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

159

FROM: Executive Office

SUBMITTAL DATE:
September 14, 2010

SUBJECT: Pension Reform

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the Pension Reform report from the Executive Office;
2. Receive and file the report from the Pension Reform Advisory Committee (PRAC);
3. Approve release of a request for proposals (RFP) to engage a benefit consultant for advice on:
   a. Cost savings and benefit adequacy of various pension plan designs offered by CalPERS;
   b. Legal issues affecting implementation of pension reform strategy;
   c. Impact of pension reform changes on employee recruitment and retention; and
4. Instruct the CEO to return in three months with a specific action plan for pension reform, to include the creation of a second tier benefit level for new employees, consistent with Board policy decisions and direction today.

BACKGROUND: On August. 10, 2010, the Board ordered a comprehensive report as the county began examining the complex issue of pension reform. The attached information includes the 2010 annual report of the Pension Advisory Review Committee (Attachment E, previously approved by the Board on May 4, 2010) actuarial projections from the County's consulting actuary, John Bartel, and Executive Office views on the issue.

(Continued on Page 2)

Ed Corser
County Finance Director

FINANCIAL DATA	**Current F.Y. Total Cost:**	$ N/A	**In Current Year Budget:**	N/A
	Current F.Y. Net County Cost:	$ N/A	**Budget Adjustment:**	N/A
	Annual Net County Cost:	$ N/A	**For Fiscal Year:**	N/A

SOURCE OF FUNDS:

Positions To Be Deleted Per A-30 ☐

Requires 4/5 Vote ☐

C.E.O. RECOMMENDATION: APPROVE

County Executive Office Signature BY: Bill Luna

Departmental Concurrence

Dep't Recomm.: ☐ Consent ☒ Policy

Per Exec. Ofc.: ☐ Consent ☒ Policy

Prev. Agn. Ref.: | **District:** ALL | **Agenda Number:** 3.48

BACKGROUND continued:

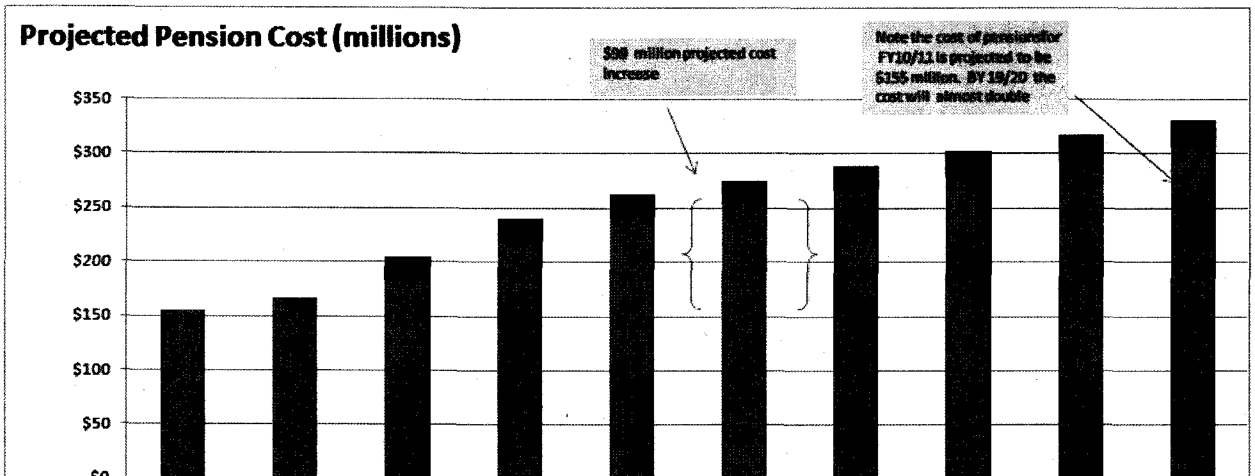
Also attached is a report from the Pension Reform Advisory Committee (PRAC), facilitated by Bill Kay (Attachment D). It provides useful insight from the perspective of labor, management and public appointees as we develop a strategy for change.

Our evaluation, as requested by the Board, examines elements of the pension debate including second-tier alternatives, cost-sharing options and relevant data. In presenting action items, we seek Board approval of initials steps needed to build momentum toward reform.

Pension Reform Advisory Committee (PRAC)

The PRAC report (Attachment D) indicates admirable consensus on a number of issues among representatives of labor, management and the public. Each views pensions as an element of collective bargaining that should be viewed in that context. They also agree that pension benefits should be looked at in the context of total compensation. All have agreed that decisions for change must be fact-driven. Despite solid agreement that the county should not take holidays from paying its actuarial contributions, union representatives would not stipulate that "pensions as currently configured are unsustainable." They also "assert that there is no demonstrable need to reform or reduce the pension benefits at this time."

On that point, the table below indicates the county pension contribution curve could nearly double over the next 10 years. Clearly this increase should indicate a compelling need to reform based on relevant data.



	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
■ Scenario 1	-	-	20	21	21	22	23	23	24	25
■ Base Case	155	166	184	219	241	254	267	279	293	306

Source: Based on Bartel Associates August 11,2010 Report. Data is for both Miscellaneous and Safety Plans and includes POB debt service

Payroll Assumption (FY09/10 -5%,FY10/11 -5%,FY11/12 -5%,FY12/13-FY19/20 3.25%)

Base Case: CalPERs discount rate 7.75%

Scenario 1 assumes a 0.25% reduction in the CalPERs discount rate. Scenario 1 amounts are in adition to Base Case totals.

Sharing increased pension costs is another element of reform, but one that the committee did not see as an element within its scope. From the Executive Office perspective, however, it is an essential element in any plan to begin moderating the increased costs of current pensions, now and in the future.

Pension Advisory Review Committee (PARC)

In May, the Pension Advisory Review Committee (PARC) filed its annual report, with substantial detail on the rising costs of our county employee retirement plans (3 percent @ 50/safety; 3 percent @ 60/miscellaneous), the most generous plans available from CalPERS. Recent stock market losses and a sputtering economy have made it difficult to maintain public service programs and financial stability while paying escalating pension costs. CalPERS rate increases already are set to increase county costs by $99 million over the next five years (see Attachment A). Further, if CalPERS lowers its 7.75 percent assumed earnings rate on investments to 7.50 percent, as has been discussed, annual pension costs will increase by an additional $22 million per year. Government agencies statewide have been similarly affected and in response are reducing pension benefits for future employees. The PARC report concluded that pension reform in Riverside County is needed, and that the county should retain a benefits consultant to assess the impact on recruitment and retention. As we move toward pension reforms, options to consider include:

Second-tier alternatives would require that the county select one of CalPERS' lower-cost, less generous benefit plans for FUTURE safety and miscellaneous employees. Current benefits (3 percent @ 50/3 percent @ 60) were approved in 2001 and 2002, when pension investment returns caused contribution rates to be at an all-time low. Revenue was sufficient to cover both improved pension benefits and higher salaries, and we could still maintain and grow public service programs. Now, the increased benefits approved in 2001 and 2002 have contributed to our $800 million unfunded pension liability. In the long run, pension costs consistently rise but revenue depends upon the up-and-down cycle of our economy. At this time and for the indeterminable future, revenue is not sufficient to support rising pension obligations without reducing public services. This scenario drives an increasingly common opinion that current pension benefits are "unsustainable." The Board has been resolute about minimizing public–service reductions during the economic downturn and has taken necessary steps to cut costs. Pensions should be evaluated in the same manner, both as long-term structural costs and short-term contributory costs.

Therefore, we recommend that the Board of Supervisors direct creation of a second-tier benefit level that applies only to new employees. Among the options for greatest savings would be to return the safety and miscellaneous plans to the levels in effect prior to 2001 and 2002: 2 percent @ 55 for miscellaneous, and 2 percent @ 50 for safety. The cumulative cost savings over ten years would be $120 million. Attachment C illustrates additional sample pension benefit calculations using alternative pension formulas offered by CalPERS. The greatest cost immediate savings can be realized by increasing the retirement age and reducing the benefit factor. Further analysis by a benefit consultant will assess the impact on recruitment and retention.

For Safety, our analysis shows that extending the retirement age for unadjusted benefits from 50 to 55 alone produces only a slight reduction in cost; a reduction in the benefit factor from 3% to 2% is more impactful.

For Miscellaneous, our analysis also shows that reducing the benefit factor from 3% to 2.5% or 2% can create substantial pension cost reductions. However, only one other CalPERS option, the 2% @ 60 maintains the retirement age at 60 for unadjusted benefits; most other options reduce the retirement age to 55 for unadjusted benefits.

A hybrid plan, which combines a lower guaranteed pension benefit (defined benefit plan) with a tax-deferred matching cash contribution to a defined contribution plan might be an option to consider in addition to a lower cost second tier. CalPERS currently permits 1.5 percent @ 65 for new miscellaneous employees and allows CURRENT employees to elect the option for prospective years of service. Employee accounts would reflect individual investment returns and contribution elections. Employees also would pay a lower contribution for their guaranteed pension benefit. The pension benefit, along with Social Security for miscellaneous employees, provides a source of guaranteed income at retirement. The advantage to the county is a shift to annual contributions that reduce exposure for sustaining guaranteed benefits subject to future stock market volatility. This option would be an alternative choice, made by the employee, and represents a migration closer to private-sector retirement benefit plans. Orange County recently installed a similar plan, subject to IRS approval.

A shared-cost alternative involving current AND future employees should be considered for future negotiation as county pension costs continue to rise. This would provide immediate financial help in balancing budgets in an unstable economy. At present, bargaining units have taken or are taking one-time 10 percent salary cuts that the Board sought in a "team effort" to attack our chronic budget deficit. Units that have made the sacrifice so far are SEIU, LIUNA, deputy district attorneys and the unrepresented management group.

Legal challenges to any of the options summarized above are always a potential but seem limited because they do not affect vested rights. CalPERS allows a hybrid combination of a lower defined benefit formula and a defined contribution. A shared-cost alternative could be implemented by reducing the current county pickup of the employee pension cost share, without affecting vested rights. This legal perspective has been confirmed by Bill Kay, our legal consultant working with the Pension Reform Advisory Committee (PRAC). County Counsel believes the law is still evolving and there could be vested rights issues.

The best course for cost-sharing might be a phased approach. First, the employee and employer could share the CalPERS cost increase. Then, the employee contribution presently paid by the county could be borne by employees so that all employees begin to pay for their own retirement. This could be an element of collective bargaining as we move and eventually return to a more normal bargaining environment. The Governor recently negotiated cost sharing agreements with the major public safety unions.

Based upon a projected county cost increase of $18-38 million in FY 2012/13, a 50-50 sharing with employees would result in a 1 percent to 2 percent reduction in the current employer pick-up. Other factors might affect this calculation, however, which requires further analysis.

Each pension alternative discussed is subject to meet-and-confer negotiation with bargaining units.

Total Compensation

The county's total compensation for eight representative job classes – including paid salary, pension benefits, health care, Social Security, etc. – has been compared with Los Angeles, Orange, San Bernardino and Ventura counties. Details are reported in the PRAC report. Riverside County places at the high end in comparing miscellaneous plans and is mid-range for safety. A reasonable, negotiated combination of alternatives as recommended and discussed above, should not impede our ability to recruit and retain qualified employees compared to these competing agencies. However, it is important to recognize we must strike a balance between keeping up with other counties and paying only what we can afford. The cost of living for Riverside County employees who live in Riverside County generally is lower, at least for housing. Property tax revenue, a major source of funding for pension benefits among all counties, has been more severely reduced in Riverside County during this economic crisis.

Going forward, we suggest calculating total labor costs, including salary and all other benefits, as a percentage of revenue. This percentage could be held constant to protect against cost increases for labor and public services when revenue is not available to accommodate both, and establish decision points for the costs of labor vs. services (see Attachment B for historical trend). This will be a subject for further analysis and recommendations.

The PARC report in May recommended hiring a benefits consultant to further analyze cost savings from recommended options, legal issues, and the effects on recruitment and retention. HR has completed a request for proposals (RFP) that is attached for your review (Attachment F).

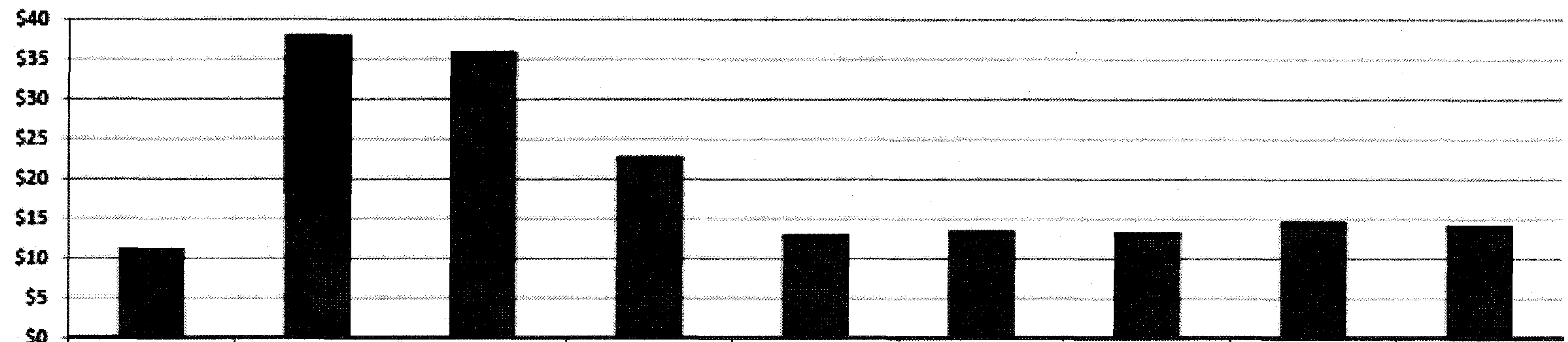
Therefore, to build momentum on this issue, the Board should:

1) Approve releasing the RFP for a benefits consultant; and

2) Instruct the CEO to return in three months with a specific action plan for pension reform, as modified by the Board today.

ATTACHMENT A

Year over Year Pension Cost Increase (millions)



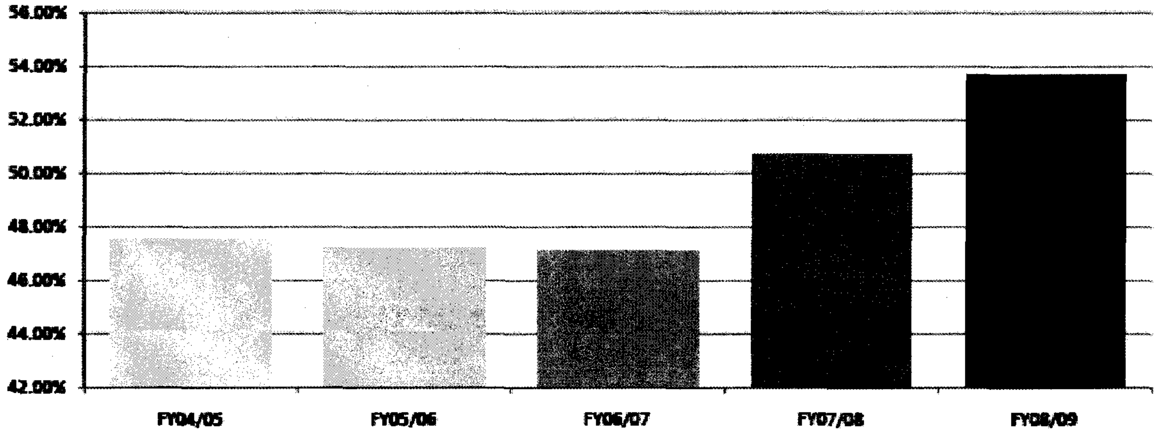
	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
■ Scenario 1	-	19.95	0.65	0.67	0.69	0.71	0.74	0.76	0.79
■ Base Case	11.17	18.07	35.29	22.15	12.24	12.79	12.52	13.91	13.34

Source: Based on Bartel Associates August 11,2010 Report. Data is for both Miscellaneous and Safety Plans and includes POB debt service
Payroll Assumption (FY09/10 -5%,FY10/11 -5%,FY11/12 -5%,FY12/13-FY19/20 3.25%)
Base Case: CalPERs discount rate 7.75%
Scenario 1 assumes a 0.25% reduction in the CalPERs discount rate. Scenario 1 amounts are in adition to Base Case totals.

ATTACHMENT B

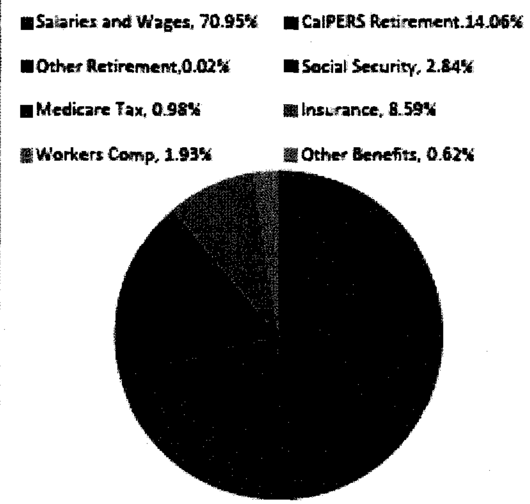
Labor Cost Analysis

General Fund Labor Cost/Revenue

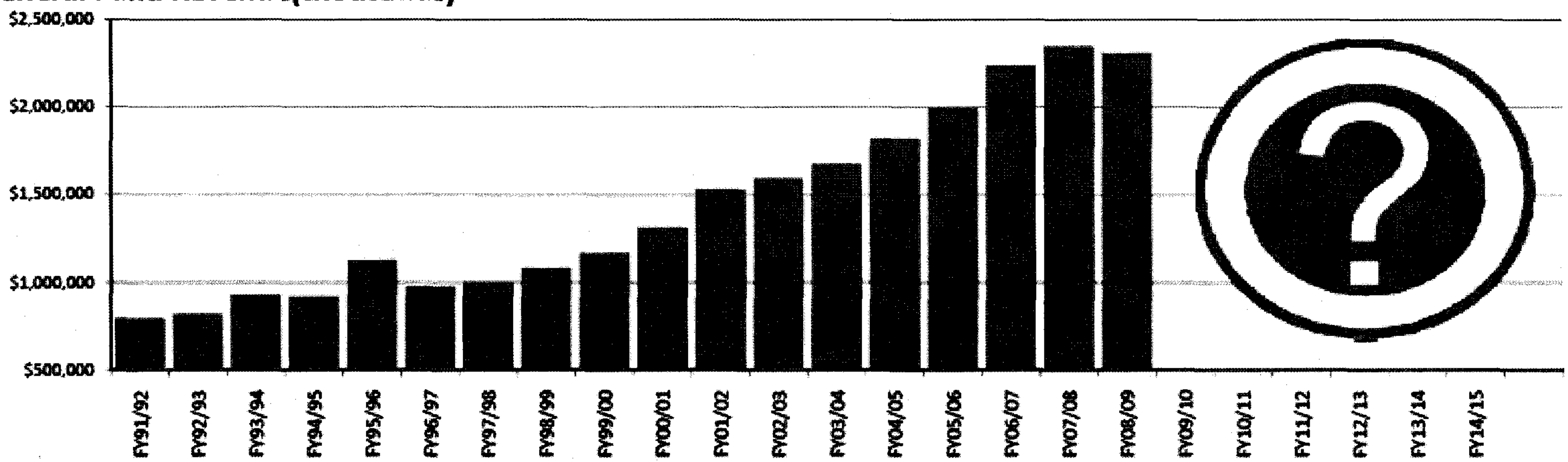


Source: CAFR

Total Labor Cost



General Fund Revenue(thousands)



Source: CAFR

ATTACHMENT C

Type of Option	Projected Accumulated Savings*	
Multiplier and Year of Service Options Under CalPERS:	5 Years	10 Years
• Safety 3.0% @ 55	$ 3.3 M	$ 14.7 M
• Safety 2.0% @ 50	$ 6.8 M	$ 30.0 M
• Safety 2.0% @ 55	$ 10.2 M	$ 47.3 M
• Miscellaneous 2.7% @ 55	$ 5.8 M	$ 22.0 M
• Miscellaneous 2.5% @ 55	$ 17.2 M	$ 65.7 M
• Miscellaneous 2.0 % @ 55	$ 23.6 M	$ 90.0 M
• Miscellaneous 2.0% @ 60	$ 34.0 M	$ 129.7 M
• Miscellaneous 1.5% @ 65	$ 46.3 M	$ 226.7 M

Type of Option	Projected <u>Annual</u> Savings* – Dollar Amount			
Multiplier and Year of Service Options Under CalPERS:	1st Year	5th Year	10th Year	30th Year
• Safety 3.0% @ 55	$ 0.2 M	$ 1.2 M	$ 3.1 M	$ 12.2 M
• Safety 2.0% @ 50	$ 0.4 M	$ 2.4 M	$ 6.4 M	$ 25.1 M
• Safety 2.0% @ 55	$ 0.6 M	$ 3.7 M	$ 10.3 M	$ 47.3 M
• Miscellaneous 2.7% @ 55	$ 0.4 M	$ 2.0 M	$ 4.1 M	$ 14.4 M
• Miscellaneous 2.5% @ 55	$ 1.1 M	$ 5.9 M	$ 12.4 M	$ 43.2 M
• Miscellaneous 2.0 % @ 55	$ 1.5 M	$ 8.1 M	$ 17.0 M	$ 76.0 M
• Miscellaneous 2.0% @ 60	$ 3.0 M	$ 11.6 M	$ 24.4 M	$ 102.1 M
• Miscellaneous 1.5% @ 65	$ 3.0 M	$ 15.9 M	$ 50.4 M	$ 217.4 M

* Assumes aggregate payroll increase at 3.25% per year. Savings are likely less if aggregate payroll increase is lower.

