05%	6.77%	5.05%	6.11%	4.21%	5.71%	4.21%	5.13%
19	6.06%	8.22%	5.15%	6.90%	5.15%	6.23%	4.29%	5.82%	4.29%	5.23%
20	6.17%	8.37%	5.25%	7.03%	5.25%	6.34%	4.37%	5.93%	4.37%	5.33%
21	6.29%	8.53%	5.35%	7.17%	5.35%	6.47%	4.46%	6.04%	4.46%	5.43%
22	6.41%	8.69%	5.45%	7.30%	5.45%	6.59%	4.54%	6.16%	4.54%	5.53%
23	6.53%	8.85%	5.55%	7.44%	5.55%	6.71%	4.63%	6.27%	4.63%	5.64%
24	6.65%	9.02%	5.66%	7.58%	5.66%	6.84%	4.72%	6.39%	4.72%	5.74%
25	6.77%	9.19%	5.77%	7.73%	5.77%	6.97%	4.80%	6.51%	4.80%	5.85%
26	6.90%	9.36%	5.87%	7.87%	5.87%	7.10%	4.90%	6.64%	4.90%	5.96%
27	7.03%	9.54%	5.99%	8.02%	5.99%	7.23%	4.99%	6.76%	4.99%	6.08%
28	7.16%	9.72%	6.10%	8.17%	6.10%	7.37%	5.08%	6.89%	5.08%	6.19%
29	7.30%	9.90%	6.21%	8.33%	6.21%	7.51%	5.18%	7.02%	5.18%	6.31%
30	7.44%	10.09%	6.33%	8.48%	6.33%	7.65%	5.27%	7.15%	5.27%	6.43%
31	7.58%	10.28%	6.45%	8.64%	6.45%	7.80%	5.37%	7.29%	5.37%	6.55%
32	7.72%	10.48%	6.57%	8.81%	6.57%	7.94%	5.47%	7.42%	5.47%	6.67%
33	7.87%	10.68%	6.69%	8.97%	6.69%	8.09%	5.58%	7.56%	5.58%	6.79%
34	8.02%	10.88%	6.82%	9.14%	6.82%	8.24%	5.68%	7.71%	5.68%	6.92%
35	8.18%	11.09%	6.95%	9.31%	6.95%	8.40%	5.79%	7.85%	5.79%	7.05%
36	8.34%	11.31%	7.08%	9.49%	7.08%	8.56%	5.90%	8.00%	5.90%	7.19%
37	8.49%	11.52%	7.21%	9.67%	7.21%	8.72%	6.01%	8.15%	6.01%	7.32%
38	8.65%	11.74%	7.35%	9.85%	7.35%	8.89%	6.13%	8.31%	6.13%	7.46%
39	8.81%	11.95%	7.49%	10.04%	7.49%	9.06%	6.24%	8.47%	6.24%	7.61%

