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March 18, 2021

Christina Dunn
Deputy Chief Executive Officer
Contra Costa County Employees' Retirement Association
1200 Concord Avenue, Suite 300
Concord, CA 94520

Re: CCCERA Member Contributions Paid Towards Including Terminal Pay or Leave Cash Out at Retirement

Dear Christina:

As requested, we have provided in this letter the approximate reduction in employee normal cost rates (expressed as percentage of payroll for each of the different cost groups) as a result of reducing the terminal pay assumptions applied in the 12/31/2012 valuation to the lower terminal pay assumptions applied in the 12/31/2013 valuation.

These results were determined using membership and other information as used in the 12/31/2012 valuation. These changes in the employee normal cost rates averaged about 0.34% of payroll for all cost groups combined and that result (after being rounded to one decimal place or 0.3% of payroll) was included in our letter dated 8/5/2014. A copy of that letter is attached for your reference.

Average Member Contribution Rates and Annual Amount Based on Annual Payroll from 12/31/2012 Valuation

	Terminal Pay Assumptions Used in 12/31/2012 Valuation (Used in Setting Contribution Rates for 2014/2015)		Terminal Pay Assumptions Used in 12/31/2013 Valuation (As if Applied in 12/31/2012 Valuation to Set Contribution Rates for 2014/2015)		Difference Due to Change in Assumptions		
General	Total Rate	Annual Amount	Total Rate	Annual Amount	Total Rate	Annual Amount	Annual Payroll From 12/31/2012 Valuation
Cost Group #1 – County and Small Districts (Tier 1)	10.90%	$2,781,559	10.43%	$2,661,067	-0.47%	-$120,492	$25,513,582
Cost Group #2 – County and Small Districts (Tier 3)	10.81%	$49,226,376	10.59%	$48,207,473	-0.22%	-$1,018,903	$455,216,933
Cost Group #3 – Central Contra Costa Sanitary District	11.26%	$2,684,595	10.83%	$2,581,198	-0.43%	-$103,397	$23,833,773
Cost Group #4 – Contra Costa Housing Authority	11.59%	$585,541	11.09%	$560,502	-0.50%	-$25,039	$5,054,117
Cost Group #5 – Contra Costa County Fire Protection District	11.14%	$396,160	10.69%	$380,080	-0.45%	-$16,080	$3,555,471
Cost Group #6 – Small Districts (Tier 1 Non-Enhanced)	12.86%	$96,073	12.60%	$94,095	-0.26%	-$1,978	$746,787
Safety							
Cost Group #7 – County (Tier A)	17.80%	$11,851,328	17.06%	$11,357,770	-0.74%	-$493,558	$66,575,441
Cost Group #8 – Contra Costa and East Fire Protection Districts	17.43%	$5,681,658	16.74%	$5,458,057	-0.69%	-$223,601	$32,604,881
Cost Group #9 – County (Tier C)	14.06%	$1,926,255	13.96%	$1,912,144	-0.10%	-$14,111	$13,697,308
Cost Group #10 – Moraga-Orinda Fire District	17.31%	$1,226,374	16.57%	$1,173,947	-0.74%	-$52,427	$7,084,771
Cost Group #11 – San Ramon Valley Fire District	17.20%	$2,878,150	16.51%	$2,762,696	-0.69%	-$115,454	$16,733,471
Cost Group #12 – Rodeo-Hercules Fire Protection District	16.36%	$277,408	15.68%	$265,877	-0.68%	-$11,531	$1,695,645
All Categories Combined	12.20%	$79,611,477	11.86%	$77,414,906	-0.34%	-$2,196,571	$652,312,180

We note that the 0.3% of payroll impact was calculated by taking the difference between the member rates determined using the terminal pay (leave cash out) assumptions applied in the 12/31/2012 valuation and the member rates determined using the lower terminal pay assumptions used in preparing the 8/5/2014 letter. Those lower terminal pay assumptions were subsequently used in the 12/31/2013 valuation, and were reflected in the reduced member contribution rates effective 7/1/2015. The two sets of assumptions just referenced are provided in Appendix A for your reference.

Other Considerations

We note that the terminal pay assumptions have changed a few times to reflect the different actions taken by the Board in determining what would be considered pensionable. For instance, using the assumptions proposed for the 12/31/2013 valuation, the member normal cost rates used to provide for the terminal pay benefit were reduced to an average of 0.04% of total payroll when estimated using the membership and other information used in the 12/31/2012 valuation.

