



Agenda # ____ July 26, 2011

ALAMEDA COUNTY
AUDITOR-CONTROLLER AGENCY
PATRICK O'CONNELL
AUDITOR-CONTROLLER/CLERK-RECORDER

July 15, 2011

The Honorable Board of Supervisors
Administration Building
1221 Oak Street, Room 536
Oakland, CA 94612

SUBJECT: Adopt Resolution Providing for the County of Alameda Contribution to the Alameda County Employees' Retirement Association 401(h) Account for the 2011-12 Fiscal Year

RECOMMENDATION:

Authorize and direct the County of Alameda to contribute \$28,297,523 to the Alameda County Employees' Retirement Association 401(h) account. Authorize the County Administrator and Auditor Controller to work with ACERA to resolve the administrative cost issue of \$819,000.

SUMMARY:

The Board of Retirement of the Alameda County Employees' Retirement Association (ACERA) hereby requests that the Board of Supervisors authorize and direct the County to contribute \$28,297,523 to the ACERA 401(h) account in accordance with the certified Resolution enclosed herewith. A matching amount will then be transferred to the County Advance Reserve by the Board of Retirement from the Supplemental Retirees Benefits Reserve (SRBR).

DISCUSSION:

ACERA provides non-vested health insurance contributions to eligible retirees through earnings applicable from the SRBR account. Through a joint effort of the County and ACERA, and with the advice of professional consultants, a 401(h) health care account was established, which permits retirees to receive health benefit contributions on a tax-free basis in compliance with the Internal Revenue Code. This account must be funded by the employer with a portion of their normal annual contribution to ACERA. Simultaneously, the Retirement Board transfers an equal amount from the SRBR back to the County Advance Reserve.

In addition to the cost of retiree health benefits which are funded from the SRBR, ACERA is requiring all employers to pay the cost of administering retiree health plans. The County's share of this cost is approximately \$819,000. ACERA is not planning to fund the cost from the SRBR thereby causing the County to incur the cost. All the employers need to work with ACERA to have all retiree health care costs covered from the SRBR. Until that happens we recommend that the 401H contribution requested by

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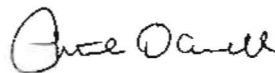
ACERA of \$29,116,522 be reduced by the administrative fee of \$819,000 to an annual amount of \$28,297,523.

The Board of Supervisors has annually authorized County contributions to the 401(h) account to provide non-vested medical benefits to retirees on a non-taxable basis, pursuant to resolution 96-634 and reconfirmed by resolution 2007-139. Each year ACERA's actuaries estimate the cost to fund this account, for the next fiscal year, based on the number of retirees, their selection of coverage, the premiums and the amount, if any, remaining in the account.

FINANCING:

There is no net financial impact on the County since ACERA contributes an equal amount from the SRBR to the County Advance Reserve.

Very truly yours,



Patrick J. O'Connell
Auditor-Controller/Clerk Recorder

PO:hc

cc: Susan Muranishi, County Administrator
Mary Welch, Human Resource Services
Richard Karlsson, County Counsel
Vincent Brown, ACERA
Catherine Walker, ACERA
Robert Gaumer, ACERA

By: _____

THE BOARD OF SUPERVISORS OF THE COUNTY OF ALAMEDA
STATE OF CALIFORNIA

RESOLUTION NO. _____

COUNTY OF ALAMEDA CONTRIBUTION TO THE
ALAMEDA COUNTY EMPLOYEE'S RETIREMENT ASSOCIATION'S
401(H) ACCOUNT FOR FISCAL YEAR 2011-2012

WHEREAS, The Alameda County Employees' Retirement Association (ACERA) provides non-vested health subsidies through excess earnings credited to the Supplemental Retiree Benefits Reserve (SRBR) account; and

WHEREAS, ACERA provides non-vested health insurance contributions to eligible retirees through earnings applicable from the SRBR account. Through a joint effort of the County and ACERA, and with the advice of professional consultants, a 401(h) health care account was established, which permits retirees to receive health benefits contributions on a tax-free basis in compliance with the Internal Revenue Code; and

WHEREAS, the Board of Supervisors has annually authorized County contributions to the 401(h) account to provide medical benefits to retirees on a non-taxable basis, pursuant to resolution 96-634 and reconfirmed by resolution 2007-139. Each year ACERA's actuaries estimate the cost to fund this account, based on the number of retirees, their selection of coverage, the premiums and the amount, if any, remaining in the account; and

WHEREAS, the 2011-12 fiscal year contribution requested by ACERA is \$29,116,522. This result was obtained by deducting from the total required amount of \$33,792,192, the balance of the 401(h) at June 30, 2011 (\$4,675,670), the requested amount will be further reduced by the administrative fee of \$819,000 for a total of \$28,297,523; and

WHEREAS, the \$28,297,523 contribution is conditioned upon the ACERA Board of Retirement authorizing the transfer of \$28,560,864 from the SRBR to the County Advance Reserve; and

WHEREAS, for this fiscal year 2011-12, the County's annual contributions to the ACERA 401(h) account represents costs related to non-vested retiree health benefits granted by ACERA to former County employees; and

WHEREAS, contributions for former employees of other ACERA member entities (e.g., Alameda County Medical Center, Housing Authority etc.) is paid directly by those other entities to an ACERA 401(h) account; and

NOW, THEREFORE, BE IT RESOLVED, that the Alameda County Board of Supervisors authorizes and directs the Alameda County Auditor-Controller to contribute up to \$28,297,523 to the Alameda County Employees' Retirement Association 401(h) account for fiscal year 2011-12 for retired Alameda County Employees. This contribution is conditioned on the transfer of a like amount by the Alameda County Employee's Retirement Association from the SRBR to the County Advance Reserve for the payment of retirement benefits.