**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

**SECTION 3: Proposed Benefit Changes for New OCFAs General and Safety Members Supporting Exhibits**

General Members' Contribution Rates (Expressed as a Percentage of Monthly Payroll) Calculated Under Recommended Assumptions															
Entry Age	Current Formula			Alternative #1a			Alternative #1b			Alternative #2a			Alternative #2b		
	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total	
40	8.97%	12.17%	7.64%	10.24%	7.64%	9.23%	7.64%	9.23%	6.37%	8.63%	6.37%	8.63%	6.37%	8.63%	
41	9.13%	12.39%	7.79%	10.44%	7.79%	9.41%	7.79%	9.41%	6.49%	8.80%	6.49%	8.80%	6.49%	8.80%	
42	9.31%	12.63%	7.94%	10.64%	7.94%	9.59%	7.94%	9.59%	6.61%	8.97%	6.61%	8.97%	6.61%	8.97%	
43	9.49%	12.88%	8.08%	10.83%	8.08%	9.77%	8.08%	9.77%	6.74%	9.13%	6.74%	9.13%	6.74%	9.13%	
44	9.68%	13.13%	8.23%	11.03%	8.23%	9.95%	8.23%	9.95%	6.86%	9.30%	6.86%	9.30%	6.86%	9.30%	
45	9.87%	13.39%	8.38%	11.23%	8.38%	10.13%	8.38%	10.13%	6.98%	9.47%	6.98%	9.47%	6.98%	9.47%	
46	10.05%	13.63%	8.53%	11.44%	8.53%	10.32%	8.53%	10.32%	7.11%	9.64%	7.11%	9.64%	7.11%	9.64%	
47	10.20%	13.84%	8.70%	11.66%	8.70%	10.51%	8.70%	10.51%	7.25%	9.83%	7.25%	9.83%	7.25%	9.83%	
48	10.31%	13.99%	8.87%	11.89%	8.87%	10.72%	8.87%	10.72%	7.39%	10.02%	7.39%	10.02%	7.39%	10.02%	
49	10.36%	14.06%	9.04%	12.12%	9.04%	10.93%	9.04%	10.93%	7.54%	10.22%	7.54%	10.22%	7.54%	10.22%	
50	10.35%	14.04%	9.22%	12.36%	9.22%	11.14%	9.22%	11.14%	7.68%	10.42%	7.68%	10.42%	7.68%	10.42%	
51	10.27%	13.94%	9.39%	12.58%	9.39%	11.35%	9.39%	11.35%	7.82%	10.61%	7.82%	10.61%	7.82%	10.61%	
52	10.13%	13.75%	9.53%	12.78%	9.53%	11.52%	9.53%	11.52%	7.94%	10.77%	7.94%	10.77%	7.94%	10.77%	
53	10.50%	14.24%	9.64%	12.92%	9.64%	11.65%	9.64%	11.65%	8.03%	10.89%	8.03%	10.89%	8.03%	10.89%	
54	10.88%	14.77%	9.68%	12.98%	9.68%	11.70%	9.68%	11.70%	8.07%	10.94%	8.07%	10.94%	8.07%	10.94%	
55	10.88%	14.77%	9.67%	12.96%	9.67%	11.69%	9.67%	11.69%	8.06%	10.92%	8.06%	10.92%	8.06%	10.92%	
56	10.88%	14.77%	9.60%	12.86%	9.60%	11.60%	9.60%	11.60%	8.00%	10.84%	8.00%	10.84%	8.00%	10.84%	
57	10.88%	14.77%	9.47%	12.69%	9.47%	11.45%	9.47%	11.45%	7.89%	10.70%	7.89%	10.70%	7.89%	10.70%	
58	10.88%	14.77%	9.81%	13.15%	9.81%	11.86%	9.81%	11.86%	8.17%	11.08%	8.17%	11.08%	8.17%	11.08%	
59	10.88%	14.77%	10.17%	13.63%	10.17%	12.29%	10.17%	12.29%	8.47%	11.49%	8.47%	11.49%	8.47%	11.49%	
60	10.88%	14.77%	10.17%	13.63%	10.17%	12.29%	10.17%	12.29%	8.47%	11.49%	8.47%	11.49%	8.47%	11.49%	
COLA Loading:		35.68%		34.03%		20.88%		20.88%		35.58%		35.58%		21.81%	
Interest:		7.73%													
Salary Increases:															
Mortality:															

See Exhibit IV of the December 31, 2008 valuation report  
See Exhibit IV of the December 31, 2008 valuation report

Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

**SECTION 3: Proposed Benefit Changes for New OCA General and Safety Members Supporting Exhibits**

General Members' Contribution Rates (Expressed as a Percentage of Monthly Payroll) Calculated Under Recommended Assumptions												
Entry Ass	Alternative #3a		Alternative #3b		Alternative #4a		Alternative #4b		Alternative #4c		Alternative #4d	
	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total
15	4.05%	5.73%	4.05%	5.08%	4.05%	5.08%	5.72%	7.63%	5.72%	7.63%	5.72%	6.89%
16	4.05%	5.73%	4.05%	5.08%	4.05%	5.08%	5.72%	7.63%	5.72%	7.63%	5.72%	6.89%
17	4.13%	5.84%	4.13%	5.18%	4.13%	5.18%	5.83%	7.77%	5.83%	7.77%	5.83%	7.02%
18	4.21%	5.95%	4.21%	5.28%	4.21%	5.28%	5.94%	7.92%	5.94%	7.92%	5.94%	7.15%
19	4.29%	6.07%	4.29%	5.38%	4.29%	5.38%	6.06%	8.07%	6.06%	8.07%	6.06%	7.29%
20	4.37%	6.18%	4.37%	5.48%	4.37%	5.48%	6.17%	8.22%	6.17%	8.22%	6.17%	7.43%
21	4.46%	6.30%	4.46%	5.59%	4.46%	5.59%	6.29%	8.38%	6.29%	8.38%	6.29%	7.57%
22	4.54%	6.42%	4.54%	5.69%	4.54%	5.69%	6.41%	8.54%	6.41%	8.54%	6.41%	7.71%
23	4.63%	6.54%	4.63%	5.80%	4.63%	5.80%	6.53%	8.70%	6.53%	8.70%	6.53%	7.86%
24	4.72%	6.66%	4.72%	5.91%	4.72%	5.91%	6.65%	8.86%	6.65%	8.86%	6.65%	8.00%
25	4.80%	6.79%	4.80%	6.02%	4.80%	6.02%	6.77%	9.03%	6.77%	9.03%	6.77%	8.15%
26	4.90%	6.92%	4.90%	6.14%	4.90%	6.14%	6.90%	9.20%	6.90%	9.20%	6.90%	8.31%
27	4.99%	7.05%	4.99%	6.25%	4.99%	6.25%	7.03%	9.37%	7.03%	9.37%	7.03%	8.46%
28	5.08%	7.18%	5.08%	6.37%	5.08%	6.37%	7.16%	9.55%	7.16%	9.55%	7.16%	8.62%
29	5.18%	7.32%	5.18%	6.49%	5.18%	6.49%	7.30%	9.73%	7.30%	9.73%	7.30%	8.79%
30	5.27%	7.45%	5.27%	6.61%	5.27%	6.61%	7.44%	9.91%	7.44%	9.91%	7.44%	8.95%
31	5.37%	7.59%	5.37%	6.74%	5.37%	6.74%	7.58%	10.10%	7.58%	10.10%	7.58%	9.12%
32	5.47%	7.74%	5.47%	6.86%	5.47%	6.86%	7.72%	10.29%	7.72%	10.29%	7.72%	9.29%
33	5.58%	7.88%	5.58%	6.99%	5.58%	6.99%	7.87%	10.49%	7.87%	10.49%	7.87%	9.47%
34	5.68%	8.03%	5.68%	7.12%	5.68%	7.12%	8.02%	10.69%	8.02%	10.69%	8.02%	9.65%
35	5.79%	8.18%	5.79%	7.26%	5.79%	7.26%	8.18%	10.90%	8.18%	10.90%	8.18%	9.84%
36	5.90%	8.34%	5.90%	7.40%	5.90%	7.40%	8.34%	11.11%	8.34%	11.11%	8.34%	10.03%
37	6.01%	8.50%	6.01%	7.54%	6.01%	7.54%	8.49%	11.32%	8.49%	11.32%	8.49%	10.22%
38	6.13%	8.66%	6.13%	7.68%	6.13%	7.68%	8.65%	11.53%	8.65%	11.53%	8.65%	10.41%
39	6.24%	8.83%	6.24%	7.83%	6.24%	7.83%	8.81%	11.74%	8.81%	11.74%	8.81%	10.60%
40	6.37%	9.00%	6.37%	7.98%	6.37%	7.98%	8.97%	11.95%	8.97%	11.95%	8.97%	10.79%
41	6.49%	9.17%	6.49%	8.14%	6.49%	8.14%	9.13%	12.17%	9.13%	12.17%	9.13%	10.99%
42	6.61%	9.35%	6.61%	8.29%	6.61%	8.29%	9.31%	12.41%	9.31%	12.41%	9.31%	11.20%

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**Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"**