ATTACHMENT D

BURKE, WILLIAMS & SORENSEN, LLP

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Direct No.: 650.681.8311
Our File No.: 05486.0002
wkay@bwslaw.com

September 7, 2010

Bill Luna
County Executive Officer
County of Riverside
4080 Lemon Street, 4th Floor
Riverside, California 92501

Re: Transmittal Of Report Of Ad Hoc Pension Reform Advisory Committee

Dear Mr. Luna:

Enclosed is the County's Ad Hoc Pension Reform Advisory Committee ("PRAC") report. As the Board of Supervisors directed in the resolution establishing PRAC, please forward the Advisory Committee's report to the Board of Supervisors.

I believe the Advisory Committee provided a deliberative public forum that would not have been available without the creation of PRAC. As a result of the process, the report can be used to continue public discussion about reforming the County of Riverside pension plans. In addition, the report provides much of the data and information necessary to focus both public discussion and county/union negotiations about County pensions on data. Generally, data based and data driven exchanges are more successful in resolving difficult issues.

To increase understanding about citizens', management's, and unions' perceptions, the Advisory Committee encourages County management and the Board of Supervisors to carefully consider not only the report's recommendations, but also the following elements of the report.

- Advisory Committee members who are also union representatives worked assiduously and sincerely to narrow the focus of their concerns. The report contains specific expressions of the union representatives, especially in the section entitled "Union's Perspective Not Evident In PARC Report." I encourage you to carefully consider the union perspectives articulated in this section.

- Many interested citizens are not aware of the reasons why the County cannot modify some of the core pension benefits for current employees. I encourage you to use the section about the legal limitations to answer citizen's questions about legal limitation on the County's power to modify pension benefits for current employees.

- The Advisory Committee established a straightforward menu of negotiation options and listed the projected savings for each element of a potential new tier of pension benefits. We encourage both County Management and labor organization to use this list of options and savings during their negotiations. This menu is listed as subsection "C" of Section "IV" of the Report.

I truly enjoyed working with the Advisory Committee on behalf of Riverside County. Please let me know if you need additional information or if I can assist you in any way.

Sincerely,

BURKE, WILLIAMS & SORENSEN, LLP

William F. Kay

WILLIAM F. KAY
Designated Facilitator for PRAC

WFK:ff

Enclosure: PRAC Report

<u>Members of the Pension Reform Advisory Committee</u>:

William Kay (Committee Facilitator)
Barbara A. Olivier (At-Large)
Boris Robinson, Sheriff's Department
Bryan Boutwell, DDAA
Don Kent, Treasurer/Tax Collector
Darryl Drott, RSA
Doug Bagley, RCRMC
Dwayne Neuenswander, LEMU
Ed Corser, Executive Office
George Johnson, TLMA
Kelly Keenan, District Attorney's Office
Patricia Reynolds, DPSS
Steve Matthews, SEIU
Bob Bowers (Public Citizen)
Joseph Deledonne (Public Citizen)
Harold Trubo (Public Citizen)
John Bartel, Bartel and Associates

Any public citizen who would want to attend was allowed to listen and make comments.

County of Riverside
Pension Reform Advisory Committee

REPORT

September 7, 2010

County of Riverside

Pension Reform Advisory Committee

REPORT

September 7, 2010

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County of Riverside

Pension Reform Advisory Committee Report

September 7, 2010

I. BACKGROUND

A. Role of PRAC and PRAC's Relationship to Ongoing Pension Advisory Review Committee (PARC)

<u>Creation and Scope of Committee</u>

The County Board of Supervisors created the Pension Reform Advisory Committee (PRAC) on March 2, 2010, to study and report on modifications to the pension system and benefits for employees newly hired into the County, with the purpose of insuring a future pension system that is more financially manageable and sustainable. Critical to the success of the Committee was the involvement of County labor organizations and the transparency of the process. The PRAC was to report to the Board of Supervisors by September 1, 2010. (See "**Attachment A,** Board of Supervisors Submittal on Formation of Pension Reform Advisory Committee.")

Each union recognized by the County (SEIU 721, LIUNA 777, DDA, RSA, LEMU) appointed a representative to the PRAC. All of the unions actively participated in the deliberations of the Committee with the exception of LIUNA 777 after the first meeting. A number of senior management officials, and three citizen members were also appointed to the Committee.

The Committee decided at the outset to conduct our work by using a modified consensus. The report designates those areas where the Committee was able to reach consensus. For those areas on which the PRAC was unable to reach consensus, the report lists broad elements of the disagreement.

Finally, the Committee believed that an essential purpose of the Committee was to bring some focus and clarity to the pension issues facing the County and its employees. By providing the Board, the unions and the community with additional data, the Committee hopes that the ensuing negotiations and public discourse will be more data-driven and less reliant on non-fact-based opinion.

<u>Relationship of PRAC to the Pension Advisory Review Committee</u>

While the PRAC was established as an ad hoc committee for a single purpose, the County has an ongoing committee that provides an annual review of pension matters, the Pension Advisory Review Committee (PARC). The PARC's annual report was formally submitted in March of 2010, and included among the recommendations:

- planning for anticipated rate increases in the County's payment to CalPERS for 2011 and beyond;
- initiating a discussion on pension reform;
- obtaining a third party consultant to advise on pension savings, legal constraints, and impact of pension reform on recruitment and retention.

The PARC report contained substantial data relevant to the issue of pension reform and future funding of current pension obligations.

This Committee does not intend to duplicate or contradict the PARC's annual report. Instead, the Committee believes that this report is a supplement to the PARC report, and that the two reports must be read together.

B. Summary of Unions' Perspective Not Evident in PARC Report

During the PRAC meetings various union representatives raised the following issues involving perspectives missing from the PARC's 2010 annual report. These issues have not been endorsed by all union representatives or by all Committee members, but the Committee reached a consensus that this report should include a listing of these items to provide full awareness of issues that have not yet been given prominence in the public discourse on pension reform.

The County report has not explained which pension benefits can be lawfully changed, and under what circumstances.

From a review of the public discourse on pension reform, there appears little understanding of what pension benefits can be changed given the applicable legal limitations. As will be discussed in Section II of this Report, California law establishing the vesting of pension benefits for all current employees leaves few options to reforming benefits other than for new hires. Likewise, the law requires the County to negotiate changes on some, but not all topics involving pension benefits. The County is also encumbered by the statutory and regulatory provision covering the pension provider, CalPERS. And finally, the County must make sure that all reforms comport with the IRS Code and regulations. All these legal limitations need to be clearly articulated as part of the on-going discussions about pension reform.

Total compensation of Riverside employees should be considered when analyzing pension benefits.

The unions' representatives expressed concern that the PARC Report did not sufficiently emphasize that pensions are a portion of compensation, and that any analysis of County pension benefits must also include an analysis of the total compensation of County employees. A focus on only pensions for Riverside County employees can have adverse impact on employees and the County's recruitment and retention abilities.

Several factors need to be taken into account. First, Riverside County does not rank near the top in total compensation, and Riverside County also places a heavier burden on employees paying a larger share of their health insurance costs than in other counties. So any reduction in pension benefits without factoring in other compensation could have a substantial overall negative impact on employees' total compensation. Second, because a greater share of lower paid employee's compensation involves health insurance costs, a reduction in pension benefits disproportionately affects the lower paid employees. The average pension paid out to non-safety employees is $17,630 annually according to the County of Riverside's PARC report. This leaves little margin for any reduction for lower paid employees to absorb increased expenses.

This overall concern is similar to a principle included in a recent California League of Cities' report urging public agencies to "view pension's benefits in the overall compensation structure whose goal is the recruitment and retention of qualified employees in public sector jobs.... [A]ny change in the structure of retirement benefits must be evaluated in concert with other adjustments in compensation necessary to attract and retain an experienced and qualified workforce."[1] This report has included a study of the total compensation of both employees and retirees of the County.

No significant budgetary savings can be gained in the next ten years by establishing lesser pension benefits for new hires, but substantial savings can be generated over the long term.

The consensus of the Committee is that the savings involved over the next ten years through establishing a second tier of benefits for new hires would not produce a significant savings in the

[1] *Updated League of California Cities Pension White Paper*, November 1, 2009.

short-term. According to the actuary providing advice to the County the establishment of a second tier of benefits for new hires would generate a potential cumulative savings between $14.7 million to $30 million for Safety and $22.0 million to $226.7 million for Miscellaneous over the next ten years depending on type of benefits established for new hires. (See **Attachment B,** Actuarial Savings of Various Options for Second Tier of Pension Benefits. See also chart of savings in Section IV.C of this report.)

The Committee members did not reach consensus on the value of potential savings. The management representatives believed that any savings, no matter how nominal should be sought by the County, and that substantial savings would result from changing the long-term impact of the pension liability. After ten years, the savings would accrue substantially as most employees will be covered under the new pension plan. The union representatives' concerns were mostly related to the next issue listed below.

The County should coordinate long-term pension reforms with structural long-term fiscal reforms, and not mix short-term deficits with long-term pension issues.

The Committee did not achieve consensus on this issue. From the perspective of the union representatives on the Committee, the call for pension reform for new hires will have a marginal impact on the current structural deficit problems. This misplaces and misdirects the County's and the unions' energies. Instead, the union representatives expressed concern that any decisions on revising pensions for new hires can wait until the parties have dealt with the myriad of problems relating to the current economic crisis and structural deficits.

The management and citizen representatives on the Committee believe that the long-term structural changes in pensions need to be made now before the issue of long-term pension liabilities overwhelms the County both economically and politically.

The assertion that current pension benefits are fiscally unsustainable is still an open question and subject to proof.

This was a point of major contention between the management, union and citizen representatives. No consensus was reached. The union representative cited the following factors:

- The County's pension funding ratios were lower in the late 1980's than at present.
- The 30-year actuarial projection by CalPERS is the appropriate method for analyzing the problem. There is no hard evidence that the current benefits are unsustainable. Over the next 30 years, there will be many ups that will offset the inevitable downs in the economy. Since 1984 when CalPERS changed their overall investment approach, the 25-year rolling average investment return for CalPERS pension fund was 9.17%, with the highest annual return of 34.5% and a low of -24%.[2]
- The cost of pensions when viewed as a percentage of County payroll was higher for Safety in 1981 (approximately 29%) than in 2010 (approximately 20%); whereas the Miscellaneous percentage of payroll in 1981 of 12% will reach that approximate same high again in 2010.[3]
- Instituting a second tier of benefits for new hires does not address either the short-term pension problems or the County's short-term fiscal issues. A second tier will generate relatively small savings over the next ten years.
- The County's pension benefits compare favorably with other counties, but the overall compensation for the County employees does not.

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[2] According to County's actuary, John Bartel, the rolling average of CalPERS investment returns for the most recent years are: 9.17% @ 25 yrs., 8.08% @ 20 yrs., 7.32% @15 yrs., 3.19% @ 10 yrs., and 2.50% @ 5 yrs.

[3] See *County of Riverside PARC Report*, March 2010, page 25.

Management cited many of the elements listed in the PARC report, namely:

- The combined June 30, 2009 Actuarial Unfunded Liability for both safety and miscellaneous employees is approximately $700 million on actuarial asset value basis and $2.1 billion on market asset value basis.
- The June 30, 2009 funding ratio for both safety and miscellaneous employees hovers at about 87% of being fully funded, when taking into account the County's pension obligations bonds. This would be 61% if the market value were used instead of an actuarial value.
- County contributions to CalPERS will likely increase next year by 1.6% of payroll for Miscellaneous and 2.4% of payroll for Safety, primarily due to investment losses and changes in actuarial assumptions. If the current actuarial assumptions are met, a trend of continuous increases will occur thereafter. These increased costs add to the structural deficit the same as equivalent salary increases.
- CalPERS investment return from two years ago was dismal (-24.0%). This was 31.75% less than the projected annual return of 7.75%.
- According to CalPERS Chief Investment Officer, CalPERS investment returns are unlikely to meet the projected average of 7.75% for the next ten years, and CalPERS is considering a downward revision of this figure. Any downward revision will automatically increase the County's annual payments to CalPERS.

The Committee's inability to reach consensus on whether the current pension benefits are sustainable appeared to turn on the definition of "sustainability." Management asserted that the definition of sustainability should include the assumed maintenance of the County's current services levels together with the current levels of compensation, including pension benefits; whereas the union representatives generally contended that there are too many variables to precisely predict revenue and expenditures over a 30-year period used for pension analysis.

In the end the Committee reached consensus on including an actuarial analysis regarding the funding levels as one factor in defining sustainability of the current pension benefits. However, an agreement on including this data in an attachment to the report should not be interpreted that the Committee as a whole reached consensus on other factors providing an accurate measure concerning whether the current pension benefits are sustainable.

This Report should not include recommendations regarding specific pension reforms, but should wait for the upcoming negotiations when the parties are likely to discuss favored pension options.

Although the unions desired to participate on the Committee and actively engaged in discussion of all the issues, at the outset of the Committee's deliberations the union representatives expressed concern about making recommendations as to specific pension reforms that should be initiated by the County, if any. Including recommendations on particular pension benefit reforms in this report would preempt the negotiations process. The appropriate forum for discussing specific pension reforms should be the upcoming negotiations for the next fiscal year. Requiring specific Committee recommendations now would be the equivalent of asking County management during good economic times to commit to a salary study and a recommended wage increase *before* the onset of regular negotiations.

By consensus the Committee endorsed this concern. In addition the Committee strongly favors the listing of all the CalPERS options for a second tier of benefits and their potential savings.

The County should acknowledge the 2000-2002 "pension holidays" as a contributing factor to the County's current unfunded pension liability; and should institutionalize this episode in its collective memory to avoid repeating the event.

The County's CalPERS plans were well funded a decade ago. This resulted in the County's contribution rates for the Miscellaneous plan in 2000, 2001 & 2002 and the Safety plan in 2000 & 2001 fiscal year being set at zero. As a result, the County did not make contributions to the pension fund during these periods, even though the employees continued with their contributions. Although comparisons to individual home mortgages are not valid in many respects, suspending payments to the pension fund during those years is similar to missing several years of mortgage payments. Together with CalPERS severe loss in investments and the addition of improved pension benefits during the 1999-2000 period, some union representatives list the "pension holidays" as a major contributor to the current unfunded liability.

The Committee by consensus believes that the "pension holidays" should be included in any discussion as to why the County pensions are currently running an unfunded actuarial liability. The "pension holidays" should be listed as one of the causes of the unfunded liability, and should never be repeated by future County Boards, no matter how enticing the rationale might be. Experience has taught an important lesson. The Committee also notes that CalPERS enacted regulations and the Board of Supervisors adopted a policy to guard against future "pension holidays."

According to SEIU, Riverside County has historically had a prudently funded and sound retirement system. This is reflected in Attachment D, History of County of Riverside Pension Funding Levels for the Last 17 years, which lists the County's current funded ratio as 93.7%. The PARC report understates the County's current funding ratio as 87% by inappropriately "taking into account pension obligation bonds" (see pages 4 and 7). Accepted actuarial practice establishes a retirement system's funding by calculating actuarial assets relative to actuarial liabilities. A pension obligation bond, while recognized as a county general fund obligation, is not a liability of the retirement system that is calculated on an actuarial basis. In addition, Management seeks to understate the retirement system's soundness by suggesting that the County's funding ratio is 61% "if the market value was used instead of an actuarial value" (see page 4). However, actuarial value is the commonly accepted measure of a plan's assets since it adjusts for the retirement system's long horizon and market volatility. In summary, the County's current 93.7% funded ratio is very favorable and a higher funded status than other Southern California County Pension Funds.

C. Context of Pension Reform

1. Brief Explanation Of The Pension Benefit Structure

   The typical pension benefit has several factors. For example, the current pension benefit for safety personnel is expressed as "3% of the highest salary for every year of creditable service at age 50." This formula can be broken into the following discrete factors:

   a. Age At Retirement Factor

      This is the age an employee must achieve to retire with a full pension, provided that the years of service are adequate. Currently this age factor is age 50 for County safety employees, and age 60 for miscellaneous employees.

   b. Multiplier Factor

      This is the primary factor that determines the pension benefit amount. This is the percentage of the employee's final salary that is paid for each year of service. For example, if the multiplier factor is 3%, then the employee will receive 3% of the final salary times the number of years of creditable service. Current County employees have a multiplier of 3% for both safety and miscellaneous employees who reach the full retirement age.

c. Years Of Creditable Service

Although this factor varies for each individual, it generally represents the number of years of service an employee has in the system. A full-time employee who works one year will generally receive one year of service credit. Service credit can be transferred from other public employers or can be purchased under certain conditions. Service credit is defined by statute and regulation.

d. Final Salary Computation Factor

Currently both safety and miscellaneous employees calculate the salary portion of the formula based on the highest single year of pay. Under the various CalPERS options this factor can be changed from the highest single year to the average of the three highest consecutive years. Although there is no County history of pension spiking, a major focus of statewide pension reform is directed at this factor because individuals have more easily manipulated the single highest year to increase the final pension payout.

e. Contributions Toward CalPERS Benefit Trust Fund

Under the California Government Code, CalPERS divides the payment for pension benefits between the individual employees and the employer. These contributions are based on a percentage of each employee's current salary.

While the Employee Contribution is set currently by statute at 9% for safety and 8% for miscellaneous employees,[4] CalPERS sets the Employer's Contribution based on an annual actuarial analysis.[5] Although these contribution rates are established via this initial method, nothing in the law prohibits the employer from paying a portion of the employees' contribution (often called a "pick-up"),[6] or from the employee paying a portion of the employer's contribution.[7] The extent to which either the County or the employees pay these contributions constitutes a mandatory subject of negotiations and must be dealt with through the bargaining process.

The Committee did not reach consensus on whether the payment of contributions is part of pension reform. Although which party actually pays the required contributions is not considered part of the benefit formula, the management representatives consider this component a major part of pension reform. Because the County's overall payments to CalPERS are increasing as a percentage of payroll, essential pension reform involves reduction or amelioration of these increased costs.

From the union representatives' perspective, which party pays the actual contribution does not involve pension reform. Determining who pays the contributions to CalPERS is basically a salary issue. For example, an employer's payment of the employee's 8% CalPERS contribution is the same as an 8 percent salary increase, discounting income tax implications. This is just a shift in wages, not pension reform.

[4] California Government Code § 20670 et seq.

[5] California Government Code § 20790 et seq.

[6] County employees in their first few years of employment (5 years for Miscellaneous and 3 years for Safety) pay their own member contributions. After that, County pays all member contributions.

[7] California Government Code § 20516 allows a contracting agency with CalPERS to have employees share the cost of the optional benefits. Because the County currently offers optional benefits, the employees can share in that payment.

2. Genesis of Statewide Issue – Context Of Pension Reform Within The Greater Economic Crisis

Disputes about claimed excesses of public sector pensions began as early as 2004 in what was labeled "the San Diego pension wars." The call for statewide pension reform arrived within the greater economic crisis that began in 2008 with the onset of the Great Recession. Several factors have pushed public sector pensions and public services into an open debate: (1) the investment losses in both the tech bubble and the most recent decline in Wall Street that caused substantial reduction in the market value of pension funds; (2) the reduction in local revenues used to sustain public services and public employee compensation; (3) the added cost of new pension benefits added at the turn of the century; and (4) the underfunding through "pension holidays" during that same period when benefits were increased.

Since 2008, the County's revenues have continued to drop, and as of the passage of the budget on August 10, 2010, the County estimates the structural deficit for the 2011 fiscal year to be $xxx million. This means that the County will continue to seek a balance between maintaining core County services and maintaining the work force that provides those services. The County also will likely seek continued sacrifices from employees and unions representing the employees.

To date many of the unions have reached agreements with the County that reflect a significant short term reduction in pay. Most unions and management have reduced salaries via furloughs and other benefit reductions of 10% or more to assist the County in achieving short term savings. In addition, SEIU 721 agreed to two lower salary steps for entry level positions. Savings realized by these two lower salary steps will be utilized by the County to offset increase cost of pensions while these two lower steps exist.

3. Other Agency Reports And Actions

Public discussion about pension reform is occurring throughout the state. The economic factors triggering the dialogue exist statewide, and weigh heavily upon most public agencies. Many local agencies have established study committees or commissions on pension reform, as have various affiliated groups. While it was beyond the Committee's ability to retrieve many of these studies and reports, we have attached a list of reports that will show the breadth and depth of the issue across California. (See **Attachment C,** Selected Recent Reports and Commentaries Regarding Public Sector Pension Reform.)

4. History Of CalPERS Over Last Seventeen Years And County's Actuarial Funded Levels For Pension Obligations

The County provides benefits through CalPERS. As such it must follow the statutory and regulatory provisions governing the overall system. Under CalPERS the benefits for each participating agency are not uniform, but are selected from a menu of optional benefits provided by CalPERS. The County's specific choices are enumerated in a contract between CalPERS and the County.

Starting in early 1999, the state and most local agencies adopted improved pension benefits. Approximately three-fourths of police and fire personnel switched to a new 3% @ 50 plan, and most of the non-safety employees also received an upgrade in their pensions benefits. Although these improved benefits were accompanied by actuarial analyses, most California pension funds at that time appeared to have excess funds. Many agencies, including the County, experienced a period where no payments were made into the pension trust fund because the actual assets exceeded projected actuarial liabilities.

Shortly after these pension benefits increases, pension funds experienced the first of two major investment blows – the major economic downturn following the tech bubble burst in the early 2000's. Then, in 2008, most of the pension funds' market value declined precipitously again. Currently, most recent valuations of pension plans statewide show the plans are carrying increased unfunded liabilities and exhibit decreased funding ratios. This same history is somewhat mirrored by the County. Over the years, the funding status of the pension plans has gyrated up and down, and the funding ratio, a standard measurement of pension fund health, has similarly moved. (See **Attachment D**, History of County of Riverside Pension Funding Levels for the Last Seventeen Years.)

The current County funding ratio averages 87%when taking into account pension obligations bonds. This ratio is within the range of actuarial acceptability. Of the six comparable counties, Riverside ranks second of the six in funding ratio. But that is just a relative measure of comparable counties, not an absolute measure as to soundness of funding ratio. (See **Attachment E**, Comparison of Funding Ratios of Six Southern California County Pension Funds.)

