



# MEMORANDUM

RIVERSIDE COUNTY EXECUTIVE OFFICE

Larry Parrish  
County Executive Officer

January 25, 2005

**TO:** Nancy Romero  
Clerk of the Board

**FROM:** Ken Mohr, Asst. CEO

**RE:** CONTINUANCE

Please continue the following item to March 1, 2005:

**PARC** Report re: Co. Pension Reform  
(3.64 – 9/28/04 and 3.9 – 11/16/04)

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



**FROM:** SUPERVISOR BOB BUSTER

**SUBMITTAL DATE:** 9-28-04

**SUBJECT:** County Pension reform: Next Steps

**RECOMMENDED MOTION:** That the Board request the CEO:

- Assemble the Budget Officer, CEO Finance Staff and Treasurer to develop a report combining projected pension costs against future budget resources based on conservative revenue forecasts.
- Engage independent municipal finance experts to review the work of the Treasurer's Pension Review Committee due in November; confirm or expand on the Committee's report; analyze County estimates of pension cost impacts on future budgets, service level growth and bond ratings; and offer recommendations to reduce the rate of growth of pension obligation payments.
- Include the Budget Officer in all upcoming labor union negotiations on pay and benefits or unit modifications having a budgetary impact as a co-equal part of the County team and as advisor to the Board of Supervisors on negotiating strategy.
- Adopt and announce to all unions a firm position on all future excess pension returns over the assumed rate of return are not to be considered to be available for distribution or pension increases, but are supposed to offset years of below average returns over the long term.
- Return to the Board in 120 days with a report to guide the County to containment and reduction of rising pension costs to include consideration of two-tier pension system, increased employee contributions to existing system and creating a defined contribution system.

**BACKGROUND:** Under the leadership of Treasurer Paul McDonnell the County has already taken action to reduce pension costs \$3 million this year through prepayment. The Treasurer's Pension Review Committee is also working out a bond program to even out the long-term payments on the County's \$300 million in unfunded liability.

Recent news stories detail the severe fiscal crisis that the City of San Diego now faces because of its irresponsible pension increases and employee payouts from "excess" pension funds. San Diego's pension meltdown is bigger than the Orange County bankruptcy!<sup>1</sup>

Even though the scale of Riverside County's situation is smaller, some of the same fundamental misunderstandings about defined benefit pension systems that underlie San Diego's mistakes also formed the basis for pension increase decisions here.

We must change that and begin what will be a tough process to reform.

Supervisor Bob Buster

**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Buster, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended with report back on Tuesday, February 1, 2005, and to include looking at the 5-year contribution to the CAL-PERS by non-management employees as regards recruiting.

Ayes: Buster, Tavaglione, Venable, Wilson and Ashley  
Noes: None  
Absent: None  
Date: September 28, 2004  
xc: Supv. Buster, E.O., H. R., Treasurer, COB

Nancy Romero  
Clerk of the Board  
By:   
Deputy

<sup>1</sup> San Diego's unfunded liability if \$1.16 billion. Orange County's 1996 bond issuance to pay off its obligations was \$760 million or \$962 million in today's dollars.

**ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD**

9.28.04 3.64

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

817



**FROM:** Paul McDonnell, Treasurer-Tax Collector  
Chairman, Pension Advisory Review Committee (PARC)


**SUBMITTAL DATE:**  
November 5, 2004

**SUBJECT:** Second Report of the Pension Advisory Review Committee

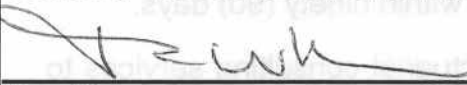
**RECOMMENDED MOTION:** That the Board of Supervisors:

- (1) Receive and file the PARC's Second Report;
- (2) Approve in concept the issuance of Pension Obligation Bonds (POB);
- (3) Direct the Finance Team to prepare for the issuance of POB's; and
- (4) Authorize a sole source agreement with Bartel Associates, LLC for amount not to exceed \$50,000 for services related to Committee's review.

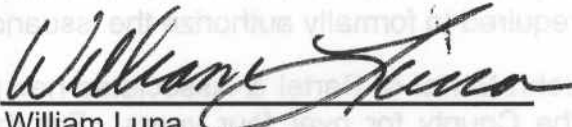
(Continued on page 2)

  
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Paul McDonnell  
Treasurer-Tax Collector, Chairman

  
\_\_\_\_\_

Ron Komers  
Asst CEO/ HR Director, Member

  
\_\_\_\_\_

William Luna  
County Finance Director, Member

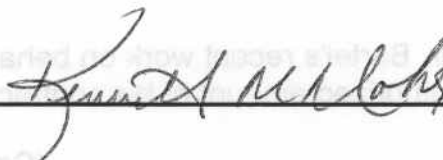
<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 50,000	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A

**SOURCE OF FUNDS:** 10000-1400100000

Positions To Be Deleted Per A-30	<input type="checkbox"/>
Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:** **APPROVE.**

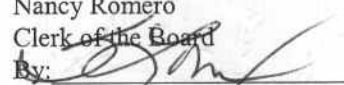
**County Executive Office Signature**



**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Buster, seconded by Supervisor Ashley and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended with the report back on Tuesday, February 1, 2005.

Ayes: Buster, Tavaglione, Venable, Wilson and Ashley  
Noes: None  
Absent: None  
Date: November 16, 2004  
xc: Treasurer, HR, PARC, Auditor, COB

Nancy Romero  
Clerk of the Board  
By:   
Deputy

**Prev. Agn. Ref.:**

**District:**

**Agenda Number:**

Departmental Concurrence

Policy  
 Policy  
 Consent  
 Consent  
 Dep't Recomm.:  
 Per Exec. Ofc.:

BOARD OF SUPERVISORS

Form 11: Initial report of the Pension Advisory Review Committee

November 5, 2004

Page 3

The Committee has recommended:

1. That the Board approve <sup>in concept</sup> the issuance of Pension Obligation Bonds (POBs).
2. That the County Finance team move forward as soon as possible to prepare for the issuance of POBs.
3. That the Pension Advisory Review Committee Policies and Procedures be presented simultaneously with POBs for approval.
4. That the Committee report back to the Board on 2/1/05 on the pros and cons of alternative pension structures.
5. That the Board authorize a sole source agreement with Bartel Associates, LLC for amount not to exceed \$50,000 for services related to the Committee's review.