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February 10, 2021

Gladys Smith
Assistant Executive Officer
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: Analysis of Assembly Bill No. 2101

Dear Gladys:

California Government Code Section 31515.5 requires a notice be provided of the estimated financial impact that proposed benefit or salary increases would have on the funding status of the County's retirement system, administered by SamCERA. Government Code Section 7507 requires the local agency to 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 plans or other postemployment benefits.

Assembly Bill No. 2101 (AB 2101) included various provisions that modified the Government Code. Specifically, for the purpose of this letter, Section 31646 was amended. Upon adoption of Section 31646(b) by the Board of Supervisors, the following provisions become law:

(b)(1) A member who returns to active service following an uncompensated leave of absence on account of parental leave may receive service credit for the period of the absence upon the payment of the contributions that the member and the employer would have paid during that period, together with the interest that the contributions would have earned had they been on deposit, if the member was not absent. For purposes of this subdivision, parental leave is defined as any time, up to one year, during which a member is granted an approved maternity or paternity leave and returns to employment at the end of the approved leave for a period of time at least equal to that leave. The contributions may be paid in a lump sum or may be paid on a monthly basis for a period of not more than the length of the period for which service credit is claimed. Credit shall not be received for any period of such an absence in excess of 12 consecutive months.

(2) This subdivision shall not be operative until the board of supervisors, by resolution adopted by majority vote, makes the provisions applicable to that county and applies it to parental leave that commences after the adoption by the board of supervisors.

The main ways in which this provision, if adopted, could impact the funded status and future costs of SamCERA are as follows:

1. If the provision increases the pension benefits of affected SamCERA members through increased service credit, and

2. If any additional pension benefits of a member as a result of this provision are provided without a corresponding amount (adjusted for interest) being deposited to SamCERA.

Based on the wording of Subsection 31646(b), it is our understanding that in order for a member to receive service credit for time spent on an eligible “uncompensated leave of absence on account of parental leave” the member will be required to make payment of the cumulative member and employer contributions with interest for the period for which service credit will be provided. Under Section 7522.52, the combined contribution of the member and employer must be at the least the value of the benefit earned (the normal cost) unless the plan’s funded ratio is more than 120%, which is not projected to be the case, now or in the future.

Provided any increased service credit is offset by payment of the corresponding member and employer contributions with interest, it is not expected that this provision will have a financial impact on the funded status of SamCERA that requires a notice under Section 31515.5. Further, with regard to the requirement for a statement pursuant to Section 7507, this provision is not expected to have an actuarial impact on future employer normal cost rates or dollar contributions or unfunded actuarial accrued liability amortization rates or dollar contributions made to SamCERA. If purchases for parental leave are made in the future, these would cause a small increase in the actuarial accrued liability, but any increase in the actuarial accrued liability would be offset by an increase in the asset value due to the purchase.

Certification

This analysis and opinion is based on our review of AB 2101 and communications with SamCERA. If any of this information is inaccurate or incomplete our analysis and opinion may need to be revised.

The consultants who worked on this assignment are retirement actuaries. Milliman’s advice is not intended to be a substitute for qualified legal or accounting counsel.

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Please let us know if you have any questions.

Sincerely,

Nick Collier, ASA, EA, MAAA
Consulting Actuary

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

NC/CG/nlo

cc: Scott Hood