In answering the question on what portion of the member contribution rate was paid towards benefits provided by including terminal pay before the 12/31/2012 valuation, we have not attempted to go back to investigate what that portion was paid before the 12/31/2012 valuation as the information is not practically available.

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.

Please let us know if you need any additional information and we look forward to discussing this letter with you.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

/mv

Attachment (5325536)

Appendix A

Terminal Pay (Leave Cash Out) Assumptions Used in 12/31/2012 Valuation

	Membership Date before January 1, 2011	Membership Date on or after January 1, 2011 but before January 1, 2013
Cost Group 1:	12.50%	3.00%
Cost Group 2:	4.00% for Tier 2 8.00% for Tier 3	1.00%
Cost Group 3:	24.00%	8.75%
Cost Group 4:	5.75%	0.75%
Cost Group 5:	11.50%	2.75%
Cost Group 6:	9.00%	2.25%
Cost Group 7:	12.00%	1.50%
Cost Group 8:	10.50%	1.25%
Cost Group 9:	4.00%	0.50%
Cost Group 10:	13.00%	1.50%
Cost Group 11	14.00%	3.50%
Cost Group 12:	15.50%	6.25%

Terminal Pay (Leave Cash Out) Assumptions Proposed In 8/5/2014 Letter and Subsequently Used in 12/31/2013 Valuation

The first column of numbers in the table below shows the hypothetical leave cash out experience (as a percentage of final average pay) based on the data provided to us to prepare our 8/5/2014 letter. The second column is based on the first, and contains the new leave cash out assumptions as a percentage of final average pay that we proposed be used in the 12/31/2013 actuarial valuation for non-PEPRA members.

	Hypothetical Experience	Proposed Assumption
Cost Group 1:	1.59%	1.50%
Cost Group 2:	0.63% for Tier 2 0.77% for Tier 3	0.50% for Tier 2 0.75% for Tier 3
Cost Group 3:	6.84%	6.50%
Cost Group 4:	0.23%	0.25%
Cost Group 5:	1.56%	1.50%
Cost Group 6:	0.00%	1.25%
Cost Group 7:	0.74%	0.75%
Cost Group 8:	0.64%	0.75%
Cost Group 9:	0.00%	0.25%
Cost Group 10:	1.32%	1.50%
Cost Group 11	2.96%	3.00%
Cost Group 12:	3.49%	3.50%

SEGAL

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August 5, 2014

Mr. Kurt Schneider
Deputy Chief Executive Officer
Contra Costa County Employees' Retirement Association
1355 Willow Way, Suite 221
Concord, CA 94520

Re: Leave Cashout (Terminal Pay) Assumptions for Non-PEPRA members for the December 31, 2013 Actuarial Valuation

Dear Kurt:

We are proposing new leave cashout assumptions that would replace the current terminal pay assumptions for all Non-PEPRA members. These new assumptions are based on the recent court ruling requiring CCCERA to implement AB 197 and changes that the CCCERA Board made to eliminate "straddling". Note that for purposes of this letter and the annual actuarial valuation we have historically used "terminal pay" as a broad term that includes such items as vacation sellbacks, administrative leave sellbacks and terminal pay items during the final average pay period. We will now be using the new term "leave cashouts" when describing the new assumption as it is more consistent with the items above that will occur during the final average earning period on a prospective basis.

Background

In 1997 the Board adopted a policy that determined which pay items are considered compensation for retirement purposes. Under that policy, various types of terminal pay were included in the determination of compensation for retirement purposes. As of the December 31, 2012 actuarial valuation, this policy applies to members with membership dates before January 1, 2011.

In March 2010, the Board adopted a change to this policy for members with membership dates on or after January 1, 2011[1]. Under this amended policy, certain terminal pay elements are no longer included in the determination of compensation for retirement purposes.

[1] Note that as a result of the passage of the California Public Employees' Pension Reform Act of 2013 (CalPEPRA), terminal pay would no longer be considered in determining Pensionable Compensation for members covered by the CalPEPRA plans.

CURRENT TERMINAL PAY ASSUMPTIONS

Based on our experience study for the period from January 1, 2010 through December 31, 2012, the Board had previously adopted the following terminal pay assumptions shown below for members with membership dates before January 1, 2011 and for members with membership dates on or after January 1, 2011 but before January 1, 2013 who are under the new policy.

The following assumptions for terminal pay as a percentage of final average pay were used in the December 31, 2012 actuarial valuation for non-PEPRA members.