5. Sustainability Of Current Pension and Compensation Model

(Refer to discussion on sustainability of pension benefits under section I.B. of this report.)

A funding ratio less than 100 percent requires close attention. In order to improve upon funding status an agency should fund at a level other than the minimum actuarially required. That increased fiscal effort could be difficult for a local agency to continue, especially given today's economic climate.

Currently the County's actuary projects that the cost of the County's pension plans will increase sharply over the next few years. This increase would have been more immediate and extreme had it not been for the actuarial smoothing utilized by CalPERS to lessen the blow of the major market loss two years ago.[8] Since issuance of the PARC 2010 annual report, the CalPERS projected annual investment growth came in at 3 percent less than the estimated 14.5 percent as projected in the report; although at this lesser amount the investment return for this year exceeded CalPERS assumed average annual return of 7.75 percent.

Together with the drop in local agency revenue sources, the County representatives on the Committee believe a real question exists regarding the current pensions' sustainability.

In general, the union representatives do not believe that sufficient data is available to prove that the pensions as currently configured are unsustainable. Slow and steady growth over 30 years in the value of the pension funds is actuarially appropriate. Union representatives assert that there is no demonstrable need to reform or reduce future employee core pension benefits at this time.

II. LEGAL LIMITATIONS ON REFORMING COUNTY PENSIONS

A. Legal Limitations on Altering Core Pension Benefits in California: Vested Benefits Are The Primary Reason For The Focus on New Hires

Many individuals are under the impression that the County has the ability to alter the pension benefit for current employees and even for retirees. That is not the case under California law. In essence, even if the County were not required to negotiate changes in pension benefits with the various unions, it would be unable to change the benefits for either retirees or current employees because of legal vesting of pension benefits under the California Constitution.

[8] See *Riverside County PARC Report, Executive Summary*, March 22, 2010.

In a series of California Supreme Court decisions spanning a 30-year period, the contours of a "vested benefits" rule (the *Kern / Allen / Betts* rule[9]) have been established:

- A public employee's pension constitutes an element of compensation, and a vested contractual right to pension benefits accrues upon acceptance of employment. In *Abbott v. City of San Diego* (1958) 165 Cal.App.2d 511, 517, where the court held that the pension provisions of the City's Charter "are an indispensable part of the contract of employment between a city and its employees, creating a right to pension benefits as an integral part of compensation payable under such contract."
- Such a pension right may not be destroyed, once vested, without impairing a contractual obligation of the employing public entity.
- An employee's contractual pension expectations are measured by benefits that are in effect not only when employment commences, but which are thereafter conferred during the employee's subsequent tenure.
- An employee's vested contractual pension rights may be modified prior to retirement for the purpose of keeping a pension system flexible to permit adjustments in accord with changing conditions and at the same time maintain the integrity of the system. Such modifications must be reasonable, and it is for the courts to determine based upon the facts of each case, what constitutes a permissible change.
- To be sustained as reasonable, alterations of employees' pension rights must bear some material relation to the theory of a pension system and its successful operation, and changes in a pension plan which result in disadvantages to employees should be accompanied by comparable new advantages.[10]

The question next arises as to what core pension benefits are vested. Public pension benefits have been held to be contractual obligations where there is explicit language in statutes or legislative enactments, but such claims have been rejected when applied to other benefits "where no statutory provision or legislative enactment specifically provided for continuation of the specified benefit . . . . California courts have refused to find public entities contractually obligated to provide specified retirement benefits . . . in the absence of explicit legislative or statutory authority."[11]

The analysis of whether or not a benefit is vested is fact-specific. It involves an inquiry into the legislative body's intent to create a protected contractual right. As the court in *San Bernardino Public Employees, supra*, 67 Cal.App.4th 1215 stated:

> A statute will be treated as a contract with binding obligations when the statutory language and circumstances accompanying its passage clearly. . . "evince a legislative intent to create private rights of a contractual nature enforceable against the State." *Id*. at 1223 (quoting *Valdes v. Cory* (1983) 139 Cal.App.3d 773, 786).

In determining whether a benefit is vested, a reviewing court will also analyze and interpret the contract at issue using established rules of analysis for contracts. *Sappington v. Orange Unified School District* (2004) 119 Cal.App.4th 949, 954. A court will look first at the actual descriptive

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[9] *Kern v. City of Long Beach* (1947) 29 Cal. 2d 848, 853; *Allen v. City of Long Beach* (1955), 45 Cal.2d 128; *Betts v. Board of Administration of the Public Employees' Retirement System* (1978) 21 Cal.3d 859, 863.

[10] *Allen v. City of Long Beach*, *supra*, 45 Cal. 2d 128, 131; *Maffei v. Sacramento County Employees' Retirement System* (2002) 103 Cal. App. 4th 993. In *Wisley v. City of San Diego* (1961) 188 Cal.App.2d 482, 485-486, the court described the parameters for any change to an employee's vested benefits: "The validity of attempted changes in vested pension rights depends upon the advantage or disadvantage to the individual employee whose rights are involved." See also *Abbott v. City of Los Angeles* (1958) 50 Cal.2d 438, 449-453 [to determine whether a modification to a pension plan is permissible, a court will measure the "advantage or disadvantage to the particular employee(s) whose own contractual pension rights, already earned, are involved.]

[11] *Retired Employees Ass'n of Orange County v. County of Orange* (C.D.Cal. 2009) 632 F.Supp.2d 983, 986-987.

language of the benefit and how specific or unspecific it is. *Ibid.* A court may also consider extrinsic evidence that is not in conflict with the specific language of the contract, such as collective bargaining history and legislative history of the benefit, any statutory or other authority related to the benefit, and relevant facts concerning the employer's course of conduct in implementing the benefit over the years. *Id.* at 953.

In *San Bernardino Public Employees Association v. City of Fontana,*[12] the California Court of Appeal found that personal leave accrual and longevity pay were not vested contractual rights because the benefits were provided in collective bargaining agreements of fixed duration between the city and its employee organizations. The benefits in dispute were provided in prior collective bargaining agreements of fixed duration and agreed upon pursuant to the MMBA. The court concluded that once the MOUs expired, the employees had no legitimate expectation that the benefits would continue unless they were renegotiated as part of a new bargaining agreement.

The United States Court of Appeals, Ninth Circuit, recently relied upon the San Bernardino case in a case involving the City of San Diego benefit reductions for the San Diego Police Officers' Association. The Ninth Circuit court relied on evidence showing that the retiree health benefits were considered a term of employment that could be negotiated through the collective bargaining process, and "[a]s such, they were longevity based benefits that continued only insofar as they were renegotiated as part of a new agreement and were not protectable contract rights."[13] The court emphasized that, in reviewing questions of whether contractual rights have been established, there is a "well founded [legal] presumption," that an individual asserting a contractual right must overcome, "that a legislative body does not intend to bind itself contractually."[14] The Ninth Circuit said the key inquiry is the legislative intent to create a contract and an analysis of the existence of a contract. (Section C below identifies those pension benefits that are vested and non-negotiable.)

B. Duty to Bargain Pension Benefits and Scope of Bargaining Under California Law

Under the Meyers-Milias-Brown Act (MMBA) the County has the duty to bargain over wages, hours, and terms and conditions of employment – so-called mandatory subjects.[15] In general, contribution to pension funds and pension benefits for current employees are mandatory subjects.[16] And before making any change to any mandatory subjects of bargaining under the MMBA, the employer must provide the recognized unions with notice and opportunity to negotiate over the proposed change.[17]

Contributions to pension funds and pension benefits are generally mandatory subjects. Who pays the Employee's Contribution and who pays the Employer's Contribution are mandatory subjects because they are similar to a wage increase or decrease. But because of other superseding laws, some pension benefits are not subject to bargaining because these benefits are vested. The California courts make a distinction between "pension benefits" that vest upon the first date of employment versus "employment benefits" that are subject to modification. Because of the vesting principle, the California public employer may not reduce or eliminate a vested benefit, but has the discretion to change pension benefits by either improving benefits or replacing current benefits with an equal or comparable benefit. To the extent the employer has discretion under the law to

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[12] *San Bernardino Public Employees Ass'n v. City of Fontana* (1998) 67 Cal.App.4th 1215, 1223.

[13] *San Diego Police Officers Ass 'n v. San Diego City Employees Retirement System* (9th Cir. 2009) 568 F.3d 725, 740.

[14] *Id.* at 740.

[15] MMBA, California Government Code § 3504.

[16] *Mendocino County Employees Assn. v. County of Mendocino* (1992) 3 Cal. App. 4th 1472; *County of Sacramento* (2008) PERB Dec. No.1943-M, 32 PERC 42.

[17] *Public Employment Relations Bd. v. Modesto City Schools Dist.* (1982) 136 Cal.App.3d 881, 900; *NLRB v. Katz* (1962) 369 U.S. 736, 745.

make changes in pension benefits, those matters are subject to the meet and confer process under the MMBA.

However, to the extent that the benefits are immutable because of vesting, pension benefits are not negotiable. Neither the County nor the unions have the right to bargain away individual vested rights. An employee organization may *not* bargain away its members' individual statutory or constitutional rights that flow from sources outside the collective bargaining agreement itself;[18] nor may an employee organization bargain away or impair an existing, individually vested benefit which is protected by the Contracts Clause of the State and Federal Constitutions if there is no offsetting advantage for the affected employee. Moreover, the City itself may not lawfully eliminate, reduce, modify or impair such a vested benefit by imposition of a "last, best, and final offer" at the end of a meet and confer process without satisfying certain requirements, including the provision of a comparable, offsetting advantage for the affected employees whose vested benefits are being impacted.

But, because future County employees' benefits have not yet vested, their benefits are subject to change through the negotiations process. So core pension benefits can be modified for new hires, subject to the meet and confer process.

C. Summary of Pension Benefits Subject to Meet and Confer

Applying the above principles to all pension matters, we can summarize the following regarding the obligation of both unions and management to bargain pension benefits.

Pension benefits and employee contributions for *new hires* are subject to meet and confer.

Pension benefits that are vested with *current employees* and *not subject to reduction* through meet and confer are:

- Age factor in formula (3% @ **50** x yrs. of service);
- Multiplier factor (**3%** @ 50 x yrs. of service);
- Creditable years of service (3% @ 50 x **yrs. of service**);
- Definition of final compensation (salary for highest **final year**).

Pension benefits of *current employees* that are bargainable because they are employment benefits, include:

- Any improvement in core benefits listed above;
- The extent of employer's payment of Employee's Mandated Contribution ("pick-up");
- The extent of an employee's payment of Employer's Mandated Contribution;
- Changes made to core pension benefits for current employees that are equal and comparable to the current benefits;
- Anything that is arguably an employment benefit and not a pension benefit, e.g., final compensation add-ons above statutory minimums, sick leave payout above statutory minimums, DROP plans, etc.

[18] *San Bernardino Public Employees Ass'n v. City of Fontana* (1998) 67 Cal.App.4th 1215, 1225 (citing *Wright v. City of Santa Clara* (1989) 213 Cal.App.3d 1503). See also *California Teachers' Ass'n v. Parlier Unified School Dist.* (1984) 157 Cal.App.3d 174, 183 (holding that a collective bargaining agreement could not waive benefits to which employees were statutorily entitled).

D. Additional Legal Limitations And Questions

In addition to the scope of bargaining and vesting issues, any changes in pension benefits must also meet the requirement of CalPERS set forth in Government Code Section 20000 et seq. and the parallel provisions of the California Code of Regulations. In many instances, this legal structure predated collective bargaining and creates additional requirements on the County. In summary, these provisions are involved in answering the following questions.

1. Can the County offer pension benefits for new hires other than those options offered by CalPERS?

   Yes, the County can establish a defined contribution plan for new hires or can establish its own pension fund for new employees under 1937 Retirement Act.[19] But in either instance the County would have to withdraw from CalPERS because the laws governing CalPERS do not allow groups of employees to be excluded from coverage. (See Section IV.A of this report for further discussion about this limitation.)

2. Can the County change how much it pays of the member's contribution and County's own contributions?

   Yes, as to both types of contributions.

   Currently the County pays for both the County's required contribution to CalPERS and the Employees Required Contribution of 9% Safety and 8% Miscellaneous, except for the first three years for safety and first five years for miscellaneous employees. This means that the County is carrying the full cost of pensions for experienced employees.

   The County is permitted to negotiate a reduction in the "pick-up" of the Employee's share, reducing that amount from the current 9% or 8% level to 0%. In addition, under California Government Code Section 20516 the County can negotiate to have the employees pay for any costs associated with the optional benefits. The current benefits are from the list of optional benefits, so the range of contributions that potentially could be placed on employees is very broad.

   One practical aspect of these negotiations – aside from the fact that the employees' increase in contributions is the equivalent of a salary decrease – is that the employees will desire to have all their contributions to be tax deferred. The County Counsel should appropriately address the question of the extent of any tax deferral.

3. Must any change in benefits apply uniformly to all miscellaneous employees and uniformly to all safety employees?

   Yes. However, Government Code Section 20479 allows different benefits by date of hire to be provided for different bargaining units or subgroups, and only to the extent allowed in the contract with CalPERS. The contract can be revised and amended.

   Without a change to the contract, the law mandates the County achieve a uniform agreement with all the miscellaneous employee bargaining units, and another uniform agreement with the all safety employee bargaining units. Needless to say, without a revision in the CalPERS contract, negotiations will require substantial coordination and cooperation by the County and the various unions.

[19] *County Employees Retirement Law of 1937*, Gov. Code § 31450, et seq.

4. Can the County establish only defined contribution plan for new employees and still remain in the CalPERS system?

   It appears not.

   Despite the fact that Government Code Section 20485 encourages defined contribution plans, Government Code Section 20502 generally prohibits exclusions of an agency's employees, unless CalPERS agrees to the exclusion. Also, Government Code Sections 20479 does not allow a contract with CalPERS that provides pension benefits to some but not all members of specified classifications, including local sheriffs, county peace officers, local miscellaneous members, or any subgroup including bargaining units or unrepresented groups within the specified classifications.

   These code provisions do not prohibit the County from establishing a new tier of benefits that includes both a CalPERS component coupled with a local Defined Contribution Plan, provided none of the new hires are excluded from a regular CalPERS benefit plan. For example, this would allow the establishment of a basic CalPERS option for miscellaneous employees combined with a defined contribution of a fixed percentage of salary.

III. COMPARISON OF PENSIONS PLANS AND TOTAL COMPENSATION WITH COMPARABLE AGENCIES

A. Comparison of Relative Plan Funding Levels

Comparison of Funding Levels

One of the benchmarks of the health of a pension is the funding ratio. A comparison of funding levels of the comparable counties would provide some sense of relative health of the County of Riverside's pension system. According to most actuarial principles, a funding ratio of 80% or higher is within acceptable range if the agency has plans to improve upon that ratio in the future.

The County has purchased pension obligation bonds that figure into the calculation of the funding ratio. When taking into account pension obligation bonds, the County's combined funding ratio of 87% ranks second out of the six counties. The range of the funding ratio in the survey was from a high of 90 % and a low of 69%.

(See **Attachment E,** Comparison of Funding Ratios of Six Southern California County Pension Funds.)

History of Funding Levels for the County of Riverside

The County's funding level has varied substantially over the years, with many ups and downs. A review of the funding levels for the past seventeen years shows that the funding level has been as high as 136% in 1999, and as low as 84% in 2003. Please note that the County issued Pension Obligation Bond (POB) in 2005 and transferred the POB proceeds to CalPERS to pay off portion of unfunded actuarial liability.

(See **Attachment D,** History of County of Riverside Pension Funding Levels for the Last Seventeen Years.)

B. Comparison of Total Compensation

Pension reform cannot be viewed in isolation from all the other elements of total compensation. When comparing employment costs within the public sector or with the private sector, the County should not isolate just one component of the total compensation package. For example, one agency might rank at the top in terms of pension benefits, but rank toward the bottom in salary and medical benefit payments. The concept of total compensation should be integral to any analysis of reforming pension benefits.

A PRAC subcommittee developed a total compensation model and completed a six county comparison of the total payout for the average retiree, and a similar comparison for total compensation of current employees.

(See **Attachment F,** Narrative of Methodology for Study of Six County Comparison of Total Compensation For Average Employee.)

Riverside County Ranking In Retiree Total Compensation

While the County of Riverside ranks fourth out of six counties in average miscellaneous employee salary, the County ranks first in terms of total retirement compensation paid by the six. This high ranking is due in part to the County miscellaneous employees' continued participation in Social Security. For comparison purposes, the Committee notes that a minority of local governmental employees participate in Social Security, but Riverside County is one of them. Therefore, even though Riverside County employees rank high in terms of retirement compensation, the Committee underscores that County employees contribute 6.2% of salary to Social Security. The County also contributes the legally required amount. Social Security retirement compensation reflects an investment made by the County workers, which they pay into during the course of their career. Using the same salary assumptions used to calculate the Social Security benefit in Attachment G, this means that the workers cited in the study can ultimately pay more than $80,000 into the Social Security benefits they receive in retirement. The Committee also notes that for purposes of the compensation survey, there was no full agreement on how the Social Security benefit and the employees' contributions should be calculated.

For County of Riverside safety employees, the salary ranking ranges from 3 of 6 for Deputy Sheriff, Sheriff's Sergeant, and Sheriff's Captain, to 2 of 6 for Senior DA Investigator, and the total retirement compensation paid ranks 2 of 6 for Deputy Sheriff, Sheriff's Captain, and Sheriff's Sergeant, to 1 of 6 for Senior DA Investigator.

(See **Attachment G,** Six County Comparison of Total Compensation for Average Retiree.)

Riverside County Ranking In Employee Total Compensation

While the County of Riverside ranks fourth out of six in average employee salary, the County also ranks fourth in terms of total compensation paid by the six. That total compensation takes into account not only the salary and pension payments, but also the health benefits paid to current employees. Of course the total compensation ranking for individual classifications varies within the average of all employees.

(See **Attachment H,** Six County Comparison of Total Compensation for Average Employee.)

C. Partial Listing of Agencies That Have Adopted a Second Tier For New *Hires*

The County is not alone in wrestling with the issue of pension reform. Many other California public agencies, including the state itself, have already implemented a second tier of benefits for new hires. Many agencies have increased the employee's contribution to the pension funds over the last several years.

A partial list of those agencies is attached to this report. (See **Attachment I,** Partial List of Agencies That Have Recently Implemented a Second Tier of Pension Benefits.)

IV. PENSION OPTIONS FOR NEW HIRES

A. Why limit the new hire options to CalPERS benefit offerings?

The County may consider establishing a pension plan for new employees that is not part of CalPERS. This would involve the option of a Defined Contribution Plan similar to a private sector 401(k) plan, or the option of establishing a comprehensive pension plan under the 1937 Retirement Act.[20]

The consensus of the Committee is that the County would no longer be able to participate in CalPERS if the County excluded some of its employees from CalPERS. (See Section II of this Report for discussion of legal issues.) This would involve substantial time, money and energy from County resources with very little benefit in return. Therefore, the Committee believes that if the County pursues a second tier of benefits for new hires, it should adhere to the options allowed under CalPERS.

B. Who pays the required contributions to CalPERS for new hires?

Determining who pays what portion of the total contributions for new hires can have as many variables as standard salary provisions. For example, if you look at the total combined contributions of the County and employees, the payment pie can be divided into many segments. Currently, the entire payment pie is totally assumed by the County. Through negotiations this can be altered within the broad limits described above in Section II.D.2 of this report. Again, please note that the union representatives do not agree that determining which party pays the required contributions is part of pension reform.

Contribution Options

Method Of Allocation	Employee's Contribution	Employer's Contribution
Uniform Percentage of Salary	The Government Code sets the rate at 8% for miscellaneous employees, and 9% for Safety.	The Government Code requires the County to pay a percentage of salary that will actuarially fund the pensions obligations. For FY 2011 that amount is 12.2% for miscellaneous employees, and 19.3% for Safety.
a. Current contributions for Miscellaneous b. Current contribution for Safety	Currently, the miscellaneous employees pay 0% of salary (of their 8% share) after the first 5 years of employment, and Safety pays 0% percent of salary (of their 9% share) after first 3 years.	For FY 2011 the County pays its full share plus 8% of the miscellaneous employees share (8%+12.2%=20.2%); and full share plus 9% for Safety share (9%+19.3%=28.3%)
a. Possible contribution for Miscellaneous	Through the negotiations process, the employees could pay the full employees' share	Through negotiations the employer could cease paying any portion of the employee's

[20] *County Employees Retirement Law of 1937*, Gov. Code § 31450, et seq.

Method Of Allocation	Employee's Contribution	Employer's Contribution
b. Possible contribution for Safety	and a significant part of the employer's share.	share and reduce a significant part of the employer's share.

C. Options of Years, Multiplier, Survivors Allowance, Final Salary and Contribution Rates

Listed below are the pension options available through CalPERS. These would be the options that could apply to new hires. Looking at the list of options the County could change to any combination of these benefit plans. For example, for Miscellaneous Employees one option for new hires could be 2.0% @ 60, without the Survivors Allowance, and based on the 3 highest years salary, with an employee contribution of 8%. Using the chart below you can calculate the cumulative actuarial savings at 10 years for the combination of those benefit changes.

Type of Option	Projected Accumulated Savings[21]	
	5 Years	**10 Years**
Multiplier And Year Of Service Options Under CalPERS:		
• Safety 3.0% @ 55	$ 3.3 M	$ 14.7 M
• Safety 2.0% @ 50	$ 6.8 M	$ 30.0 M
• Safety 2.0% @ 55	$ 10.2 M	$ 47.3 M
• Misc. 2.7% @ 55	$ 5.8 M	$ 22.0 M
• Misc. 2.5% @ 55	$17.2 M	$ 65.7 M
• Misc. 2.0%@ 55	$23.6 M	$ 90.0 M
• Misc. 2.0% @ 60	$34.0 M	$ 129.7 M
• Misc. 1.5% @ 65	$46.3 M	$ 226.7 M
Options for 1% Contribution by New Hired Employees		
• Safety	$ 1.6 M	$ 7.2 M
• Misc	$ 8.3 M	$ 31.7 M
Survivor Allowance		
• Safety	$1.8 M - $2.4 M	$8.1M - $10.4 M
• Misc	$4.6 M - $8.3 M	$17.5 M - $31.5 M
Final Salary Definition average of 3 highest years		
• Safety	$1.0 M - $1.1 M	$4.3 M to $4.8 M
• Misc	$ 2.7 M – $ 4.8M	$10.2 M to $18.2M

The below chart provides the same options only the savings are shown for the individual year, not the cumulative savings. For example, if the new Safety hires were placed under 3% @ 55 plan, in the tenth year, the annual savings for that year alone would be $3.1 million, as compared with the cumulative savings over a 10 year period of $14.7 million.

