



VCERA
VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

Estimated Impact of Exclusion of Non-Cashable Flex Credit

Due to Alameda Decision

March 27, 2023

Flexible Benefits Program

The County has two different structures for their flexible benefits program. Some bargaining units have adopted the newer structure #2 while some remain under the older structure #1.

1. Opt-Out Fee Structure:

All employees receive a flexible credit allowance. Employees who opt out of county-sponsored medical insurance are charged an opt-out fee.

Some bargaining units provide a single “flat” flexible credit to all employees

Some bargaining units provide “tiered” flexible credits to employees based on the number of dependents.

2. Opt-Out Allowance Structure:

Employees who chose county-sponsored medical insurance receive a flexible credit allowance. Employees who opt out receive an opt-out allowance.

Pensionability of Flexible Credit/Opt-Out

- VCERA currently includes the employee-only or flat flex credit amount in compensation for retirement purposes.
- In accordance with the California Employees' Retirement Law of 1937 (CERL) section 31461 and the *Alameda* Decision, the Board of Retirement may take action to include in retirement compensation only the allowances employees could receive directly in cash.
- This presentation shows the potential estimated impact of including only the cashable portion of the flex credit or opt-out allowance under the different flexible benefit program structures.

Pensionability of Flexible Credit/Opt-Out

- Under the Opt-Out Fee structure:
 - The maximum cashable portion which is considered pensionable is the flat or employee-only flex credit minus the lesser of the opt out fee or the lowest priced medical plan
- Under the Opt-Out Allowance structure:
 - The maximum cashable portion which is considered pensionable is the opt-out allowance

Opt-Out Fee (Prior Structure): SEIU

- Biweekly non-cashable flex credit is estimated to be \$333.79 - *not pensionable*
(lessor of \$352.06 opt out fee and \$333.79 lowest priced medical plan)
- Biweekly cashable flex credit is estimated to be \$163.21 - *pensionable*
(\$497.00 flex credit - \$333.79 non-cashable = \$163.21 cashable)
- Monthly compensation used to calculate General Tier 2 retirement benefits is estimated to decrease by \$723.21 if non-cashable flex credit is excluded
(-\$333.79 non-cashable flex x 26 pay periods / 12 months = -\$723.21 monthly retirement salary decrease)
- General Tier 2 retirement benefits are calculated based on age at retirement, years of service credit, and highest 36-month average salary. For a Tier 2 member retiring at age 55, a monthly salary decrease of \$723.21 would decrease the retirement benefit by \$10.80 per year of service credit

Full-Time Flex Credit	Opt Out Fee	Lowest Priced Medical Plan	Non-pensionable Biweekly	Pensionable Biweekly	Monthly VCERA Salary Change	Monthly VCERA Benefit Decrease per service year		
						Age 55	Age 60	Age 65
\$497.00	\$352.06	\$333.79	\$333.79	\$163.21	(\$723.21)	(\$10.80)	(\$13.86)	(\$17.59)

Opt-Out Allowance (New Structure): SEIU

- Biweekly cashable amount is estimated to be \$145.00 – *pensionable*
(\$145 opt out allowance estimated to be the lowest common value)
- For those receiving Flex credit, the remainder is estimated to be \$352.00 - *not pensionable*
(\$497.00 flex credit - \$145.00 cashable = \$352.00 remainder)
- Monthly compensation used to calculate General Tier 2 retirement benefits is estimated to decrease by \$762.67 if flex credit is limited to the cashable amount.
(-\$352.00 non-cashable flex x 26 pay periods / 12 months = -\$762.67)
- General Tier 2 retirement benefits are calculated based on age at retirement, years of service credit, and highest 36-month average salary. For a Tier 2 member retiring at age 55, a monthly salary decrease of \$762.67 would decrease the retirement benefit by \$11.39 for each year of service the member has per year of service credit

Full-Time Flex Credit	Opt Out Allowance	Non-pensionable Biweekly	Pensionable Biweekly	Monthly VCERA Salary Change	Monthly VCERA Benefit Decrease per service year		
					Age 55	Age 60	Age 65
\$497.00	\$145.00	\$352.00	\$145.00	(\$762.67)	(\$11.39)	(\$14.62)	(\$18.55)

SEIU Sample Member

Retiring at age 60 (15 years of Tier 2 COLA service and \$80,000 salary)

- Opt-Out Fee Structure -\$207.90 monthly benefit decrease (-\$13.86 x 15 years)

Monthly retirement benefit would decrease from \$1,883 to \$1,675

Full-Time Flex Credit	Opt Out Fee	Lowest Priced Medical Plan	Non-pensionable Biweekly	Pensionable Biweekly	Monthly VCERA Salary Change	Monthly VCERA Benefit Decrease per service year		
						Age 55	Age 60	Age 65
\$497.00	\$352.06	\$333.79	\$333.79	\$163.21	(\$723.21)	(\$10.80)	(\$13.86)	(\$17.59)

- Opt-Out Allowance Structure: -\$219.30 monthly benefit decrease (-\$14.62 x 15 years)