	Membership Date before January 1, 2011	Membership Date on or after January 1, 2011 but before January 1, 2013
Cost Group 1:	12.50%	3.00%
Cost Group 2:	4.00% for Tier 2 8.00% for Tier 3	1.00%
Cost Group 3:	24.00%	8.75%
Cost Group 4:	5.75%	0.75%
Cost Group 5:	11.50%	2.75%
Cost Group 6:	9.00%	2.25%
Cost Group 7:	12.00%	1.50%
Cost Group 8:	10.50%	1.25%
Cost Group 9:	4.00%	0.50%
Cost Group 10:	13.00%	1.50%
Cost Group 11	14.00%	3.50%
Cost Group 12:	15.50%	6.25%

RECENT EVENTS

On September 12, 2012, the Governor signed into law Assembly Bill 197, with an effective date of January 1, 2013. The measure changed how county retirement boards were permitted to calculate their current members' retirement allowances. For CCCERA, this would effectively make members with membership dates before January 1, 2011 subject to the policy that currently applies to members with membership dates on or after January 1, 2011.

We understand that the Contra Costa County Superior Court has entered a judgment in the litigation and a Writ directing CCCERA to proceed to comply with AB 197. However, the matter was appealed and a request was filed on June 9, 2014 with the Court of Appeal for an immediate "stay" of the Superior Court's ruling. On June 30, 2014, the Court of Appeal issued an order denying the request for an additional stay. Therefore, we understand that CCCERA is required to implement the AB 197 changes in calculating benefits for all retirements with an effective date of July 12, 2014 or later. Note that a final resolution of this issue in the courts could take several years.

At its July 9th meeting, the Board decided that the December 31, 2013 valuation should be done assuming that AB 197 will be implemented according to the judge's final ruling, regardless of the fact that the appeal is ongoing.

In addition, the Board decided to discontinue allowing a practice called "straddling" where employees could time their leave cashouts so that two leave cashouts would occur during their 12-month final average earnings period. The Board decided that only one such payment should be included on a prospective basis.

CCCERA provided us with updated leave cashout information for actual retirements during the period from January 1, 2010 through December 31, 2012 (the same period over which information was collected for the last experience study). That information reflects the hypothetical impact of AB 197 and the discontinuation of "straddling" on those members. Based on that information, we are recommending new leave cashout assumptions for all non-PEPRA members that would be used in the December 31, 2013 actuarial valuation.

PROPOSED LEAVE CASHOUT ASSUMPTIONS

The first column of numbers in the table below shows the hypothetical leave cashout experience (as a percentage of final average pay) based on the data provided to us. The second column contains the new leave cashout assumptions as a percentage of final average pay that we propose be used in the December 31, 2013 actuarial valuation for non-PEPRA members. These assumptions are all lower than the current assumptions for members with membership dates on or after January 1, 2011.

	Hypothetical Experience	Proposed Assumption
Cost Group 1:	1.59%	1.50%
Cost Group 2:	0.63% for Tier 2	0.50% for Tier 2
	0.77% for Tier 3	0.75% for Tier 3
Cost Group 3:	6.84%	6.50%
Cost Group 4:	0.23%	0.25%
Cost Group 5:	1.56%	1.50%
Cost Group 6:	0.00%	1.25%
Cost Group 7:	0.74%	0.75%
Cost Group 8:	0.64%	0.75%
Cost Group 9:	0.00%	0.25%
Cost Group 10:	1.32%	1.50%
Cost Group 11	2.96%	3.00%
Cost Group 12:	3.49%	3.50%

COST IMPACT

We have estimated the impact of proposed leave cashout assumption changes as if they were applied to the December 31, 2012 actuarial valuation. If the leave cashouts assumptions were implemented, the average employer rate would have decreased by 4.2% of compensation, where the Normal Cost rate decreased by 1.9% and the Unfunded Actuarial Accrued Liability (UAAL) amortization rate decreased by 2.3%. The average member rate would have decreased by 0.3% of compensation. The UAAL would have decreased by about $200 million.

Unless otherwise noted, this cost estimate was made using generally accepted actuarial practices and is based on the December 31, 2012 actuarial valuation, including the participant and actuarial assumptions upon which that valuation was based. Calculations were completed under the supervision of John Monroe, 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.

Please let us know if you have any questions, and we look forward to discussing this with the Board.

Sincerely,

John Monroe

Paul Angelo, FSA, EA, MAAA
Senior Vice President and Actuary

John Monroe, ASA, EA, MAAA
Vice President and Associate Actuary

AW/bqb