[21] Assumes aggregate payroll increase at 3.25% per year. Savings are likely less if aggregate payroll increase is lower.

Type of Option	Projected Annual Savings[22] - Dollar Amount			
	1st Year	5th Year	10th Year	30th Year
Multiplier And Year Of Service Options Under CalPERS:				
• Safety 3.0% @ 55	$ 0.2 M	$ 1.2 M	$ 3.1 M	$ 12.2 M
• Safety 2.0% @ 50	$ 0.4 M	$ 2.4 M	$ 6.4 M	$ 25.1 M
• Safety 2.0% @ 55	$ 0.6 M	$ 3.7 M	$ 10.3 M	$47.3 M
• Misc. 2.7% @ 55	$ 0.4 M	$ 2.0 M	$ 4.1 M	$ 14.4 M
• Misc. 2.5% @ 55	$ 1.1 M	$ 5.9 M	$ 12.4 M	$ 43.2 M
• Misc. 2.0%@ 55	$ 1.5 M	$ 8.1 M	$ 17.0 M	$ 76.0 M
• Misc. 2.0% @ 60	$ 3.0 M	$ 11.6 M	$ 24.4 M	$ 102.1 M
• Misc. 1.5% @ 65	$ 3.0 M	$ 15.9 M	$ 50.4 M	$ 217.4 M
Options for 1% Contribution by New Hired Employees				
• Safety	$ 0.1 M	$ 0.6 M	$ 1.5 M	$ 6.0 M
• Misc	$ 0.5 M	$ 2.8 M	$ 6.0 M	$ 20.8 M

Type of Option	Projected Annual Savings[23] - As % of Aggregate Payroll			
	1st Year	5th Year	10th Year	30th Year
• Safety 3.0% @ 55	0.1%	0.4%	1.0%	2.0%
• Safety 2.0% @ 50	0.2%	0.9%	2.0%	4.1%
• Safety 2.0% @ 55	__%	__%	__%	__%
• Misc. 2.7% @ 55	0.0%	0.2%	0.4%	0.7%
• Misc. 2.5% @ 55	0.1%	0.6%	1.1%	2.0%
• Misc. 2.0%@ 55	0.2%	0.8%	1.5%	3.5%
• Misc. 2.0% @ 60	0.4%	1.2%	2.1%	4.7%
• Misc. 1.5% @ 65	0.4%	1.6%	4.4%	10.0%
Options for 1% Contribution by New Hired Employees				
• Safety	0.0%	0.2%	0.5%	1.0 %
• Misc	0.1%	0.3%	0.5%	1.0 %

[22] Assumes aggregate payroll increase at 3.25% per year. Savings are likely less if aggregate payroll increase is lower.

[23] Assumes aggregate payroll increase at 3.25% per year. Savings are likely less if aggregate payroll increase is lower.

V. COMMITTEE CONCLUSIONS AND RECOMMENDATIONS

1. This Committee's report should not be viewed in opposition to or in support of the County Pension Advisory Review Committee's (PARC's) annual report, but as supplementary to the 2010 PARC findings and recommendations. This report should be read in conjunction with the PARC report.
2. One of the factors creating a current unfunded liability in the County's pension resulted from the "pension contribution holidays" of and, the County should continue to recognize this as a factor causing the current unfunded liability. And even though CalPERS regulations and County policy prohibits "pension holidays" for normal costs, the County should avoid any future "funding holidays" or deferral of regular pension payments.
3. In the next round of negotiations the County will seek pension reform. The negotiating parties should place importance on being data-driven in these negotiations, and attempt when possible to agree upon the data used for those negotiations.
4. Pension reform for new hires should be limited to those benefits options provided by CalPERS. The County should avoid establishing a separate pension that excludes part of the employees from CalPERS.
5. Pension reform for County employees should be viewed in terms of changes within total compensation. To extent possible the discussions should focus on overall costs or savings, comparability, and recruitment/retention data.
6. The negotiating parties should closely analyze the legal limitations on pension reform, including vesting of current employees' benefits, the duty to bargain only mandatory subjects, the CalPERS statutory and regulatory provisions, and the IRS limitations.

Submitted by:

Doug Bagley, Hospital Administrator, Riverside County Medical Center
John Bartel, President, Bartel Associates
Bryan Boutwell, Dep. District Attorney III, Riverside District Attorneys Association (RCDDAA)
Robert Bowers, Board Selected Public Member
Ed Corser, County Finance Director, Riverside County Executive Office
Joseph Deledonne, Board Selected Public Member
Darryl Drott, Labor Representative, Riverside Sheriff's Association (RSA)
Christopher Hans, Deputy County Executive Officer, Riverside County Executive Office
George Johnson, TLMA Director, County of Riverside Transportation Land Management Agency (TLMA)
William F. Kay, Facilitator
Kelly Keenan, Assistant District Attorney, Riverside County District Attorney's Office
Steve Matthews, Regional Director, Service Employees International Union (SEIU)
Dwayne Neuenswander, Sheriff Sergeant – B, Law Enforcement Management Unit (LEMU)
Barbara Olivier, Assistant County Executive Officer/Human Resources Director
Patricia Reynolds, Assistant Director Administrative Services, Riverside County Department of Social Services (DPSS)
Boris Robinson, Chief Deputy, Riverside Sheriff's Department
Harold Trubo, Board Selected Public Member

ATTACHMENT A
BOARD OF SUPERVISORS SUBMITTAL ON FORMATION OF PENSION REFORM ADVISORY COMMITTEE, DATED MARCH 2, 2010

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

FROM: Supervisors John Tavaglione & Marion Ashley **SUBMITTAL DATE:** March 2, 2010

SUBJECT: Formation of County Pension Reform Advisory Committee

RECOMMENDED MOTION:

1) That the Board of Supervisors form a ***Pension Reform Advisory Committee*** consisting of one (1) member each from the following county organizations: County Treasurer, County Finance Director (EO's Office), Department of Social Services (DPSS), Regional Medical Center, Transportation Land Management Agency (TLMA), Sheriff's Department, District Attorney's Office, an "at-large" member representing other county agencies and special districts (Flood, Waste, etc.), as selected by the Executive Officer, and one member each (President, Manager, Regional Director, or Executive Director), from each of our county labor unions - SEIU 721, LIUNA 777, DDA, RSA and LEMU. That the committee be facilitated by an **"independent"** labor attorney as selected by the Board of Supervisors, reporting directly to the Board Chairman and Executive Officer. HR Director shall provide staff to assist and report to the independent facilitator.

2) That the purpose of the Pension Reform Advisory Committee will be to review our county's current pension system and determine how it can be improved and/or modified **for all *"NEW"* county employees.** Where necessary and when approved by the Board Chairman, a committee stakeholder may request the input/involvement of experts in the field of pension issues germane to the discussion. Expenses for such experts will be sole responsibility of the requesting stakeholder, and will be limited only to the discussion at hand – not for ongoing involvement in the committee. That said committee shall meet at least once monthly starting in March of this year and completing its task and recommendations to the full Board of Supervisors not later than September 1, 2010, unless extended by the Board Chairman.

BACKGROUND: **(Continued on Page 2)**

John Tavaglione, Supervisor
Second District

Marion Ashley
Marion Ashley, Supervisor
Fifth District

3.33

FORM 11 (Rev. 7/93)

Background:

Throughout the U.S., states, counties, cities and special districts are attempting to grapple with the challenges of unsustainable pension costs. The unfunded liabilities associated with the current system, coupled with substantial investment losses resulting from the current recession and U.S. financial crisis, has compounded the pension challenges, making the system, as currently structured, unsustainable for new employees.

It must be noted that the ***current system for "current and existing employees and retirees" cannot be touched.*** They are vested benefits. However, government agencies throughout the State of California are looking at new/restructured pension plans to help lessen the future financial burden on their agencies. Ideas being explored are a ***"second-tier"*** pension system whereby all ***"new employees"*** will fall under a more financially manageable and sustainable system. Such ideas being explored are *"defined contribution plans"* rather than the current *"defined benefit plan"*. As well, increasing the retirement age benefit from the 3@60 to 3@65, or 2.5@ 60, just to name a few examples.

It is our belief that a new and modified pension plan is inevitable for all ***"new"*** employees, and, ultimately, it would be best to start at the state level to insure consistency and a level of competitiveness and fairness across jurisdictional boundaries. However, in order to be ahead of the process and engage a transparent process with our county agencies and labor organizations, the need for this proposed Pension Reform Advisory Committee is critical.

ATTACHMENT B
ACTUARIAL SAVINGS OF VARIOUS OPTIONS FOR SECOND TIER OF PENSION BENEFITS

Attachment B
Actuarial Savings of Various Options for Second Tier of Pension Benefits
(000's)

	[illegible]								
	Payroll*			[illegible]					1% Tier 2 Payroll
Year	**Tier 1**	**Tier 2**	**Total**	**2.7% @ 55**	**2.5% @ 55**	**2% @ 55**	**2% @ 60**	**1.5%@65**	
2010/11	$ 803,146	$ 53,891	$ 857,037	$ 374	$ 1,118	$ 1,532	$ 3,012	$ 3,012	$ 539
2011/12	780,059	104,832	884,891	727	2,175	2,980	4,296	5,859	1,048
2012/13	752,594	161,055	913,650	1,117	3,342	4,579	6,599	9,001	1,611
2013/14	718,251	225,092	943,343	1,562	4,671	6,400	9,223	12,580	2,251
2014/15	690,128	283,874	974,002	1,970	5,891	8,071	11,632	15,866	2,839
2015/16	664,038	341,619	1,005,657	2,370	7,089	9,713	13,998	22,326	3,416
2016/17	634,910	403,431	1,038,341	2,799	8,371	11,470	16,531	28,838	4,034
2017/18	605,724	466,363	1,072,087	3,236	9,677	13,259	19,110	35,728	4,664
2018/19	577,795	529,135	1,106,930	3,671	10,980	15,044	21,682	43,079	5,291
2019/20	546,110	596,795	1,142,905	4,141	12,384	16,968	24,454	50,387	5,968
			Total - 5 years	5,750	17,197	23,562	34,762	46,318	8,287
			Total - 10 years	21,967	65,698	90,016	130,537	226,677	31,661

* Assumes aggregate payroll increase at 3.25% per year. Savings are likely less if aggregate payroll increase is lower.

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Attachment B

Actuarial Savings of Various Options for Second Tier of Pension Benefits
(000's)

	Safety					
	Payroll*			Savings		1% Tier 2 Payroll
Year	**Tier 1**	**Tier 2**	**Total**	**3% @ 55**	**2% @ 50**	
2010/11	$ 233,867	$ 10,059	$ 243,927	$ 205	$ 419	$ 101
2011/12	232,185	19,669	251,854	400	819	197
2012/13	228,839	31,201	260,040	634	1,300	312
2013/14	224,617	43,874	268,491	892	1,827	439
2014/15	219,672	57,545	277,217	1,170	2,397	575
2015/16	213,128	73,099	286,226	1,486	3,045	731
2016/17	204,688	90,840	295,529	1,847	3,784	908
2017/18	194,784	110,349	305,133	2,243	4,596	1,103
2018/19	183,741	131,309	315,050	2,670	5,470	1,313
2019/20	172,341	152,948	325,289	3,109	6,371	1,529
			Total - 5 years	3,301	6,762	1,623
			Total - 10 years	14,656	30,028	7,209

* Assumes aggregate payroll increase at 3.25% per year. Savings are likely less if aggregate payroll increase is lower.

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ATTACHMENT C
SELECTED RECENT REPORTS AND COMMENTARIES REGARDING PUBLIC SECTOR PENSION REFORM

SELECTED RECENT REPORTS AND COMMENTARIES REGARDING PUBLIC SECTOR PENSION REFORM

The Committee does not endorse the content of the studies listed in Attachment C. These reports are included solely to provide a broader context in which to view the particular issue of pension reform in the County of Riverside. These articles and/or studies demonstrate that pension reform is a common issue throughout the United States and California, involving state, local government, and state university employees.

Anthony T. Oliveira, **The Local Challenges of Pension Reform, May 24, 2010.**
A historical approach to current pension issues, this report should be read before beginning a study about reforming California pensions. Since 2005, Mr. Oliveira has served as a member of the CalPERS Board of Administration representing more than 1000 local agencies participating in CalPERS.

City of Ventura, **Final Report of Compensation Policy Task Force, March 22, 2010.**
A task force comprised of union representatives, city council members, and community members prepared this report. The report involves not only the issue of the City's pension liability, but also the impact of the pension issue on the total compensation philosophy for the City.
(http://www.cityofventura.net/sites/www.cityofventura.net/files/city_manager/Compensation%20Task%20Force%20Report%20for%20Web.pdf)

Center for State and Local Government Excellence, **The Funding of State and Local Pensions: 2009-2013, April 2010.**
Prepared by a reputable independent foundation, this report provides an excellent summary of the current state of funding of local and state pensions funds, an overview of current pensions funding, and the short-term projections as to whether the funding levels will improve in the near future.
(See http://www.slge.org/vertical/Sites/{A260E1DF-5AEE-459D-84C4-876EFE1E4032}/uploads/{61551CDD-B9A6-4B29-82D3-521104D64F00}.PDF)
(See also other pension studies at info@slge.org)

2009-10 Santa Clara County Civil Grand Jury Report, **Cities Must Rein In Unsustainable Employee Costs, May 13, 2010.**
This report describes the County of Santa Clara Civil Grand Jury's findings and recommendations for the County's 15 largest cities. The findings cover pensions, retiree medical benefits, salary and health insurance. Emanating from what is considered one of the most liberal counties in the state, this report explicitly describes escalating employment costs, especially in the areas of pension and retiree medical benefits.

(http://www.sanjoseinside.com/images/uploads/CitiesMustReinInUnsustainableEmployeeCosts.pdf

UCLA Today, **Report on University Retirement Benefits Task Force, April 8, 2010.**
This is a brief report of the task force and the initial survey of UC faculty regarding a looming unfunded liability involving pensions and retiree medical benefits.
http://www.today.ucla.edu/portal/ut/task-force-discusses-possible-156423.aspx

League of California Cities, City Managers Department, **Update of White Paper on Pension Reform in California, November 1, 2009.**
Although this document has a definite management slant, it does contain useful information regarding proposed options to pension reform for local cities.
(http://webcache.googleusercontent.com/search?q=cache:nlHqVz_6x18J:caoac.org/bulletins/League_of_California_Cities_Pension_Reform_White_Paper.doc+City+Managers+Department+of+the+California+League+of+Cities,+Update+of+White+Paper+on+Pension+Reform+in+California,&cd=3&hl=en&ct=clnk&gl=us)

ATTACHMENT D
HISTORY OF COUNTY OF RIVERSIDE PENSION FUNDING LEVELS
FOR THE LAST SEVENTEEN YEARS

Attachment D

History of County of Riverside Pension Funding Levels for the Last Seventeen Years

(Millions)

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Miscellaneous																	
Actuarial Asset	$ 611	$ 690	$ 760	$ 874	$ 1,026	$ 1,241	$ 1,469	$ 1,618	$ 1,721	$ 1,600	$ 1,668	$ 1,834	$ 2,365	$ 2,600	$ 2,894	$ 3,175	$ 3,423
Actuarial Liability	$ 606	$ 704	$ 757	$ 831	$ 844	$ 920	$ 1,053	$ 1,178	$ 1,577	$ 1,750	$ 1,999	$ 2,232	$ 2,472	$ 2,742	$ 3,029	$ 3,350	$ 3,669
Funded Ratio - AVA	100.8%	97.9%	100.4%	105.2%	121.5%	134.9%	139.5%	137.3%	109.1%	91.4%	83.5%	82.2%	95.7%	94.8%	95.5%	94.8%	93.3%
Safety																	
Actuarial Asset	$ 278	$ 315	$ 351	$ 409	$ 486	$ 591	$ 677	$ 777	$ 804	$ 774	$ 812	$ 887	$ 1,069	$ 1,170	$ 1,291	$ 1,414	$ 1,514
Actuarial Liability	$ 273	$ 303	$ 342	$ 381	$ 407	$ 457	$ 529	$ 686	$ 768	$ 840	$ 907	$ 1,021	$ 1,127	$ 1,232	$ 1,370	$ 1,469	$ 1,599
Funded Ratio - AVA	102.1%	103.8%	102.5%	107.4%	119.3%	129.2%	128.1%	113.2%	104.7%	92.2%	89.6%	86.9%	94.8%	95.0%	94.3%	96.2%	94.7%
Total - Excluding POB Balance																	
Actuarial Asset	$ 889	$ 1,005	$ 1,111	$ 1,283	$ 1,512	$ 1,832	$ 2,146	$ 2,395	$ 2,524	$ 2,374	$ 2,480	$ 2,722	$ 3,434	$ 3,770	$ 4,186	$ 4,589	$ 4,937
Actuarial Liability	$ 878	$ 1,008	$ 1,099	$ 1,211	$ 1,251	$ 1,378	$ 1,582	$ 1,864	$ 2,346	$ 2,590	$ 2,905	$ 3,253	$ 3,599	$ 3,974	$ 4,399	$ 4,820	$ 5,268
Funded Ratio - AVA	101.2%	99.7%	101.1%	105.9%	120.8%	133.0%	135.7%	128.5%	107.6%	91.7%	85.4%	83.7%	95.4%	94.9%	95.2%	95.2%	93.7%
POB Balance													$ 400	$ 397	$ 393	$ 388	$ 382
Total - Including POB Balance																	
Actuarial Asset	$ 889	$ 1,005	$ 1,111	$ 1,283	$ 1,512	$ 1,832	$ 2,146	$ 2,395	$ 2,524	$ 2,374	$ 2,480	$ 2,722	$ 3,034	$ 3,373	$ 3,793	$ 4,201	$ 4,555
Funded Ratio - AVA	101.2%	99.7%	101.1%	105.9%	120.8%	133.0%	135.7%	128.5%	107.6%	91.7%	85.4%	83.7%	84.3%	84.9%	86.2%	87.2%	86.5%

8/23/2010

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ATTACHMENT E
COMPARISON OF FUNDING RATIOS OF SIX SOUTHERN CALIFORNIA COUNTY PENSION FUNDS

Attachement E
Comparison of Funding Ratios of Six Southern California County Pension Funds

County	Valuation Date	Valuation Value of Assets[2]	Actuarial Accrued Liability	Funded Ratio	POB Issued	Outstanding POB[3]	Rank
Ventura	6/30/2009	$ 3,090,148,000	$ 3,663,701,000	84.3%	None	N/A	3
Los Angeles	6/30/2009	$ 39,542,000,000	$ 44,469,000,000	88.9%	Yes	$ -	1
San Bernardino	6/30/2009	$ 5,735,027,522	$ 7,013,534,026	81.8%	Yes	$ 648,360,591	5
San Diego	6/30/2009	$ 7,538,729,000	$ 9,198,636,000	82.0%	Yes	$ 874,336,000	4
Orange	12/31/2009	$ 8,154,687,000	$ 11,858,578,000	68.8%	None	N/A	6
Riverside	**6/30/2009[1]**	**$ 4,555,000,000**	**$ 5,268,000,000**	**86.5%**	**Yes**	**$ 382,000,000**	**2**

[1] Projected

[2] Reduced by outstanding POB Balance if POB issued.

[3] Source: Wedbush Securities. POB balances are as of 6/30/10 for Los Angeles County, San Bernardino County and San Diego County and as of 6/30/09 for Riverside County.

BP 8/30/2010

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ATTACHMENT F
NARRATIVE OF METHODOLOGY FOR STUDY OF SIX COUNTY COMPARISON OF TOTAL COMPENSATION FOR AVERAGE EMPLOYEE

Total Compensation

Total compensation is the complete pay package awarded employees on an annual basis, including all forms of money, benefits, services and in-kind payments.

Employee benefits offerings have become an increasingly important element of an employee's total compensation package. A 2010 Society for Human Resource Management (SHRM) research report on job satisfaction found that employees ranked benefits among the most important components for job satisfaction.

Employers typically view total compensation in three ways:

Job Value to the Employee: Total compensation is used for comparison with other similar employers and potential competitors in the job market. This requires a comprehensive assessment of all aspects of a compensation package. A base salary comparison may miss critical aspects of compensation since some employers provide a lower base salary with higher benefits while others do the opposite.

Employment Strategy for the Employer: Total compensation indicates the employer's competitiveness in the job market in recruiting new employees or retaining current employees. Employers adopt the following total compensation strategies based on their needs.

- Lead the market (pay more),
- Match the market (pay approximately the same), or
- Lag behind the market (pay less).

The strategy's impact on recruitment and retention should be understood throughout the organization.

Cost Assessment: Total compensation is the "bottom-line" cost of a particular classification, occupational group or for all jobs, employer-wide.

For years, Riverside County has conducted surveys comparing total compensation elements with other jurisdictions. Five local southern California Counties have normally been used for total compensation and classification study comparisons. The counties are: Los Angeles, Orange, San Bernardino, San Diego and Ventura.

While compensation is negotiated via collective bargaining, because Riverside County's cost of living is lower than some of the neighboring counties it has been the practice of Riverside County Human Resources Departments to target no more than the market median, recognizing that some job classes will vary over time from the target and need to be adjusted.