Monthly retirement benefit would decrease from \$1,883 to \$1,663

Full-Time Flex Credit	Opt Out Allowance	Non-pensionable Biweekly	Pensionable Biweekly	Monthly VCERA Salary Change	Monthly VCERA Benefit Decrease per service year		
					Age 55	Age 60	Age 65
\$497.00	\$145.00	\$352.00	\$145.00	(\$762.67)	(\$11.39)	(\$14.62)	(\$18.55)

How to Estimate Using Pension Calculator: SEIU Example

<https://www.vcera.org/post/legacy-pension-calculator>

Select Your Retirement Plan (choose one):
 General Tier 1
 General Tier 2
 Safety

Minimum Requirements

Age Quarter at Retirement: 64
Definition of Age Quarter

Years of Service at Retirement: 24.1855
Definition of Service Years

Final Average Monthly Compensation:
(Do not use commas or dollar signs.)
\$65,000 / 12 → \$ 5416.67
Definition of Compensation

Reset Calculate

Based on the information you provided above, your estimated monthly retirement benefit is: \$2962

With \$497 employee-only flex credit

Select Your Retirement Plan (choose one):
 General Tier 1
 General Tier 2
 Safety

Minimum Requirements

Age Quarter at Retirement: 64
Definition of Age Quarter

Years of Service at Retirement: 24.1855
Definition of Service Years

Final Average Monthly Compensation:
(Do not use commas or dollar signs.)
\$5,416.67 - \$762.67 → \$ 4654
Definition of Compensation

Reset Calculate

Based on the information you provided above, your estimated monthly retirement benefit is: \$2535

With cashable flex only (subtract \$762.67)

Opt-Out Fee Structure: VCDSA

- Biweekly non-cashable flex credit is estimated to be \$206.68 – *not pensionable* (lessor of \$352.06 opt out fee and \$206.68 lowest priced medical plan)
- Biweekly cashable flex credit is estimated to be \$375.32 - *pensionable* (\$582.00 flex credit - \$206.68 non-cashable = \$375.32 cashable)
- Monthly compensation used to calculate VCDSA retirement benefits is estimated to decrease by \$447.81 if non-cashable flex credit is excluded (-\$206.68 non-cashable flex x 26 pay periods / 12 months = -\$447.81)
- Safety Tier 1 retirement benefits are calculated based on age at retirement, years of service credit, and highest 12-month average salary. For a Safety Tier 1 member retiring at age 50, a monthly salary decrease of \$447.81 would decrease the retirement benefit by \$8.96 per year of service credit

Full-Time Flex Credit	Opt Out Fee	Lowest Priced Medical Plan	Non-pensionable Biweekly	Pensionable Biweekly	Monthly VCERA Salary Change	Monthly VCERA Benefit Decrease per service year		
						Age 50	Age 52	Age 55
\$582.00	\$352.06	\$206.68	\$206.68	\$375.32	(\$447.81)	(\$8.96)	(\$9.92)	(\$11.73)

VCDSA Sample Member

Retiring at age 50 (27.5 years Safety Tier 1 service and \$132,000 salary)

-\$246.40 monthly benefit decrease (-\$8.96 x 27.5 years)

Monthly retirement benefit would decrease from \$6,050 to \$5,803

Full-Time Flex Credit	Opt Out Fee	Lowest Priced Medical Plan	Non-pensionable Biweekly	Pensionable Biweekly	Monthly VCERA Salary Change	Monthly VCERA Benefit Decrease per service year		
						Age 50	Age 52	Age 55
\$582.00	\$352.06	\$206.68	\$206.68	\$375.32	(\$447.81)	(\$8.96)	(\$9.92)	(\$11.73)

How to Estimate Using Pension Calculator: VCDSA

<https://www.vcera.org/post/legacy-pension-calculator>

Select Your Retirement Plan (choose one):

General Tier 1
 General Tier 2
 Safety

Minimum Requirements

Age Quarter at Retirement:

Definition of Age Quarter

Years of Service at Retirement:

Definition of Service Years

Final Average Monthly Compensation:
(Do not use commas or dollar signs.)

\$178,680 / 12 →

Definition of Compensation

Reset Calculate

Based on the information you provided above, your estimated monthly retirement benefit is:

With current employee-only flex credit

Select Your Retirement Plan (choose one):

General Tier 1
 General Tier 2
 Safety

Minimum Requirements

Age Quarter at Retirement:

Definition of Age Quarter

Years of Service at Retirement:

Definition of Service Years

Final Average Monthly Compensation:
(Do not use commas or dollar signs.)

\$14,890 - \$447.81 →

Definition of Compensation

Reset Calculate

Based on the information you provided above, your estimated monthly retirement benefit is:

With cashable flex only (subtract \$447.81)

Disclaimer

These examples are simplified to explain the estimated cashable flex credit amount. At retirement, a member's final average compensation measurement period is likely to contain multiple flex credit amounts and may span across both the prior and new methods. Members should contact VCERA to request a retirement benefit estimate if they are nearing retirement rather than relying on the information contained in this presentation. VCERA does not recommend members make retirement decisions based solely on this presentation.