**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members Supporting Exhibits**

General Members' Contribution Rates (Expressed as a Percentage of Monthly Payroll) Calculated Under Recommended Assumptions												
Entry Age	Alternative #3a		Alternative #3b		Alternative #4a		Alternative #4b		Alternative #4c		Alternative #4d	
	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total
43	6.74%	9.52%	6.74%	8.44%	9.49%	12.65%	9.49%	11.42%	9.49%	11.42%	9.49%	11.42%
44	6.86%	9.69%	6.86%	8.59%	9.68%	12.90%	9.68%	11.65%	9.68%	11.65%	9.68%	11.65%
45	6.98%	9.87%	6.98%	8.75%	9.87%	13.15%	9.87%	11.88%	9.87%	11.88%	9.87%	11.88%
46	7.11%	10.05%	7.11%	8.91%	10.05%	13.39%	10.05%	12.09%	10.05%	12.09%	10.05%	12.09%
47	7.25%	10.24%	7.25%	9.08%	10.20%	13.60%	10.20%	12.28%	10.20%	12.28%	10.20%	12.28%
48	7.39%	10.44%	7.39%	9.26%	10.31%	13.75%	10.31%	12.47%	10.31%	12.47%	10.31%	12.47%
49	7.54%	10.65%	7.54%	9.45%	10.36%	13.81%	10.36%	12.67%	10.36%	12.67%	10.36%	12.67%
50	7.68%	10.86%	7.68%	9.63%	10.35%	13.79%	10.35%	12.86%	10.35%	12.86%	10.35%	12.86%
51	7.82%	11.06%	7.82%	9.81%	10.27%	13.69%	10.27%	13.05%	10.27%	13.05%	10.27%	13.05%
52	7.94%	11.23%	7.94%	9.96%	10.13%	13.51%	10.13%	13.24%	10.13%	13.24%	10.13%	13.24%
53	8.03%	11.35%	8.03%	10.07%	10.00%	13.33%	10.00%	13.43%	10.00%	13.43%	10.00%	13.43%
54	8.07%	11.40%	8.07%	10.11%	9.88%	13.16%	9.88%	13.62%	9.88%	13.62%	9.88%	13.62%
55	8.06%	11.39%	8.06%	10.10%	9.76%	13.00%	9.76%	13.81%	9.76%	13.81%	9.76%	13.81%
56	8.00%	11.30%	8.00%	10.02%	9.64%	12.84%	9.64%	14.00%	9.64%	14.00%	9.64%	14.00%
57	7.89%	11.15%	7.89%	9.89%	9.52%	12.68%	9.52%	14.19%	9.52%	14.19%	9.52%	14.19%
58	8.17%	11.55%	8.17%	10.25%	9.40%	12.52%	9.40%	14.38%	9.40%	14.38%	9.40%	14.38%
59	8.47%	11.98%	8.47%	10.62%	9.28%	12.36%	9.28%	14.57%	9.28%	14.57%	9.28%	14.57%
60	8.47%	11.98%	8.47%	10.62%	9.16%	12.20%	9.16%	14.76%	9.16%	14.76%	9.16%	14.76%
COLA Loading:		41.33%		25.35%		33.28%		20.37%		20.37%		20.37%

Interest: 7.75%  
 Salary Increases: See Exhibit IV of the December 31, 2008 valuation report  
 Mortality: See Exhibit IV of the December 31, 2008 valuation report

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Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

**SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members Supporting Exhibits**

Entry Age	Safety Members' Contribution Rates (Expressed as a Percentage of Monthly Payroll) Calculated Under Recommended Assumptions											
	Current Formula		Alternative #1a		Alternative #1b		Alternative #2a		Alternative #2b			
	Normal	Total	Normal	Total	Normal	Total	Normal	Total	Normal	Total		
15	6.58%	10.79%	6.58%	9.77%	6.58%	8.51%	6.58%	10.20%	6.58%	10.27%		
16	6.58%	10.79%	6.58%	9.77%	6.58%	8.51%	6.58%	10.20%	6.58%	10.27%		
17	6.70%	10.99%	6.70%	9.96%	6.70%	8.67%	6.70%	10.39%	6.70%	10.46%		
18	6.83%	11.20%	6.83%	10.14%	6.83%	8.83%	6.83%	10.58%	6.83%	10.66%		
19	6.96%	11.41%	6.96%	10.33%	6.96%	8.99%	6.96%	10.78%	6.96%	10.86%		
20	7.09%	11.62%	7.09%	10.53%	7.09%	9.16%	7.09%	10.98%	7.09%	11.06%		
21	7.22%	11.84%	7.22%	10.72%	7.22%	9.33%	7.22%	11.19%	7.22%	11.27%		
22	7.35%	12.06%	7.35%	10.92%	7.35%	9.51%	7.35%	11.40%	7.35%	11.48%		
23	7.49%	12.29%	7.49%	11.13%	7.49%	9.69%	7.49%	11.61%	7.49%	11.70%		
24	7.63%	12.52%	7.63%	11.34%	7.63%	9.87%	7.63%	11.83%	7.63%	11.92%		
25	7.78%	12.75%	7.78%	11.55%	7.78%	10.05%	7.78%	12.05%	7.78%	12.14%		
26	7.92%	12.99%	7.92%	11.77%	7.92%	10.24%	7.92%	12.28%	7.92%	12.37%		
27	8.07%	13.24%	8.07%	11.99%	8.07%	10.44%	8.07%	12.51%	8.07%	12.60%		
28	8.22%	13.49%	8.22%	12.22%	8.22%	10.63%	8.22%	12.75%	8.22%	12.84%		
29	8.38%	13.74%	8.38%	12.45%	8.38%	10.84%	8.38%	12.99%	8.38%	13.09%		
30	8.54%	14.01%	8.54%	12.69%	8.54%	11.04%	8.54%	13.24%	8.54%	13.34%		
31	8.71%	14.28%	8.71%	12.93%	8.71%	11.26%	8.71%	13.49%	8.71%	13.59%		
32	8.88%	14.56%	8.88%	13.19%	8.88%	11.48%	8.88%	13.76%	8.88%	13.86%		
33	9.05%	14.84%	9.05%	13.45%	9.05%	11.70%	9.05%	14.03%	9.05%	14.13%		
34	9.23%	15.14%	9.23%	13.72%	9.23%	11.94%	9.23%	14.31%	9.23%	14.42%		
35	9.42%	15.45%	9.42%	14.00%	9.42%	12.18%	9.42%	14.60%	9.42%	14.71%		
36	9.62%	15.78%	9.62%	14.29%	9.62%	12.44%	9.62%	14.91%	9.62%	15.02%		
37	9.83%	16.12%	9.83%	14.60%	9.83%	12.71%	9.83%	15.23%	9.83%	15.35%		
38	10.04%	16.47%	10.04%	14.92%	10.04%	12.98%	10.04%	15.56%	10.04%	15.68%		
39	10.25%	16.81%	10.25%	15.23%	10.25%	13.26%	10.25%	15.89%	10.25%	16.01%		
40	10.46%	17.15%	10.46%	15.54%	10.46%	13.52%	10.46%	16.21%	10.46%	16.33%		
41	10.66%	17.49%	10.66%	15.84%	10.66%	13.79%	10.66%	16.53%	10.66%	16.65%		
42	10.84%	17.78%	10.84%	16.11%	10.84%	14.02%	10.84%	16.80%	10.84%	16.93%		

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# Grand Jury Response: "Pension Enhancements: A Question of Government Code Compliance"

## SECTION 3: Proposed Benefit Changes for New OCFA General and Safety Members Supporting Exhibits

Safety Members' Contribution Rates (Expressed as a Percentage of Monthly Payroll) Calculated Under Recommended Assumptions														
Entry Age	Current Formula			Alternative #1a			Alternative #1b			Alternative #2a			Alternative #2b	
	Normal	Total		Normal	Total		Normal	Total		Normal	Total		Normal	Total
43	10.98%	18.01%		10.98%	16.31%		10.98%	14.20%		10.98%	17.02%		10.98%	17.14%
44	11.03%	18.08%		11.03%	16.38%		11.03%	14.26%		11.03%	17.09%		11.03%	17.21%
45	10.98%	18.01%		10.98%	16.32%		10.98%	14.20%		10.98%	17.02%		10.98%	17.15%
46	10.86%	17.81%		10.86%	16.13%		10.86%	14.04%		10.86%	16.83%		10.86%	16.95%
47	10.65%	17.46%		10.65%	15.82%		10.65%	13.77%		10.65%	16.50%		10.65%	16.63%
48	11.03%	18.08%		11.03%	16.38%		11.03%	14.26%		11.03%	17.09%		11.03%	17.22%
49	11.43%	18.74%		11.43%	16.98%		11.43%	14.78%		11.43%	17.71%		11.43%	17.84%
50	11.43%	18.74%		11.43%	16.98%		11.43%	14.78%		11.43%	17.71%		11.43%	17.84%
COLA Loading:		63.98%			48.55%			29.29%			54.97%			33.15%
Interest:														
Salary Increases:														
Mortality:														

Interest: 7.75%  
 See Exhibit IV of the December 31, 2008 valuation report  
 See Exhibit IV of the December 31, 2008 valuation report

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