I. Pension Reform Advisory Committee (PRAC) Total Compensation Analysis:

PRAC formed a subcommittee to review and comment on the importance of total compensation in relation to Pension Reform, and to review and rank the total compensation of select representative job classifications in relation to the five neighboring Southern

California counties mentioned above. Additionally, the subcommittee was tasked with the review and comparison of retiree benefits.

The subcommittee was comprised of members of SEIU, LEMU and the Human Resource Department. The subcommittee worked to reach consensus. The final approach differed significantly from the typical methodology used by the County's Human Resources Department and from a study conducted by SEIU. It should be noted that the analysis was developed for PRAC and should only be used in this context. The subcommittee agreed on the following:

A. Representative Job Classifications:

1) Office Assistant III (LIUNA),
2) Equipment Operator II (LIUNA),
3) Social Services Worker V (SEIU),
4) Registered Nurse V (SEIU),
5) Deputy Sheriff (RSA)
6) Senior DA Investigator (RSA)
7) Sheriff's Sergeant (LEMU).
8) Sheriff's Captain (LEMU)

B. Active Employee Total Compensation Elements:

The following total compensation elements were included in the analysis.

- **Base salary:** Defined as the maximum base salary after ten years of employment within the same classification.
    - For SEIU classifications an alternate base salary was used, based on SEIU's depiction of a typical ten year career progression for Social Services Worker V and Registered Nurse V.
- **Healthcare:** Defined as the employee's net out of pocket cost to purchase employer provided highest cost HMO health insurance at Employee plus one dependent. The net out of pocket cost is the difference between the cost of the health insurance to the employee, less the employer contribution towards healthcare (flex/subsidy).
- **Pension "Pickup" Contribution:** Defined as the amount of Employee pension contributions that the Employer pays on behalf of the employee towards the pension plan.

  Total compensation elements such as: paid time off, other fringe benefits, Social Security and "Other Post Employment Benefits" (OPEB), etc. were not included in the analysis for active employees because they are either included in the comparison of benefits at retirement or they were deemed not to make a significant difference in the comparative total compensation ranking among the five Counties.

C. Retiree Benefits:

The benefits were included in the analysis.

- **Pension:** Calculated at age sixty (60) based on an assumed base salary after twenty (20) years of employment history within the same classification.

  Please note: As in the case with Social Security (noted below), employees pay a percentage into their pension plans.

- **Healthcare:** Calculated as the retirees net out of pocket cost to purchase employer provided highest cost HMO health insurance at Employee plus one dependent. The net out of pocket cost is the difference between the cost of the health insurance to the retiree, less employer contribution towards healthcare (flex/subsidy).

- **Social Security:** Amount was an estimate using Social Security Publication No. 05-10070, assuming Social Security at age 62 with 20 years at the midpoint of the current salary range of the worker's classification. For SEIU classifications (Social Services Worker V and Registered Nurse V), the midpoint salary of the classification series was used.

  Employees' Social Security benefits will vary based on their actual career compensation. Eligible employees pay 6.2% of their compensation into Social Security; an amount that can total to more than $80,000 over a 20 year period for an employee earning $64,000 per year. Social Security benefits vary based on actual career compensation and years of eligibility and are paid over the life of an eligible beneficiary. Today the average life expectancy of an individual who reaches 65 is age 83, roughly equaling to $300,000 in lifetime benefits for a person with $16,000 annual benefits.

II. PRAC Compensation Ranking and Compensation Cost Progression

Active Employees Compensation Ranking (Attachment A.): Using the surveyed classes, the total compensation for the six jurisdictions were ranked 1 (the highest) through 6 (the lowest). The jurisdictions were ranked by a) the average maximum annual salaries, b) total compensation amounts and c) the percent of total compensation used for the benefits.

Retiree Benefits Ranking (Attachment B): Selected "Safety" and "Miscellaneous" classes for each jurisdiction were used to calculate estimated pension and retiree benefits to produce a comparative total retiree compensation. The jurisdictions and classes were ranked 1 (the highest) through 6 (the lowest).

ATTACHMENT G
SIX COUNTY COMPARISON OF TOTAL COMPENSATION AVERAGE FOR RETIREE

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING for Retirees
RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES
LIUNA CLASSIFICATIONS

OFFICE ASSISTANT III (LIUNA)

Rank	County	Total Comp w/Social Security
3	Los Angeles County	$11,760
4	Orange County	$11,091
2	**Riverside County**	**$20,070**
5	San Bernardino County	$10,256
6	San Diego County	$8,801
1	Ventura County	$23,592

EQUIPMENT OPERATOR II (LIUNA)

Rank	County	Total Comp w/Social Security
4	Los Angeles County	$19,440
3	Orange County	$20,908
1	**Riverside County**	**$31,261**
5	San Bernardino County	$18,032
6	San Diego County	$17,225
2	Ventura County	$28,488

NOTE: Health Insurance Plans used for comparison were the highest HMO (Employee + 1 Dependent).

Los Angeles County:	Anthem Blue Cross I: $1,650.09/mo.
Orange County:	Blue Cross Traditional: $1,411.15
Riverside County:	Blue Shield Access+ HMO: $1539.35/mo.
San Bernardino County:	Health Net ELECT Open Access (High): $906.82/mo.
San Diego County:	PacifiCare Signature Value HMO: $783.16/mo. per person
Ventura County:	Health Net HMO High Option: $981.02/mo.

Report Date: 8/31/2010

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING for Retirees
RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES
SEIU CLASSIFICATIONS

	SOCIAL SERVICES WORKER V	
Rank	County	Total Comp w/Social Security
3	Los Angeles County	$25,560
4	Orange County	$25,101
2	**Riverside County**	**$37,585**
6	San Bernardino County	$19,307
5	San Diego County	$21,369
1	Ventura County	$39,756

	REGISTERED NURSE V	
Rank	County	Total Comp w/Social Security
4	Los Angeles County	$35,880
3	Orange County	$36,063
1	**Riverside County**	**$51,980**
5	San Bernardino County	$32,448
6	San Diego County	$32,376
2	Ventura County	$42,156

NOTE: Health Insurance Plans used for comparison were the highest HMO (Employee + 1 Dependent).

Los Angeles County:	Anthem Blue Cross I: $1,650.09/mo.
Orange County:	Blue Cross Traditional: $1,411.15
Riverside County:	Blue Shield Access+ HMO: $1539.35/mo.
San Bernardino County:	Health Net ELECT Open Access (High): $906.82/mo.
San Diego County:	PacifiCare Signature Value HMO: $783.16/mo. per person
Ventura County:	Health Net HMO High Option: $981.02/mo.

Report Date: 8/31/2010

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING for Retirees
RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES
SAFETY CLASSIFICATIONS

DEPUTY SHERIFF (RSA)			SHERIFF'S SERGEANT (LEMU)		
Rank	County	Total Comp	Rank	County	Total Comp
4	Los Angeles County	$36,960	4	Los Angeles County	$47,640
1	Orange County	$40,047	1	Orange County	$52,700
2	**Riverside County**	**$37,003**	**2**	**Riverside County**	**$50,185**
3	San Bernardino County	$37,001	3	San Bernardino County	$48,877
6	San Diego County	$30,823	6	San Diego County	$40,118
5	Ventura County	$32,232	5	Ventura County	$45,864
SENIOR D. A. INVESTIGATOR (RSA)			**SHERIFF'S CAPTAIN (LEMU)**		
Rank	County	Total Comp	Rank	County	Total Comp.
3	Los Angeles County	$47,160	3	Los Angeles County	$71,400
5	Orange County	$44,859	1	Orange County	$81,018
1	**Riverside County**	**$49,997**	**2**	**Riverside County**	**$73,474**
2	San Bernardino County	$47,437	4	San Bernardino County	$69,706
6	San Diego County	$38,894	5	San Diego County	$57,582
4	Ventura County	$45,864	6	Ventura County	$57,960

NOTE: Health Insurance Plans used for comparison were the highest HMO (Employee + 1 Dependent).

Los Angeles County:	Anthem Blue Cross I: $1,650.09/mo.
Orange County:	Blue Cross Traditional: $1,411.15/mo.
Riverside County (RSA):	Blue Shield (Access+) HMO: $970.58/mo.
Riverside County (LEMU):	Anthem Blue Cross HMO: $767.00/mo.
San Bernardino County:	Health Net ELECT Open Access (High): $906.82/mo.
San Diego County:	PacifiCare Signature Value HMO: $783.16/mo. per person
Ventura County:	Health Net HMO High Option: $981.02/mo.

OFFICE ASSISTANT III (LIUNA) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1) ****	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of- Pocket Medical)	Est Soc Sec Amount**	Total Comp with Soc Sec
3	Los Angeles County	SENIOR CLERK	$41,041	LACERA	1.92% @ 60	$15,720	$19,801	$15,841	$3,960	$11,760	$0	$11,760
4	Orange County	OFFICE SPECIALIST	$43,805	OCERS	2.7% @ 55	$23,652	$16,934	$4,373	$12,561	$11,091	$0	$11,091
5	San Bernardino County	OFFICE ASSISTANT IV	$39,478	SBCERA	2.0% @ 55	$20,817	$10,882	$591	$10,291	$10,526	$0	$10,526
6	San Diego County	OFFICE SPT SPECIALIST	$39,395	SDCERA	3.0% @ 60	$22,797	$18,796	$4,800	$13,996	$8,801	$0	$8,801
1	Ventura County	OFFICE ASSISTANT IV	$43,198	VCERA	2.27% @ 61	$18,240	$11,772	$0	$11,772	$6,468	$17,124	$23,592
		Mean:	$41,383									$13,154
		Median:	$41,041									$11,091
2	**Riverside County*** **	**OFFICE ASSISTANT III**	**$38,637**	**Cal/PERS**	**3.0% @ 60**	**$22,222**	**$18,472**	**$300**	**$18,172**	**$4,050**	**$16,020**	**$20,070**
		$ Diff fm Mean:	-$2,746									$6,916
		% Diff fm Mean:	-7.1%									34.5%
		$ Diff fm Median:	-$2,404									$8,979
		% Diff fm Median:	-6.2%									44.7%

* Based on age 60 with 20 years of service.
** Amount is an estimate using SSA Publication No. 05-10070, assuming Social Security @ age 62 with 20 years at the midpoint of the current salary range.
*** Modified for Social Security by Cal/PERS (reduces Max Salary by $1,599.60 before pension amount is calculated).
**** Riverside County Health Insurance premiums based on Riverside County health plans.

Note: DRAFT - Working document

Report Date: 8/31/2010

EQUIPMENT OPERATOR II (LIUNA) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1) ****	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of- Pocket Medical)	Est Soc Sec Amount**	Total Comp with Soc Sec
4	Los Angeles County	POWER EQUIP OPERATOR	$61,217	LACERA	1.92% @ 60	$23,400	$19,801	$15,841	$3,960	$19,440	$0	$19,440
3	Orange County	POWER EQUIP OPER II	$61,984	OCERS	2.7% @ 55	$33,469	$16,934	$4,373	$12,561	$20,908	$0	$20,908
5	San Bernardino County	EQUIP OPERATOR II	$49,171	SBCERA	2.0% @ 55	$28,176	$10,882	$738	$10,144	$18,032	$0	$18,032
6	San Diego County	EQUIP OPERATOR	$53,435	SDCERA	3.0% @ 60	$31,221	$18,796	$4,800	$13,996	$17,225	$0	$17,225
2	Ventura County	EQUIP OPERATOR III	$49,914	VCERA	2.27% @ 61	$21,168	$11,772	$0	$11,772	$9,396	$19,092	$28,488
		Mean:	$55,144							$17,000		$20,819
		Median:	$53,435							$18,032		$19,440
1	**Riverside County*** **	**EQUIPMENT OPERATOR II**	**$53,069**	**Cal/PERS**	**3.0% @ 60**	**$30,881**	**$18,472**	**$300**	**$18,172**	**$12,709**	**$18,552**	**$31,261**
		$ Diff fm Mean:	-$2,075									$10,443
		% Diff fm Mean:	-3.9%									33.4%
		$ Diff fm Median:	-$366									$11,821
		% Diff fm Median:	-0.7%									37.8%

* Based on age 60 with 20 years of service.

** Amount is an estimate using SSA Publication No. 05-10070, assuming Social Security @ age 62 with 20 years at the midpoint of the current salary range.

*** Modified for Social Security by Cal/PERS (reduces Max Salary by $1,599.60 before pension amount is calculated).

**** Riverside County Health Insurance premiums based on Riverside County health plans.

Note: DRAFT - Working document

Report Date: 8/31/2010

SOCIAL SERVICES WORKER V (SEIU) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1) ****	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of- Pocket Medical)	Est Soc Sec Amount**	Total Comp with Soc Sec
3	Los Angeles County	CHILDREN'S SOC SVC WKR III	$77,182	LACERA	1.92% @ 60	$29,520	$19,801	$15,841	$3,960	$25,560	$0	$25,560
4	Orange County	SR SOCIAL WORKER	$69,744	OCERS	2.7% @ 55	$37,662	$16,934	$4,373	$12,561	$25,101	$0	$25,101
6	San Bernardino County	SOCIAL WORKER II	$55,536	SBCERA	2.0% @ 55	$29,284	$10,882	$905	$9,977	$19,307	$0	$19,307
5	San Diego County	HLTH SVCS SOC WKR	$60,341	SDCERA	3.0% @ 60	$35,365	$18,796	$4,800	$13,996	$21,369	$0	$21,369
1	Ventura County	HS CHILD WELFARE SSW IV	$71,812	VCERA	2.27% @ 61	$30,720	$11,772	$0	$11,772	$18,948	$20,808	$39,756
		Mean:	$66,923									$26,219
		Median:	$69,744									$25,101
2	**Riverside County*** **	**SOCIAL SVCS WKR V**	**$62,708**	**Cal/PERS**	**3.0% @ 60**	**$36,665**	**$18,472**	**$300**	**$18,172**	**$18,493**	**$19,092**	**$37,585**
		$ Diff fm Mean:	-$4,215									$11,366
		% Diff fm Mean:	-6.7%									30.2%
		$ Diff fm Median:	-$7,036									$12,483
		% Diff fm Median:	-11.2%									33.2%

* Based on age 60 with 20 years of service.
** Amount is an estimate using SSA Publication No. 05-10070, assuming Social Security @ age 62 with 20 years at the midpoint of the current salary range.
*** Modified for Social Security by Cal/PERS (reduces Max Salary by $1,599.60 before pension amount is calculated).
**** Riverside County Health Insurance premiums based on Riverside County health plans.

Note: DRAFT - Working document

Report Date: 8/31/2010

REGISTERED NURSE V (SEIU) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1) ****	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of-Pocket Medical)	Est Soc Sec Amount**	Total Comp with Soc Sec
4	Los Angeles County	PUBLIC HEALTH NURSE	$104,119	LACERA	1.92% @ 60	$39,840	$19,801	$15,841	$3,960	$35,880	$0	$35,880
3	Orange County	SR PUBLIC HEALTH NURSE	$90,048	OCERS	2.7% @ 55	$48,624	$16,934	$4,373	$12,561	$36,063	$0	$36,063
5	San Bernardino County	PUBLIC HEALTH NURSE II	$80,434	SBCERA	2.0% @ 55	$42,123	$10,882	$1,207	$9,675	$32,448	$0	$32,448
6	San Diego County	PUBLIC HEALTH NURSE III	$78,686	SDCERA	3.0% @ 60	$46,372	$18,796	$4,800	$13,996	$32,376	$0	$32,376
2	Ventura County	PUBLIC HEALTH NURSE III	$76,654	VCERA	2.27% @ 61	$32,844	$11,772	$0	$11,772	$21,072	$21,084	$42,156
		Mean:	$85,988									$35,784
		Median:	$80,434									$35,880
1	**Riverside County*** **	**PUB HLTH/REG NURSE V**	**$82,481**	**Cal/PERS**	**3.0% @ 60**	**$48,528**	**$18,472**	**$300**	**$18,172**	**$30,356**	**$21,624**	**$51,980**
		$ Diff fm Mean:	-$3,508									$16,196
		% Diff fm Mean:	-4.3%									31.2%
		$ Diff fm Median:	$2,047									$16,100
		% Diff fm Median:	2.5%									31.0%

* Based on age 60 with 20 years of service.

** Amount is an estimate using SSA Publication No. 05-10070, assuming Social Security @ age 62 with 20 years at the midpoint of the current salary range.

*** Modified for Social Security by Cal/PERS (reduces Max Salary by $1,599.60 before pension amount is calculated).

**** Riverside County Health Insurance premiums based on Riverside County health plans.

Note: DRAFT - Working document

Report Date: 8/31/2010

DEPUTY SHERIFF (RSA) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out of- Pocket Medical)
4	Los Angeles County	DEPUTY SHERIFF	$78,136	LACERA	2% @ 50	$40,920	$19,801	$15,841	$3,960	$36,960
1	Orange County	DEPUTY SHERIFF II	$87,696	OCERS	3% @ 50	$52,618	$16,934	$4,373	$12,561	$40,057
3	San Bernardino County	DEPUTY SHERIFF	$77,938	SBCERA	3% @ 50	$46,763	$10,882	$1,120	$9,762	$37,001
6	San Diego County	DEPUTY SHERIFF	$74,698	SDCERA	3% @ 50	$44,819	$18,796	$4,800	$13,996	$30,823
5	Ventura County	DEPUTY SHERIFF	$83,991	VCERA	2% @ 50	$44,004	$11,772	$0	$11,772	$32,232
		Mean:	$80,492							$35,414
		Median:	$78,136							$36,960
2	**Riverside County****	**DEPUTY SHERIFF**	**$76,512**	**Cal/PERS**	**3.0% @ 50**	**$45,907**	**$9,204**	**$300**	**$8,904**	**$37,003**
		$ Diff fm Mean:	-$3,980							$1,589
		% Diff fm Mean:	-5.2%							4.3%
		$ Diff fm Median:	-$1,624							$43
		% Diff fm Median:	-2.1%							0.1%

* Based on age 60 with 20 years of service

** Health Insurance premiums based on Riverside Sheriffs' Association Benefit Trust health plans.

Note: DRAFT - Working document

Report Date: 8/31/2010

SENIOR D. A. INVESTIGATOR (RSA) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of- Pocket Medical)
3	Los Angeles County	SR INVESTIGATOR, DA	$97,793	LACERA	2% @ 50	$51,120	$19,801	$15,841	$3,960	$47,160
5	Orange County	INVESTIGATOR	$95,701	OCERS	3% @ 50	$57,420	$16,934	$4,373	$12,561	$44,859
2	San Bernardino County	DA SR INVESTIGATOR	$94,994	SBCERA	3% @ 50	$56,996	$10,882	$1,322	$9,560	$47,437
6	San Diego County	DA INVESTIGATOR III	$88,150	SDCERA	3% @ 50	$52,890	$18,796	$4,800	$13,996	$38,894
4	Ventura County	DA INVESTIGATOR II	$110,014	VCERA	2% @ 50	$57,636	$11,772	$0	$11,772	$45,864
		Mean:	$97,331							$44,843
		Median:	$95,701							$45,864
1	**Riverside County****	**SR D.A. INVESTIGATOR**	**$98,168**	**Cal/PERS**	**3.0% @ 50**	**$58,901**	**$9,204**	**$300**	**$8,904**	**$49,997**
		$ Diff fm Mean:	$837							$5,154
		% Diff fm Mean:	0.9%							10.3%
		$ Diff fm Median:	$2,467							$4,133
		% Diff fm Median:	2.5%							8.3%

* Based on age 60 with 20 years of service
** Health insurance premiums based on Riverside Sheriffs' Association Benefit Trust health plans.

Note: DRAFT - Working document

Report Date: 9/13/2010

SHERIFF'S SERGEANT (LEMU) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1) ***	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of-Pocket Medical)
4	Los Angeles County	SERGEANT	$98,517	LACERA	2% @ 50	$51,600	$19,801	$15,841	$3,960	$47,640
1	Orange County	SERGEANT	$108,763	OCERS	3% @ 50	$65,261	$16,934	$4,373	$12,561	$52,700
3	San Bernardino County	SHERIFF'S SERGEANT	$97,344	SBCERA	3% @ 50	$58,406	$10,882	$1,353	$9,529	$48,877
6	San Diego County	SHERIFF'S SERGEANT	$90,190	SDCERA	3% @ 50	$54,114	$18,796	$4,800	$13,996	$40,118
5	Ventura County	SHERIFF'S SERGEANT	$110,014	VCERA	2% @ 50	$57,636	$11,772	$0	$11,772	$45,864
		Mean:	$100,966							$47,040
		Median:	$98,517							$47,640
2	**Riverside County****	**SHERIFF'S SERGEANT**	**$100,493**	**Cal/PERS**	**3.0% @ 50**	**$60,296**	**$11,647**	**$1,536**	**$10,111**	**$50,185**
		$ Diff fm Mean:	-$473							$3,145
		% Diff fm Mean:	-0.5%							6.3%
		$ Diff fm Median:	$1,976							$2,545
		% Diff fm Median:	2.0%							5.1%

* Based on age 60 with 20 years of service

** Riverside County pension calculation is adjusted for EPMC of 9%

*** Riverside County Health Insurance premiums based on Cal/PERS health plans.

Note: DRAFT - Working document

Report Date: 8/31/2010

SHERIFF'S CAPTAIN (LEMU) - TOTAL COMPENSATION for Retirees*

Rank	Jurisdiction	Title	Max Salary used for Pension Calc	Pension Type	Pension Formula	Est Pension Amount*	Max HMO Health Premium (Ret + 1) ***	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Retiree Comp (Minus Out-of-Pocket Medical)
3	Los Angeles County	CAPTAIN	$144,011	LACERA	2% @ 50	$75,360	$19,801	$15,841	$3,960	$71,400
1	Orange County	CAPTAIN	$155,964	OCERS	3% @ 50	$93,578	$16,934	$4,373	$12,561	$81,018
4	San Bernardino County	SHERIFF'S CAPTAIN	$131,331	SBCERA	3% @ 50	$78,799	$10,882	$1,789	$9,092	$69,706
6	San Diego County	SHERIFF'S CAPTAIN	$119,296	SDCERA	3% @ 50	$71,578	$18,796	$4,800	$13,996	$57,582
5	Ventura County	SHERIFF'S CAPTAIN	$133,098	VCERA	2% @ 50	$69,732	$11,772	$0	$11,772	$57,960
		Mean:	$136,740							$67,533
		Median:	$133,098							$69,706
2	**Riverside County**	**SHERIFF'S CAPTAIN**	**$139,309**	**Cal/PERS**	**3.0% @ 50**	**$83,585**	**$11,647**	**$1,536**	**$10,111**	**$73,474**
		$ Diff fm Mean:	$2,569							$5,941
		% Diff fm Mean:	1.8%							8.1%
		$ Diff fm Median:	$6,211							$3,768
		% Diff fm Median:	4.5%							5.1%

* Based on age 60 with 20 years of service

** Riverside County pension calculation is adjusted for EPMC of 9%

*** Riverside County Health Insurance premiums based on Cal/PERS health plans.

Note: DRAFT - Working document

Report Date: 8/10/10

ATTACHMENT H
SIX COUNTY COMPARISON OF TOTAL COMPENSATION FOR AVERAGE EMPLOYEE

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING

RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES

EIGHT SELECTED CLASSIFICATIONS

GENERAL RANKING

Rank	County	Ave. Base Salary	Rank	County	Ave. Total Comp.
2	Los Angeles County	$85,414	3	Los Angeles County	$89,334
1	Orange County	$89,213	1	Orange County	$94,703
4	**Riverside County**	**$81,422**	**4**	**Riverside County**	**$86,208**
5	San Bernardino County	$78,278	5	San Bernardino County	$81,856
6	San Diego County	$75,524	6	San Diego County	$81,098
3	Ventura County	$84,837	2	Ventura County	$93,450

NOTE: SEIU CLASS ACTIVE EMPLOYEE SURVEY SALARY RATES

County HR salaries for the two SEIU classes listed on page 3 of this survey, as with the other six surveyed classes (i.e., for LIUNA, RSA and LEMU), list the maximum salary rate (top step) of the class's assigned salary schedule. The maximum salary step is assumed to be that step to which an employee with 10 years or more of service would most likely be assigned.

SEIU salaries for the two SEIU classes listed on page 3 of this survey are based on SEIU's career progression model. This model assumes employees would be hired at step one of the lowest class level in the series. As part of their career progression, incumbents are assumed to promote up through their respective series and into the surveyed class, so that at 10 years' service, they would be at a salary which may or may not be at top step. The career progression model SEIU provided to County HR for each surveyed class is as follows:

Social Services Worker (SSW)	Class at Hire	Class at 10 Years
Los Angeles County	Children's Soc. Worker	CSSW III, Step 5
Orange County	Social Worker	Social Worker II
Riverside County	SSW	SSW V, Step 3
San Bernardino County	Social Worker	Social Worker II, Step 11
San Diego County	Soc Worker	Protective Svcs Worker, Step 6
Ventura County	Child Welfare Soc. Worker	Child Welfare Soc. Worker IV

Public Health Nurse (PHN)	Class at Hire	Class at 10 Years
Los Angeles County	PHN	PHN, Step 10
Orange County	Sr. PHN	Sr. PHN
Riverside County	RN (PHN Equivalent*)	RN V, Step 2
San Bernardino County	PHN	PHN II, Step 11
San Diego County	PHN	PHN IV, Step 5
Ventura County	PHN	PHN III (six salary increases of 5%)

* Riverside County's PHNs are generally RN IV

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING
RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES
LIUNA CLASSIFICATIONS

OFFICE ASSISTANT III (LIUNA)

Rank	County	Total Comp.
2	Los Angeles County	$44,635
3	Orange County	$44,253
6	**Riverside County**	**$38,252**
4	San Bernardino County	$42,018
5	San Diego County	$41,383
1	Ventura County	$46,330

EQUIPMENT OPERATOR II (LIUNA)

Rank	County	Total Comp.
1	Los Angeles County	$64,812
2	Orange County	$62,432
4	**Riverside County**	**$53,838**
6	San Bernardino County	$52,389
3	San Diego County	$56,406
5	Ventura County	$53,315

NOTE: Health Insurance Plans used for comparison for each county were the highest HMO (Employee + 1 Dependent).

Los Angeles County:	"Choices": Kaiser: $975.98/mo.
Orange County:	CIGMA Private Practice: $844.66/mo.
Riverside County*:	Blue Shield HMO: $972.58/mo.
San Bernardino County:	Kaiser: $415.22/mo.
San Diego County:	Antham Blue Cross: $874.12/mo.
Ventura County:	Health Net High Option: $$428.98/mo.

*Health Insurance premiums based on Riverside County health plans.

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING
RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES
SEIU CLASSIFICATIONS

SOCIAL SERVICES WORKER V				
USING COUNTY HR SALARIES*			USING SEIU SALARIES**	
Rank	County	Total Comp.	Rank	Total Comp.
1	Los Angeles County	$80,305	1	$80,305
3	Orange County	$70,192	5	$56,608
4	**Riverside County**	**$63,978**	**6**	$51,038
6	San Bernardino County	$59,200	4	$59,200
5	San Diego County	$63,795	3	$64,196
2	Ventura County	$76,088	2	$76,089
REGISTERED NURSE V				
USING COUNTY HR SALARIES*			USING SEIU SALARIES**	
Rank	County	Total Comp.	Rank	Total Comp.
2	Los Angeles County	$88,537	2	$88,537
1	Orange County	$90,496	1	$90,496
3	**Riverside County**	**$85,333**	**6**	$70,127
4	San Bernardino County	$85,840	3	$79,363
5	San Diego County	$82,573	5	$76,208
6	Ventura County	$81,124	4	$79,122

* County HR salaries used for these two SEIU classes are explained in the general ranking cover sheet.

** SEIU salaries used for these two SEIU classes are explained in the general ranking cover sheet.

NOTE: Health Insurance Plans used for comparison for each county were the highest HMO (Employee + 1 Dependent).

Los Angeles County:	"Options": Kaiser: $936.72/mo.
Orange County:	CIGMA Private Practice: $844.66/mo.
Riverside County*:	Blue Shield HMO: $972.58/mo.
San Bernardino County:	Kaiser: $415.22/mo.
San Diego County:	Antham Blue Cross: $874.12/mo.
Ventura County:	Health Net High Option: $$428.98/mo.

*Health Insurance premiums based on Riverside County health plans.

TOTAL COMPENSATION COMPARISON SURVEY AND RANKING
RIVERSIDE COUNTY WITH FIVE LOCAL SOUTHERN CALIFORNIA COUNTIES
SAFETY CLASSIFICATIONS

DEPUTY SHERIFF (RSA)			SHERIFF'S SERGEANT (LEMU)		
Rank	County	Total Comp.	Rank	County	Total Comp.
5	Los Angeles County	$81,259	4	Los Angeles County	$101,640
1	Orange County	$96,037	2	Orange County	$119,000
3	**Riverside County**	**$82,738**	**3**	**Riverside County**	**$109,537**
4	San Bernardino County	$81,386	5	San Bernardino County	$100,792
6	San Diego County	$81,025	6	San Diego County	$97,989
2	Ventura County	$94,634	1	Ventura County	$123,487
SENIOR D. A. INVESTIGATOR (RSA)			**SHERIFF'S CAPTAIN (LEMU)**		
Rank	County	Total Comp.	Rank	County	Total Comp.
4	Los Angeles County	$100,916	2	Los Angeles County	$152,570
3	Orange County	$104,762	1	Orange County	$170,449
2	**Riverside County**	**$106,343**	**3**	**Riverside County**	**$149,647**
5	San Bernardino County	$98,442	5	San Bernardino County	$134,779
6	San Diego County	$95,755	6	San Diego County	$129,859
1	Ventura County	$123,520	4	Ventura County	$149,104

NOTE: Health Insurance Plans used for comparison for each county were the highest HMO (Employee + 1 Dependent).

Los Angeles County:	Law Enforcement:"Choices": Kaiser: $975.98/mo.
	Law Enforcement Mgt: Megaflex: $523.00/mo.
Orange County:	CIGMA Private Practice: $844.66/mo.
Riverside County:	RSA*: Antham Blue Cross HMO ($757/mo.)
	LEMU**: Blue Shield HMO Access + ($970.58/mo.)
San Bernardino County:	Kaiser: $415.22/mo.
San Diego County:	Antham Blue Cross: $874.12/mo.
Ventura County:	Health Net High Option: $$428.98/mo.

*RSA Health Insurance premiums based on Riverside Sheriffs' Association Benefit Trust health plans.
**LEMU Health Insurance premiums based on Cal/PERS health plans.

OFFICE ASSISTANT III (LIUNA) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
2	Los Angeles County	SENIOR CLERK	$41,041	LACERA	1.92% @ 60	0.0%	$0	$11,241	$14,835	-$3,594	$44,635
3	Orange County	OFFICE SPECIALIST	$43,805	OCERS	2.7% @ 55	0.0%	$0	$10,136	$10,584	-$448	$44,253
4	San Bernardino County	OFFICE ASSISTANT IV	$39,478	SBCERA	2.0% @ 55	7.0%	$2,763	$10,796	$10,572	$224	$42,018
5	San Diego County	OFFICE SPT SPECIALIST	$39,395	SDCERA	3.0% @ 60	7.0%	$2,758	$10,489	$9,720	$769	$41,383
1	Ventura County	OFFICE ASSISTANT IV	$43,198	VCERA	2.27% @ 61	4.0%	$1,728	$5,148	$6,552	-$1,404	$46,330
		Mean:	$41,383								$43,724
		Median:	$41,041								$44,253
6	**Riverside County**	**OFFICE ASSISTANT III***	**$38,637**	**Cal/PERS**	**3.0% @ 60**	**8.0%**	**$3,091**	**$11,671**	**$8,195**	**$3,476**	**$38,252**
		$ Diff fm Mean:	-$2,746								-$5,472
		% Diff fm Mean:	-7.1%								-14.3%
		$ Diff fm Median:	-$2,404								-$6,002
		% Diff fm Median:	-6.2%								-15.7%

*Health Insurance premiums based on Riverside County health plans.

EQUIPMENT OPERATOR II (LIUNA) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
1	Los Angeles County	POWER EQUIP OPERATOR	$61,217	LACERA	1.92% @ 60	0.0%	$0	$11,241	$14,835	-$3,594	$64,812
2	Orange County	POWER EQUIP OPERATOR II	$61,984	OCERS	2.7% @ 55	0.0%	$0	$10,136	$10,584	-$448	$62,432
6	San Bernardino County	EQUIP OPERATOR II	$49,171	SBCERA	2.0% @ 55	7.0%	$3,442	$10,796	$10,572	$224	$52,389
3	San Diego County	EQUIP OPERATOR	$53,435	SDCERA	3.0% @ 60	7.0%	$3,740	$10,489	$9,720	$769	$56,406
5	Ventura County	EQUIP OPERATOR III	$49,914	VCERA	2.27% @ 61	4.0%	$1,997	$5,148	$6,552	-$1,404	$53,315
		Mean:	$55,144								$57,871
		Median:	$53,435								$56,406
4	**Riverside County**	**EQUIPMENT OPERATOR II***	**$53,069**	**Cal/PERS**	**3.0% @ 60**	**8.0%**	**$4,246**	**$11,671**	**$8,195**	**$3,476**	**$53,838**
		$ Diff fm Mean:	-$2,075								-$4,033
		% Diff fm Mean:	-3.9%								-7.5%
		$ Diff fm Median:	-$366								-$2,568
		% Diff fm Median:	-0.7%								-4.8%

*Health Insurance premiums based on Riverside County health plans.

SOCIAL SERVICES WORKER V (SEIU) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
1	Los Angeles County	CHILDREN'S SOC SVC WKR III	$77,182	LACERA	1.92% @ 60	0.0%	$0	$11,712	$14,835	-$3,123	$80,305
3	Orange County	SR SOCIAL WORKER[1]	$69,744	OCERS	2.7% @ 55	0.0%	$0	$10,136	$10,584	-$448	$70,192
6	San Bernardino County	SOCIAL WORKER II	$55,536	SBCERA	2.0% @ 55	7.0%	$3,888	$10,796	$10,572	$224	$59,200
5	San Diego County	HLTH SVCS SOC WKR	$60,341	SDCERA	3.0% @ 60	7.0%	$4,224	$10,489	$9,720	$769	$63,795
2	Ventura County	HS CHILD WELFARE SSW IV	$71,812	VCERA	2.27% @ 61	4.0%	$2,872	$5,148	$6,552	-$1,404	$76,088
		Mean:	$66,923								$69,916
		Median:	$69,744								$70,192
4	**Riverside County**	**SOCIAL SERVICES WORKER V[2]**	**$62,708**	**Cal/PERS**	**3.0% @ 60**	**8.0%**	**$5,017**	**$11,671**	**$7,925**	**$3,746**	**$63,978**
		$ Diff fm Mean:	-$4,215								-$5,938
		% Diff fm Mean:	-6.7%								-9.3%
		$ Diff fm Median:	-$7,036								-$6,214
		% Diff fm Median:	-11.2%								-9.7%

1 Orange County - Social Worker II is not the advanced level.

2 Health Insurance premiums based on Riverside County health plans. The SEIU suvery used the Social Worker V class. However, most of Riverside County's social workers are assigned to the Children's Social Services Worker V class, which is a more suitable comparison class.

REGISTERED NURSE V (SEIU) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
2	Los Angeles County	PUBLIC HEALTH NURSE[1]	$85,414	LACERA	1.92% @ 60	0.0%	$0	$11,712	$14,835	-$3,123	$88,537
1	Orange County	SR PUBLIC HEALTH NURSE	$90,048	OCERS	2.7% @ 55	0.0%	$0	$10,136	$10,584	-$448	$90,496
4	San Bernardino County	PUBLIC HEALTH NURSE II	$80,434	SBCERA	2.0% @ 55	7.0%	$5,630	$10,796	$10,572	$224	$85,840
5	San Diego County	PUBLIC HEALTH NURSE III[2]	$78,686	SDCERA	3.0% @ 60	7.0%	$5,508	$10,489	$8,868	$1,621	$82,573
6	Ventura County	PUBLIC HEALTH NURSE III	$76,654	VCERA	2.27% @ 61	4.0%	$3,066	$5,148	$6,552	-$1,404	$81,124
		Mean:	$82,247								$85,714
		Median:	$80,434								$85,840
3	**Riverside County**	**REGISTERED NURSE V[3]**	**$82,481**	**Cal/PERS**	**3.0% @ 60**	**8.0%**	**$6,598**	**$11,671**	**$7,925**	**$3,746**	**$85,333**
		$ Diff fm Mean:	$233								-$381
		% Diff fm Mean:	0.3%								-0.4%
		$ Diff fm Median:	$2,047								-$507
		% Diff fm Median:	2.5%								-0.6%

1 Los Angeles County Public Health Nurse salary shown is Step 10, the step an incumbent would receive with 10 years County service. However, these nursing classes are assigned to a 20-step salary schedule, in which incumbents advance one step per year. If an incumbent has prior RN experience, they may be hired at an advanced step (e.g., Step 10 with 10 years prior non-County experience).

2 San Diego - Public Health Nurse IV is the first level supervisor; the III level is lead/expert.

3 Health Insurance premiums based on Riverside County health plans. RN V is the class level SEIU selected to use for comparison for public health nurses. Riverside County actually assigns more RN IVs to public heaLth clinics. This Riverside County survey will compare at the RN V level , as per SEIU.

DEPUTY SHERIFF (RSA) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
5	Los Angeles County	DEPUTY SHERIFF	$78,136	LACERA	2% @ 50	0.0%	$0	$11,712	$14,835	-$3,123	$81,259
1	Orange County	DEPUTY SHERIFF II	$87,696	OCERS	3% @ 50	9.0%	$7,893	$10,136	$10,584	-$448	$96,037
4	San Bernardino County	DEPUTY SHERIFF	$77,938	SBCERA	3% @ 50	$306/m	$3,672	$10,796	$10,572	$224	$81,386
6	San Diego County	DEPUTY SHERIFF	$74,698	SDCERA	3% @ 50*	9.5%	$7,096	$10,489	$9,720	$769	$81,025
2	Ventura County	DEPUTY SHERIFF	$83,991	VCERA	2% @ 50	11.0%	$9,239	$5,148	$6,552	-$1,404	$94,634
		Mean:	$80,492		*Tier B = 3% @ 55						$86,868
		Median:	$78,136								$81,386
3	**Riverside County**	**DEPUTY SHERIFF***	**$76,512**	**Cal/PERS**	**3% @ 50**	**9.0%**	**$6,886**	**$9,204**	**$8,544**	**$660**	**$82,738**
		$ Diff fm Mean:	-$3,980								-$4,130
		% Diff fm Mean:	-5.2%								-5.0%
		$ Diff fm Median:	-$1,624								$1,352
		% Diff fm Median:	-2.1%								1.6%

Pension Vesting:

LA Co = Age 50 w/ 10 years' service
OC = Age 50 w/ 10 years' service
Riv Co = Age 50 w/ 5 years' service
San Berdo Co = Age 50 w/ 10 years' service
San Diego Co = Age 50 w/ 10 years' service
Ventura Co = Age 50 w/ 10 years' service

*Health Insurance premiums based on Riverside Sheriffs' Association Benefit Trust health plans.

SENIOR D. A. INVESTIGATOR (RSA) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
4	Los Angeles County	SR INVESTIGATOR, DA	$97,793	LACERA	2% @ 50	0.0%	$0	$11,712	$14,835	-$3,123	$100,916
2	Orange County	INVESTIGATOR	$95,701	OCERS	3% @ 50	9.0%	$8,613	$10,136	$10,584	-$448	$104,762
5	San Bernardino County	DA SR INVESTIGATOR	$94,994	SBCERA	3% @ 50	$306/m	$3,672	$10,796	$10,572	$224	$98,442
6	San Diego County	DA INVESTIGATOR III	$88,150	SDCERA	3% @ 50*	9.5%	$8,374	$10,489	$9,720	$769	$95,755
1	Ventura County	DA INVESTIGATOR II	$110,014	VCERA	2% @ 50	11.0%	$12,102	$5,148	$6,552	-$1,404	$123,520
		Mean:	$97,331		*Tier B = 3% @ 55						$104,679
		Median:	$95,701								$100,916
3	**Riverside County**	**SR D.A. INVESTIGATOR***	**$98,168**	**Cal/PERS**	**3% @ 50**	**9.0%**	**$8,835**	$9,204	**$8,544**	$660	**$106,343**
		$ Diff fm Mean:	$837								$1,664
		% Diff fm Mean:	0.9%								1.6%
		$ Diff fm Median:	$2,467								$5,427
		% Diff fm Median:	2.5%								5.1%

Pension Vesting:

LA Co = Age 50 w/ 10 years' service
OC = Age 50 w/ 10 years' service
Riv Co = Age 50 w/ 5 years' service
San Berdo Co = Age 50 w/ 10 years' service
San Diego Co = Age 50 w/ 10 years' service
Ventura Co = Age 50 w/ 10 years' service

*Health Insurance premiums based on Riverside Sheriffs' Association Benefit Trust health plans.

SHERIFF'S SERGEANT (LEMU) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
4	Los Angeles County	SERGEANT	$98,517	LACERA	2% @ 50	0.0%	$0	$11,712	$14,835	-$3,123	$101,640
2	Orange County	SERGEANT	$108,763	OCERS	3% @ 50	9.0%	$9,789	$10,136	$10,584	-$448	$119,000
5	San Bernardino County	SHERIFF'S SERGEANT	$97,344	SBCERA	3% @ 50	$306/m	$3,672	$10,796	$10,572	$224	$100,792
6	San Diego County	SHERIFF'S SERGEANT	$90,190	SDCERA	3% @ 50*	9.5%	$8,568	$10,489	$9,720	$769	$97,989
1	Ventura County	SHERIFF'S SERGEANT	$110,014	VCERA	2% @ 50	11.0%	$12,069	$5,148	$6,552	-$1,404	$123,487
		Mean:	$100,966		*Tier B = 3% @ 55						$108,582
		Median:	$98,517								$101,640
3	**Riverside County**	**SHERIFF'S SERGEANT***	**$100,493**	**Cal/PERS**	**3% @ 50**	**9.0%**	**$9,044**	**$11,647**	**$11,647**	**$0**	**$109,537**
		$ Diff fm Mean:	-$473								$956
		% Diff fm Mean:	-0.5%								0.9%
		$ Diff fm Median:	$1,976								$7,898
		% Diff fm Median:	2.0%								7.2%

Pension Vesting:

LA Co = Age 50 w/ 10 years' service
OC = Age 50 w/ 10 years' service
Riv Co = Age 50 w/ 5 years' service

San Berdo Co = Age 50 w/ 10 years' service
San Diego Co = Age 50 w/ 10 years' service
Ventura Co = Age 50 w/ 10 years' service

*Health Insurance premiums based on Cal/PERS health plans.

Report Date: 8/30/10

SHERIFF'S CAPTAIN (LEMU) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
2	Los Angeles County	CAPTAIN	$144,011	LACERA	2% @ 50	0.0%	$0	$6,276	$14,835	-$8,559	$152,570
1	Orange County	CAPTAIN	$155,964	OCERS	3% @ 50	9.0%	$14,037	$10,136	$10,584	-$448	$170,449
5	San Bernardino County	SHERIFF'S CAPTAIN	$131,331	SBCERA	3% @ 50	$306/m	$3,672	$10,796	$10,572	$224	$134,779
6	San Diego County	SHERIFF'S CAPTAIN	$119,296	SDCERA	3% @ 50*	9.5%	$11,333	$10,489	$9,720	$769	$129,859
4	Ventura County	SHERIFF'S CAPTAIN	$133,098	VCERA	2% @ 50	11.0%	$14,601	$5,148	$6,552	-$1,404	$149,104
		Mean:	$136,740		*Tier B = 3% @ 55						$147,352
		Median:	$133,098								$149,104
3	**Riverside County**	**SHERIFF'S CAPTAIN***	**$139,309**	**Cal/PERS**	**3% @ 50**	**9.0%**	**$12,538**	**$11,647**	**$9,447**	**$2,200**	**$149,647**
		$ Diff fm Mean:	$2,569								$2,295
		% Diff fm Mean:	1.8%								1.5%
		$ Diff fm Median:	$6,211								$544
		% Diff fm Median:	4.5%								0.4%

Pension Vesting:

LA Co = Age 50 w/ 10 years' service
OC = Age 50 w/ 10 years' service
Riv Co = Age 50 w/ 5 years' service

San Berdo Co = Age 50 w/ 10 years' service
San Diego Co = Age 50 w/ 10 years' service
Ventura Co = Age 50 w/ 10 years' service

*Health Insurance premiums based on Cal/PERS health plans.

SHERIFF'S CAPTAIN (LEMU) - TOTAL COMPENSATION

Rank	Jurisdiction	Title	Max Base Annual	Pension Type	Pension Formula	ER Pick-Up %	Pick-Up Cost	Max HMO Health Prem. (EE + 1)	Max Hlth Flex/ Subsidy	Out-of-Pocket Medical	Total Comp
2	Los Angeles County	CAPTAIN	$144,011	LACERA	2% @ 50	0.0%	$0	$6,276	$14,835	-$8,559	$152,570
1	Orange County	CAPTAIN	$155,964	OCERS	3% @ 50	9.0%	$14,037	$10,136	$10,584	-$448	$170,449
5	San Bernardino County	SHERIFF'S CAPTAIN	$131,331	SBCERA	3% @ 50	$306/m	$3,672	$10,796	$10,572	$224	$134,779
6	San Diego County	SHERIFF'S CAPTAIN	$119,296	SDCERA	3% @ 50*	9.5%	$11,333	$10,489	$9,720	$769	$129,859
4	Ventura County	SHERIFF'S CAPTAIN	$133,098	VCERA	2% @ 50	11.0%	$14,601	$5,148	$6,552	-$1,404	$149,104
		Mean:	$136,740		*Tier B = 3% @ 55						$147,352
		Median:	$133,098								$149,104
3	**Riverside County**	**SHERIFF'S CAPTAIN**	**$139,309**	**Cal/PERS**	**3% @ 50**	**9.0%**	**$12,538**	**$11,671**	**$9,447**	**$2,224**	**$149,623**
		$ Diff fm Mean:	$2,569								$2,271
		% Diff fm Mean:	1.8%								1.5%
		$ Diff fm Median:	$6,211								$520
		% Diff fm Median:	4.5%								0.3%

Pension Vesting:

LA Co = Age 50 w/ 10 years' service
OC = Age 50 w/ 10 years' service
Riv Co = Age 50 w/ 5 years' service
San Berdo Co = Age 50 w/ 10 years' service
San Diego Co = Age 50 w/ 10 years' service
Ventura Co = Age 50 w/ 10 years' service

ATTACHMENT I
PARTIAL LIST OF AGENCIES THAT HAVE RECENTLY IMPLEMENTED A SECOND TIER OF PENSION BENEFITS

Bartel Associates Second Tier Data Base

CalPERS Er #	Agency	Plan		From Formula	From FAE	From Other	To Formula	To FAE	To Other	Effective Date	Notes
675	Long Beach St. University Assoc. Students	Miscellaneous		2@55	FAE1		2@60	FAE3		10/1/2008	
865	Marinwood Community Services District	Safety		3@50			3@55			7/13/2008	3@50 on CalPERS website
1096	Midway City Sanitation District	Miscellaneous		3@60			2@55			Unknown	
316	Napa Sanitation District	Miscellaneous		2.7@55		3% COLA	2@55		2% COLA	9/5/2009	2@55; not 2.5@55
1012	North LA CO Regional Center Inc.	Miscellaneous		2@55			2@60			2/1/2008	
1210	Padre Dam Municipal Water District	Miscellaneous		3@60			2.5@55			6/26/2010	Added (CalPERS worksheet)
508	Rancho Simi Recreation & Park District	Miscellaneous		2@55	FAE1		2@60	FAE3		Unknown	Added (CalPERS worksheet)
1842	Sacramento Suburban Water District	Miscellaneous		3@60			2@55			9/25/2006	
1114	San Juan Water District	Miscellaneous			FAE1			FAE3		2/14/2009	
1115	Solano Irrigation District	Miscellaneous		2.7@55			2@60			Unknown	
816	Soquel Creek Water District	Miscellaneous				IDR			No IDR	12/18/2005	
1829	South Central LA Regional Center for the Developmentally Disabled	Miscellaneous		3@60			[illegible]			7/1/2007	3@60 on CalPERS website; Unable to verify
446	Town of Fairfax	Miscellaneous		2.5@55			2@55			2/3/2010	2@55; not 2@60
446	Town of Fairfax	Safety	Police	3@50			3@55			7/1/2009	
401	Town of San Anselmo	Miscellaneous		2.7@55			2@55			2/1/2007	
401	Town of San Anselmo	Safety	Police	3@50			3@55			2/1/2007	
369	Town of Yountville	Miscellaneous		2.7@55			2@55			7/1/2010	Added (Tracy worksheet)
1673	Tri-Counties Association for the Developmentally Disabled	Miscellaneous		3@60			2@60			3/27/2006	
SDCERS	City of San Diego	Miscellaneous		2.8@65	FAE1	Max 90% FAE	2.6@65	FAE3	Max 80% FAE	7/25/2009	
SDCERS	City of San Diego	Safety	Police	3@50			3@55			7/25/2009	
FCERA	County of Fresno	Miscellaneous		3.273@60			2.42@63			7/1/2005	Tier 1 => Tier 2
FCERA	County of Fresno	Miscellaneous		2.42@63	FAE1		3.1336@65	FAE3		12/18/2007	Tier 2 => Tier 3
FCERA	County of Fresno	Safety		3.27@55			3@55			7/1/2005	
KCERA	County of Kern	Miscellaneous		3@60			1.62@65			10/27/2007	
OCERS	County of Orange	Miscellaneous		2.7@55			2.7@55 or 1.62@65			5/7/2010	Voluntary participation in DC plan with 1.62@65
OCERS	County of Orange	Safety		3@50			3@55			4/8/2010	
SCERS	County of Sacramento	Safety	Police	3@50			2.29@50			Unknown	
SDCERA	County of San Diego	Miscellaneous		3@60	FAE1	3% COLA	2.6@62	FAE3	2% COLA	8/28/2009	
SDCERA	County of San Diego	Safety		3@50	FAE1	3% COLA	3@55	FAE3	2% COLA	8/28/2009	

O:\Technical\Pension Second Tier\[BA 2nd Tier Data Base.xls]Database

Bartel Associates Second Tier Data Base

CalPERS					From			To			
Er #	Agency	Plan		Formula	FAE	Other	Formula	FAE	Other	Effective Date	Notes
572	American Canyon Fire District	Safety		3@50			3@55			Unknown	
1239	Belmont-San Carlos Fire Department	Safety	Fire	3@50			3@55			1/1/2007	
821	Bonita-Sunnyside Fire Protection District	Miscellaneous		2.7@55			2@55			8/11/2004	
1043	Cal Interscholastic Fed. South Section	Miscellaneous		2@55			2@60			7/1/2005	
639	Cal Poly Corporation	Miscellaneous		2@55			2@60			5/14/2005	
296	City of Antioch	Miscellaneous		2.7@55			2@55			11/9/2007	
36	City of Bakersfield	Miscellaneous		3@60	FAE1		2.7@55	FAE3		12/20/2008	3@60 on CalPERS website; 2.7@55 verified in MOU
69	City of Bell	Safety	Police	3@50			3@55			6/26/2006	
621	City of Bishop	Miscellaneous		2@55			2@60			1/1/2010	
621	City of Bishop	Safety		3@50			3@55			1/1/2010	
736	City of Brentwood	Miscellaneous		2.7@55		5% COLA	2@60		2% COLA	9/1/2010	Added (Tracy worksheet)
440	City of Brisbane	Miscellaneous		2.7@55			2@60			7/1/2008	
703	City of California City	Safety	Police	3@50			[redacted]			6/12/2007	2@50 on CalPERS website; Unable to verify
469	City of Campbell	Safety	Police	3@50			2@50			6/18/2010	Added
496	City of Cerritos	Miscellaneous		3@60			2.5@55			11/21/2004	
733	City of Gilroy	Safety	Fire	3@55			2@55			Unknown	[redacted]
733	City of Gilroy	Safety	Police	3@50			2@50			1/1/2011	
295	City of Long Beach	Miscellaneous		2.7@55			2.5@55			9/30/2006	
430	City of Los Altos	Miscellaneous		2.7@55			2@60			7/1/2010	Added
993	City of Maywood	Safety	Police	3@50			3@55			4/16/2007	
890	City of Mill Valley	Miscellaneous		2.5@55	FAE1		2@55	FAE3		Unknown	Added (Tracy worksheet)
492	City of Montclair	Safety		3@50			3@55			6/27/2005	3@55; not 2@50
190	City of National City	Safety		3@50			3@55			Unknown	
14	City of Palo Alto	Miscellaneous		2.7@55			2@60			7/17/2010	Added
73	City of Pasadena	Miscellaneous			FAE1			FAE3		1/8/2007	
587	City of Rohnert Park	Miscellaneous				5% COLA			2% COLA	7/1/2008	
587	City of Rohnert Park	Safety				5% COLA			2% COLA	7/1/2008	
50	City of San Carlos	Miscellaneous		2.7@55			2.5@55			8/4/2008	
50	City of San Carlos	Safety	Police	3@50			3@55			8/4/2008	
133	City of San Fernando	Miscellaneous		3@60			2@55			7/1/2005	
51	City of San Leandro	Miscellaneous		2.5@55	FAE1		2@55	FAE3		5/6/2010	Added
301	City of San Marino	Safety	Fire	3@50			3@55			7/15/2006	
251	City of Santa Paula	Miscellaneous		2.5@55			2@55			3/20/2006	
186	City of Signal Hill	Miscellaneous		2@55			2@60			4/20/2010	Added (CalPERS worksheet)
1424	City of Solana Beach	Miscellaneous		2.5@55	FAE1		2@60	FAE3		7/1/2010	Added (CalPERS worksheet)
726	City of South Lake Tahoe	Safety			FAE1			FAE3		7/1/2006	
93	City of South San Francisco	Miscellaneous		2.7@55	FAE1		2@60	FAE3		Unknown	Added (CalPERS worksheet)
93	City of South San Francisco	Safety		3@50	FAE1		3@55	FAE3		Unknown	Added (CalPERS worksheet)
157	City of Susanville	Miscellaneous		3@60			2@55			9/5/2009	
157	City of Susanville	Safety		3@50			2@50			9/5/2009	
198	City of Tracy	Miscellaneous		2.5@55	FAE1		2@55	FAE3		12/1/2010	Added (Tracy worksheet)
198	City of Tracy	Safety	Police	3@50			3@55			7/1/2010	Added
482	City of Tulare	Miscellaneous		2.7@55			2.5@55			Unknown	Added (Tracy worksheet)
482	City of Tulare	Safety	Fire	3@50			3@55			7/1/2009	Added (Tracy worksheet)
424	City of Visalia	Miscellaneous		3@60			2.5@55			5/10/2008	Added
1103	Conejo Recreation and Park District	Miscellaneous		2@55			2@60			12/4/2009	
104	County of Mono	Safety	Fire	3@50			2@50			1/1/2007	
221	County of Napa	Miscellaneous				PRSA			No PRSA	12/18/2004	
221	County of Napa	Safety	Police			PRSA			No PRSA	7/1/2007	
222	County of Shasta	Safety	Police		FAE1			FAE3		8/27/2003	
1534	El Dorado Co Fire Protection District	Miscellaneous				Prior Service Credit of an Assumed Agency			No Prior Service	10/13/2007	
1705	Garden Valley Fire Protection District	Miscellaneous		2.7@55			2@55			5/23/2009	
867	Georgetown Divide Public Utility District	Miscellaneous			FAE1			FAE3		6/19/2006	
1572	Gold Ridge Fire Protection District	Safety	Fire	3@50			3@55			4/8/2004	
837	Housing Authority of the City of San Buenaventura	Miscellaneous		2.7@55			2@60			4/5/2008	
1681	Housing Authority of the City of Santa Cruz	Miscellaneous		3@60			[redacted]			3/5/2006	2@55 on CalPERS website; Unable to verify

ATTACHMENT E

2010

Pension Advisory Review Committee

2010 Annual Pension Report

Table of Contents

Appendices

1. Bartel Associates: CalPERS Actuarial Issues 6/30/08 and alternatives Formula Options
2. Fieldman, Rolapp & Associates: 2004 Review of Issues and Policy Relating to Pension Obligations

Executive Summary

The County's Pension Advisory Review Committee (PARC) was established in the fall of 2003 to develop an institutional framework to help guide policy decisions about retirement benefits.

A key responsibility of the Committee is to produce an annual report. The report informs the Board and the public about important developments affecting County retirement benefit plans and provides information about projected costs and funding status. This report provides the annual update on the status of the County's pension plan and acts on Board direction to provide analysis of alternatives to the County's current pension plan benefits.

Pension Plan Status:

Funding status has deteriorated due to recent investment performance, but is still favorable on an actuarial basis. The projected June 30, 2010 gross funding status is approximately 92.6 percent for the County's Safety and Miscellaneous Plans. That represents an unfunded liability of $426 million. On a net basis, taking into account the outstanding Pension Obligation Bonds (POB) liability of $375 million, the ratio is 86.1 percent, representing an increase in net funding of 1.8 percent since June 2005. The projected total unfunded liability is $800 million. High unfunded actuarial liabilities will magnify contribution volatility, as more contributions and/or higher investment returns will be required.

Investment performance over the previous four years prior to the middle of FY 2008 was strong and exceeded the system's assumed actuarial rate of return. Performance since the middle of FY 2008 has been devastatingly poor as a result of the turmoil in the global financial markets. Investment return for FY 2009 was negative 24.8 percent. For the three years prior to FY 2009 investment returns averaged 8.53 percent, compared to negative 3.17 percent from 2001 to 2004. Bartel Associates' estimates, based on recent performance, that CalPERS will have an investment gain of 14.5 percent for FY 2010.

Pension costs for the County's Safety and Miscellaneous Plans combined are projected by Bartel Associates to increase from 13.5 percent of payroll in FY 2010 to 14.3 percent of payroll in FY 2012. The dollar cost will increase by $20 million, from the FY 2010 cost of $155 million. This required contribution is calculated under the new CalPERS' smoothing method, which was adopted to spread the impact of FY 2009 investment losses. Under the unmodified smoothing method, cost as a percentage of payroll would have increased to 17.9 percent, a dollar cost increase of $65 million, rather than the $20 million modified increase. It may be prudent to contribute more than is required due the expensive implied cost of 7.75 percent.[1] According to Bartel Associates, pension costs in FY 2016 are projected to be around 17.0 percent. The dollar cost will be determined by future investment returns and the general level of the County's payroll.

Pension Plan Review:

The topic of pension reform is being debated throughout the state. State developments will likely influence pension reform options available to the County as it stands now. The County offers the most generous pension benefit formula option available in the CalPERS menu of benefit formulas. Those pension benefits are as, or more generous than benefits being offered in most of our surrounding counties.

[1] Implied cost of 7.75 percent is CalPERS actuarial assumed rate of return.

Pension benefits are just one component of the total compensation that is offered to attract and retain employees. Base pay, insurance, vacation, leave and other intangibles are the other components.

Pension cost increases can be attributed to FY 2009 CalPERS' pension performance and other factors such as changing demographics, benefit enhancement and changes in actuarial assumptions. Medical science advances and increasing standards of living are leading to longer life expectancy. As life expectancy for current and future retirees increases, the cost of the promised pension benefits will rise beyond expected levels. Many investment professionals worry that investment returns in the aftermath of the Great Recession will offer lower investment returns. A reduction on the rate of return will cause a fundamental shift in pension funding dynamics.

Pension Reform:

In California, attempts to reduce pension benefits have focused on the creation of two-tier plans (cutting benefits for new hires). Most second-tier alternatives are often structured as Defined Benefits Pensions with lower benefit formulas, but can include a Defined Contribution component or be wholly Defined Contribution Benefits. Benefit cuts to current employees are prevented by contract law under both the U.S. and California Constitution. Pension changes must provide an equivalent or comparable benefit to current employees in order to be legally sustainable. Any changes to pension benefits must be negotiated with the unions.

The two–tier alternative has moved to the forefront with the proposed initiative by former Assemblyman Keith Richman and a renewed call for change by the Governor, as well as discussions in many jurisdictions about the need for pension reform.

According to Bartel & Associates, moving to a two-tier pension system, one that offers a lower Defined Benefit Plan formula to new employees would result in savings in the long run. For the Miscellaneous Plan, going from the current formula of three percent at 60 to two percent at 60, would generate $98 million in savings on a present value basis, assuming a four percent discount rate by 2020. For the Safety Plan, going from the current formula of three percent at 50 to two percent at 50, would generate $22 million in savings on a present value basis, assuming a four percent discount rate by 2020. Cost savings will be dependent on the new tier plan design.

In the short run there would be very little savings associated with a new Defined Benefit Plan tier of benefits, as the proportion of new employees receiving the lower benefits would be small and thus have a limited impact on cost. Budgetary cuts that limit hiring will further limit short-term benefits associated with a two-tier benefit system.

Defined Contribution Plan benefits as a second tier option would reduce the County's exposure to market volatility and increase budgetary certainty. Defined Contribution Plan benefits are less valuable to major segments of the County's work force.

Pension reform in the County is needed to confront the impact of these trends on future pension costs. The County's decision to increase benefits in 2001 and 2002 highlights the need for analysis with a long-term horizon. According to Fieldman, Rolapp & Associates in FY 2004, 32 percent of the unfunded liability was attributed to the decision to increase benefits and contribution patterns. The State pension reform debate and the complexity posed by stakeholder interests requires an independent third-party evaluation as the next step. Key factors to consider are:

1. Fiscal sustainability of current benefits.
2. Cost savings and benefit adequacy of various plan designs.
3. Impact on employee recruitment and retention for specific plan design options.
4. Thorough examination of legal issues.

Some agencies have negotiated with their bargaining units and achieved some cost sharing arrangements by providing an offsetting benefit. Further legal review is required to determine the risk associated with cost sharing options. There are three approaches to cost sharing that have been identified by CalPERS. They are the following:

1. Reduce the employer pick up contributions.
2. Make employees pay for the cost of previous benefit enhancements.
3. Collectively bargain to cap Employer Contributions.

Sharing the responsibility of increasing pension costs will create immediate cost savings and be subject to negotiations with the unions; there is, however, the potential of legal challenges even with the union agreement.

Financing Status Report:

In 2005 the County issued $400 million in pension bonds, as it was projected to save $161.8 million over the life of the bonds. By refinancing a portion of its unfunded pension liability from a funding cost of 7.75 percent (the long-term expected CalPERS' rate of return) to 4.9 percent (the interest cost of the pension bonds.)

For FY 2010, the analysis of independent actuary John Bartel estimates that the County will have a loss of $54.0 million due to the historic losses in equity and real estate markets. It is worth noting that FY 2007 analysis showed $130 million in savings. If the rate of investment return average is over 4.91 percent for the life of the bonds, the County will achieve savings over the life of the POBs. Given the recent negative returns, the breakeven rate is higher from this point forward.

Annual Prepayment:

Many pension systems, including CalPERS, offer early payment discounts in lieu of periodic payments coinciding with payroll disbursements. PARC first recommended seizing this opportunity in 2004 and continues to do so. Last year's prepayment is generated roughly at $2 million in cash-flow benefit savings to date totaling $13.4 million.

Recommendations:

1. Receive and file the FY 2009/10 PARC Report.
2. Adopt the recommendation to use money in the Liability Management Fund to reduce the County's CalPERS' liability by transferring the funds to CalPERS. The amount available for transfer is estimated to be $6.2 million for FY 2010/11. (See page 38)

3. Adopt the recommendation to pre-pay the County's FY 2010/11 pension cost. (See page 39)

4. Engage the debate on pension reform directly and through CSAC and other advocacy organizations.

5. Prior to making any changes to the pension plan, conduct a RFI to engage a third-party actuary outside legal counsel and/or other benefit consultant(s) for advice.

    a. Cost Savings and benefit adequacy of various Pension Plan design.

    b. Examination of legal constraints.

    c. Impact on employee recruitment and retention for specific plan design options.

Pension Funding Status

Funding status (the value of assets versus benefits payable) has decreased due to the deterioration in investment returns and the difference in the expected demographic assumptions versus actual demographic trends.

Funding Status:

Bartel & Associates forecast that as of June 30, 2010, the County will have an actuarial unfunded liability of $313 million for the Miscellaneous Plan and $113 million for the Safety Plan. The most recent CalPERS' report has a valuation date of June 30, 2008, thus the need to forecast. (See Appendix 1)

The projected June 30, 2010 CalPERS' funding status for the Miscellaneous and Safety Plans are 92.2 percent and 93.5 percent, respectively. On a net basis (including the outstanding POB liability of $375 million) the funding levels are 86.1 percent for the Miscellaneous Plan and 89 percent for the Safety Plan. Many experts consider a funded ratio based on actuarial asset values of 80 percent or better to be sound for government pensions[2]. The County's Pension Management Policy established 80 percent as the desired minimum funding level for the Miscellaneous and Safety plans.

According to the 2009 Wilshire Report on Retirement Systems: Funding Levels and Asset Allocation, found that 66 percent of the 117 retirement systems were underfunded. The funding ratio for all was equal to 84 percent[3]. One can expect to see lower average funding levels for FY 2009 across all plans, due to the negative equity performance.

A comparison of some surrounding counties is provided below based on information as of February 22, 2010.

County	2008 Funding Ratio[4]	2008 Unfunded Liability (millions)[4]	POB's Outstanding (millions)[5]
Riverside	95.2 %	$ 230	$ 388
San Diego	94.4 %	$ 485	$870
Los Angeles	94.5 %	$ 2,313	$ 236
San Bernardino	93.62 %	$ 432	$648
Orange	74.08 %	$2,549	$0

[2] July 2008, State and Local Government Pension Plans, United States Government Accountability Office.

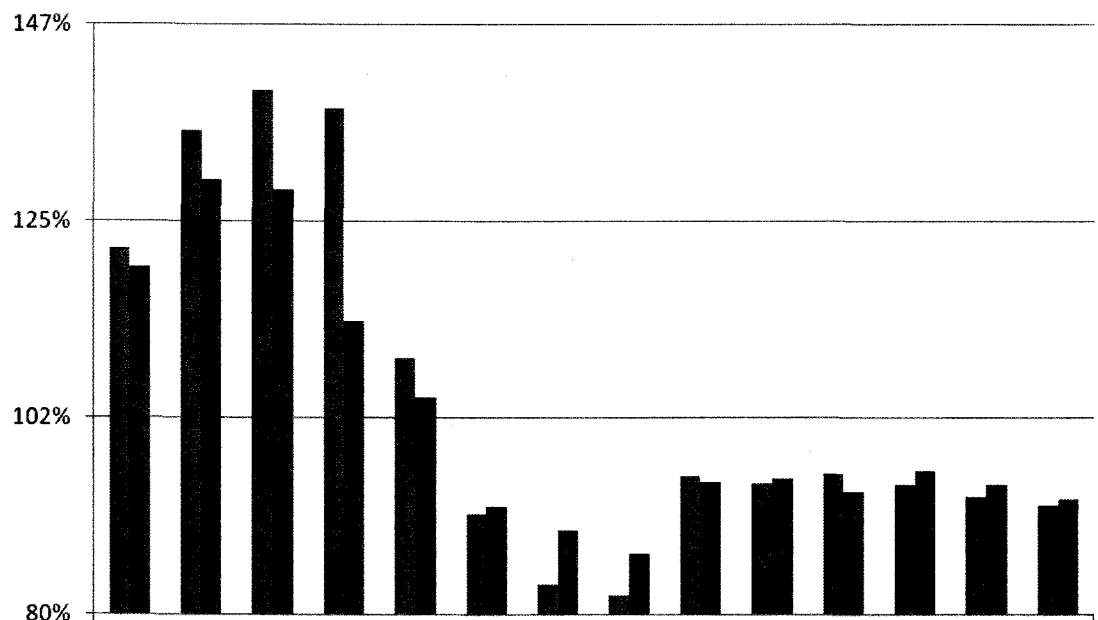
[3] 2009 Report on City & County Retirement Systems: Funding Levels and Asset Allocation.

[4] Data based on June 2009 actuarial valuation reports, except for Orange County. Orange County data based on December 2008 report.

[5] As of February 22, 2010. Source: WebBush Morgan Securities, Inc.

The following graphs show the Miscellaneous and Safety Plans' funded status over the last several years (expressed as a ratio of asset to liability.)

Riverside County Funding Status[6]



	97	98	99	00	01	02	03	04	05	06	07	08	09*	10*
■ Misc. Plan	122%	135%	139%	137%	109%	91%	83%	82%	96%	95%	96%	95%	93%	92%
■ Safety Plan	119%	129%	128%	113%	105%	92%	90%	87%	95%	95%	94%	96%	95%	93%

Basis of Unfunded Actuarial Liability:

In absolute terms, the Miscellaneous and Safety Plans' *unfunded* liability are projected to increase by $206 million and $55 million, respectively, in FY 2010 from the levels of FY 2005.

The increase of the actuarial unfunded liability in the Miscellaneous and Safety Plans was primarily caused by the cumulative negative investment returns for fiscal year 2009, which were 32.55 percentage points lower than the assumed rate of 7.75 percent.

Actuarial Value versus Market Value of Assets:

While actuarial values are used to determine the unfunded liability and funding status, market value gives a better long-term picture of funded status.

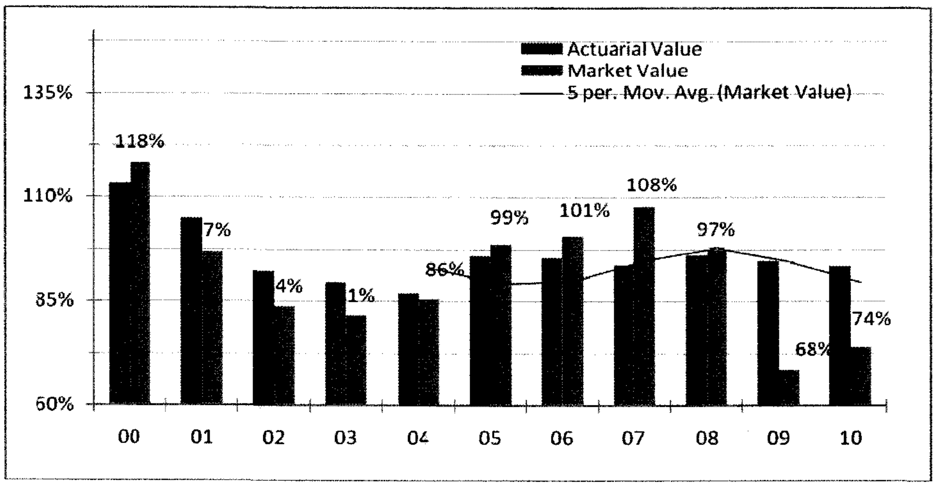
[6] Gross funding only. Accounting for bond liability reduces the net funding levels to 85 percent and 89 percent for the Miscellaneous Plan and the Safety Plan, respectively.

The market value is absent the effect of smoothing and gives an indication of where the actuarial value will be assuming constant returns.

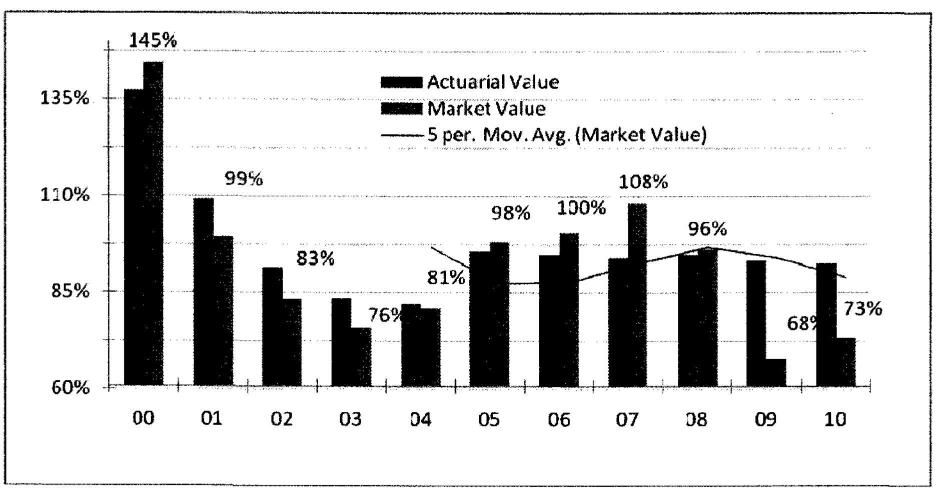
Bartel Associates forecast that as of June 30, 2010 the County will have a market value funding status for the Miscellaneous and Safety Plans of 72.5 percent and 73.1 percent, respectively. On a net basis (including the outstanding POB liability of $375 million) the funding levels are projected as 65.2 percent for the Miscellaneous Plan and 68.5 percent for the Safety Plan. This indicates that the actuarial based funding ratios for the County's pension plans will decline because of the investment returns. CalPERS' values assets on an actuarial basis in order to reduce volatility in its valuations.

In June 2009 CalPERS modified its smoothing method to lessen the impact of the market downturn in FY 2009. The following graphs show the Miscellaneous and Safety Plans' funded status on a market value and actuarial value basis over the last several years (expressed as a ratio of assets to liability):

Actuarial and market value funding status:



Safety Plan



Miscellaneous Plan

Market Summary:

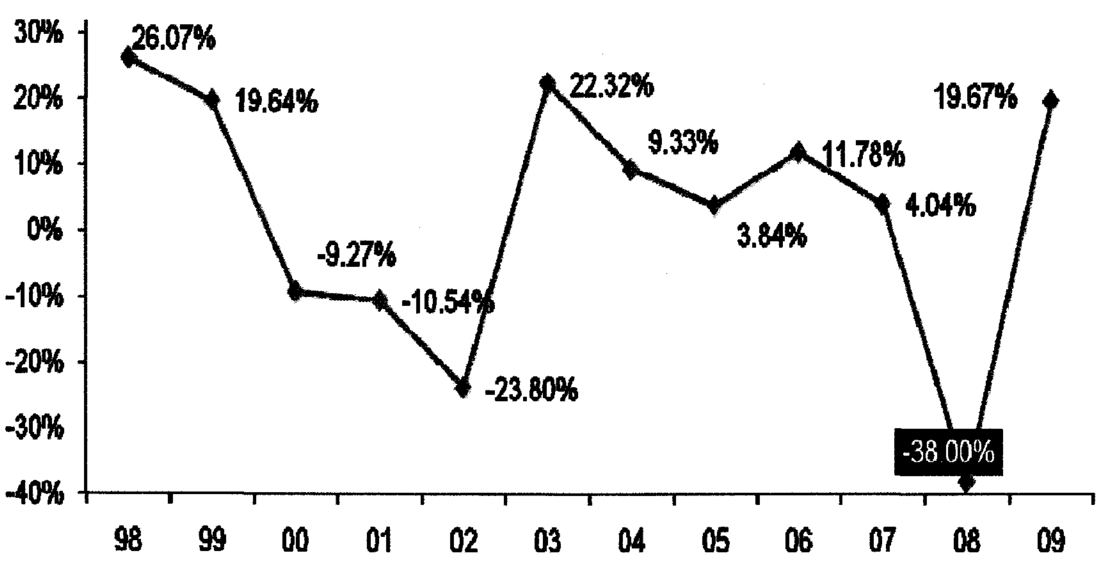
The economy had the sharpest decline in 2008 since World War II. The implosion of the housing bubble led to the demise of major financial institutions and had enormous ramifications for the credit markets, cutting off credit for banks and companies. Gross domestic product fell around 2.5 percent in 2009. One economic forecast projects GDP growth at around 2.5 percent for the first quarter. The unemployment rate in the month of December was 10 percent. The equity markets and real estate markets witnessed a massive destruction of value over the course of 2008/09. Since then market signals have turned positive:

1. The S&P 500 was up approximately 19 percent for calendar year 2009.
2. Fixed income yields changed dramatically during 2009. Three month Treasury Bill rates dropped by two basis points, while the 30-year increased by 196 basis points. The two basis point drop in rates for the three month Treasury Bill represented a change of 28.5 percent.
3. The real estate market has begun to show signs of bottoming out.

CalPERS Returns:

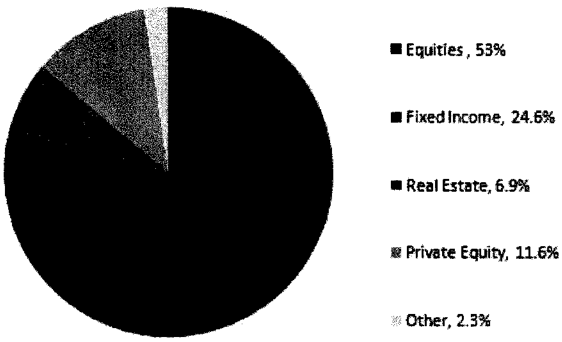
CalPERS began 2009 with $181 billion in assets. It had reached a high of $251 billion in October 2007. As of January 6, 2010 assets rebounded to $205 billion, an increase of 13 percent from the 2009 levels.

S&P 500 Annual Returns



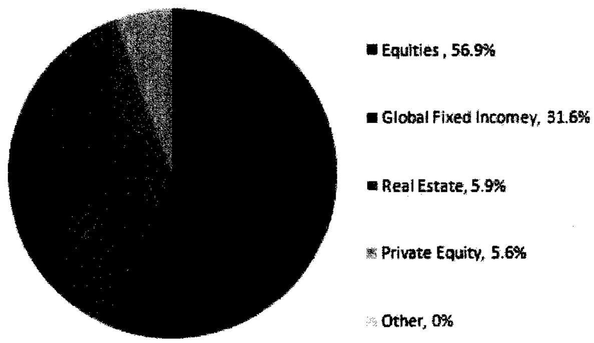
CalPERS' asset allocation and average asset allocation survey results from the "2009 Wilshire Consulting Report on State Retirement Systems: Funding and Asset Allocation."

CalPERS Asset Allocation



Source: CalPERS January 6, 2010.

Average Asset Allocation for City & County



Source: 2009 Wilshire Report on City & County Retirement System: Funding levels and Asst allocation

The primary difference between CalPERS' asset models and the survey group is that CalPERS holds less equities, less fixed income and higher private equity and other assets. It should be noted that substantial changes in valuation have taken place since the survey, so the timing could account for some of the difference.

At this point, CalPERS has indicated that no changes from its currently assumed actuarial rate of return of 7.75 percent are contemplated. Should CalPERS continue to underperform, such a change could become likely. Any reduction in the assumed rate of return would have very significant consequences for the County.

Pension Liabilities:

Currently, unfunded liabilities are amortized over a 30-year period. CalPERS uses certain assumptions as a basis for its actuarial valuation. To the extent that these assumptions are not realized, future contributions and unfunded liability may increase.

CalPERS requires that participating employers contribute an amount sufficient to cover currently accruing benefits on an annual basis. That amount is estimated and based on various actuarial assumptions including payroll trends. In the current financial environment it is likely that pension cost will deviate from CalPERS' estimates due to the likely downward change in the County's payroll levels.

Early Retirement Incentive Program:

On November 18, 2008 the Board of Supervisors authorized the County to offer two years of additional service credit to all eligible County employees in job classifications covered under the Miscellaneous contract (excluding elected officials, Parks, Flood, and Waste Special Districts). In separate actions, the Board also approved the offer to the Special Districts.

To take the incentive, eligible employees must have attained 50 years of age, had five or more years of service with the County and retire within the 90-day retirement window established by the County.

As of March 31, 2009, 651 (19 percent) of eligible employees took advantage of the offer and retired early. Human Resource analysis indicates a net cost of $2 million in the first year and then annual savings of $45 million under a number of assumptions.

The Human Resources Department projects that a second early retirement program will attract 527 (15 percent) of eligible employees. It is projected to cost $6.2 million in the first year and may generate $46 million in savings afterward, under a number of assumptions.

Given a 15 percent assumption on the number of people taking the 2010 Miscellaneous Early Retirement Incentive the employer rate will increase 0.225 percent per year starting July 2013.

The County also offered Safety employees an early retirement incentive in 2009 on two separate occasions. A total of 143 employees have taken that offer. PARC has not performed any financial analysis on the financial impact of the early retirement program.

Projected Actuarial Rate of Return:

Long-term investing is an ongoing challenge for state and local pension systems. The higher the assumed rate, the lower the contribution required today. CalPERS' assumed actuarial rate of return of 7.75 percent is more conservative than many other plans. Many other state pension plans assume an investment rate of 8 percent or higher.

CalPERS reviews the investment return assumptions periodically and changes it as warranted. According to a January 10, 2010 CalPERS news release, CalPERS' 20-year investment history is 7.75 percent and the 2009 investment return was 11.8 percent. Indications are thus for that fiscal year 2010 will be a year of strong investment returns.

Pension Plan Benefit

Public employee retirement systems cover over 14 million state and local government employees with retirement and disability benefits held over $3 trillion in assets and paid out over $150 billion in benefits. The first incarnation of U.S. public pension schemes were intended primarily for the army personnel in the mid-19th century.[7] They were originally intended as forms of social welfare programs.[8] Today they have evolved into an integral incentive to attract and retain workers for the government.

The vast majority of public pension funds are run as defined benefit systems where the employer and sometimes public employees make regular contributions to the funds, which are invested and from which benefits are paid to current retirees.

Retirement including benefits are calculated by a schedule of factors, years of service, final compensation, retirement and age generally updated for cost-of-living adjustment.

CalPERS:

The California Public Employees' Retirement System manages retirement benefits for more than 1.6 million California public employees, retirees, and their families. As of June 30, 2009, they provided pension benefits to 1,134,397 active and inactive members and 492,513 retirees, beneficiaries, and survivors.

CalPERS was established by State law in 1932 to provide retirement benefits for State employees. In 1939, public agency and classified school employees were allowed to participate. In 1962, State law authorized CalPERS to provide health benefits to state employees. The health benefits program was expanded in 1967 to include public agency and school employees.

The County contracts with CalPERS to provide defined benefits. Benefits are provided through the Miscellaneous Plan with a three percent at 60 benefit formula and the Safety Plan with a three percent at 50 benefit formula. Prior to July 11, 2002 and June 28, 2001, benefit formulas were two percent at 55 for the Miscellaneous Plan and two percent at 50 for the Safety Plan. A window of either 12 consecutive months or 36 consecutive months is used to set the "Final Compensation." The County calculates Final Compensation using the more generous window of 12 months.

[7] Veterans Benefits and the General Social Welfare Befefits: A Study in Program relationships.(Cambridge, MA: Harvard University), March 1962

[8] Robert L. Clark, Lee A. Craig, Neveen Ahmed, "The Evolution of public Sector Pension Plans in the United States"

CalPERS offers the following benefit formulas[9]:

Miscellaneous Plan	Safety Plan
2.0% @ 55	2.0% @ 50
2.0% @ 60	2.0% @ 55
2.5% @ 55	2.5% @ 55
2.7% @ 55	3.0% @ 50
3.0% @ 60	3.0% @ 55

Retirement plans are normally designed so that a prospective retiree considers all sources of retirement, in an effort to maintain their pre-retirement standard of living into retirement. Replacement ratios measure the portion of pre-retirement income that post retirement benefits replace. They are calculated by dividing gross income after retirement by gross income before retirement. Income after retirement comes from Social Security, individual savings and/or agency provided benefit.

Miscellaneous Plan Benefits:

Miscellaneous employees who retire at the age of 60 receive three percent of their Final Compensation for each year worked. Employees that retire before the age of 60 receive an adjusted benefit for the employee's age at retirement. The earliest an employee can retire is at the age of 50 (if they have at least five years of service) and receive two percent of their final compensation per year of service.

There are 16,322 active plan participants and 5,268 retirees receiving (on average) $17,631 annually in retirement benefits. There are an additional 1,283 participants who are currently receiving disability and/or survivor benefits.[10]

On average, Miscellaneous Pension Plan participants earn a salary of $51,563. An employee earning the average salary who retires at the age of 60 and who has worked at the County for 30 years can expect to receive an annual pension benefit of $46,400, or a replacement ratio of 90 percent. Most Miscellaneous pension members are eligible for Social Security.

Most employees who participate in the Miscellaneous Pension Plan contribute eight percent of their salary for the first five years. After five years, the County makes all contributions. The County makes the eight percent contribution from the date of CalPERS' eligibility for employees covered by the Management Resolution.

Safety Plan Benefits:

Safety employees who retire at the age of 50 receive three percent of their Final Compensation for each year worked. The earliest an employee can retire is at the age of 50 (if they have at least five years of service) and receive three percent of their Final Compensation per year of service. Safety benefits are not to exceed 90 percent of final compensation.

[9] CalPERS also offers the Miscellaneous pension plan formula of 1.5% @ 65.

[10] Based on The 2008 CalPERS Valuation

There are 3,467 active plan participants and 985 retirees receiving (on average) a retirement benefit of $34,389. There are an additional 632 participants who are currently receiving disability or survivor benefits.

On average, Safety Pension Plan participants earn a salary of $69,439. An employee earning the average salary who retires at age 55 and who has worked at the County for 30 years can expect to receive an annual pension benefit of $62,500; a replacement ratio of 90 percent. Most Safety members are not eligible for Social Security.

The County makes the nine percent employee contribution required from the RSA Law Enforcement, LEMU, and Riverside Sheriffs' Association Public Safety. Riverside Sheriffs' Association (RSA) Law Enforcement employees contribute nine percent of their salary to the Safety Pension Plan for the first three years of employment with the County; RSA Public Safety employees contribute nine percent of their salary to the Safety Pension Plan for the first five years of employment with the County. The County makes the nine percent employee contribution from the date of CalPERS eligibility for Law Enforcement Management Unit (LEMU) and other management (MLX) employees.

Replacement Ratio Study:

The 2008 Aon Consulting Replacement Ratio Study analyzed the replacement ratio employees need to maintain their pre-retirement standard of living after retirement. It found that, generally, a person needs less gross income after retiring, primarily due to four factors:

1. Income taxes decrease after retirement due to extra deductions that are available for those age 65, and taxable income usually decreases at retirement.
2. Social Security (FICA deductions from wages) and Medicare taxes end completely at retirement.
3. Social Security benefits are partially or fully tax-free. This reduces taxable income and, therefore, the amount of income needed to pay taxes.
4. Saving for retirement is no longer needed.

The study baseline case assumes a family situation in which there is one wage earner who retires at age 65 with a spouse at who retires at age 62. The family unit is eligible for family Social Security benefits, which are 1.375 times the wage earners' benefits. The findings are shown below. (See Appendix 3)

Pre-Retirement Income	Replacement Ratios		
$000	Social Security (%)	Private and Employer Sources (%)	Total (%) of pre-retirement income need
20	69	25	94
30	59	31	90
40	54	31	85
50	51	30	81
60	46	32	78
70	42	35	77
80	39	38	77
90	36	42	78

Aon 2008 Replacement Ratio findings

For example, a person earning $50,000 in pre-retirement income needs $40,500 in post retirement income from all sources (savings, Social Security, if applicable, and pension benefits) in order to maintain their standard of living after retirement.

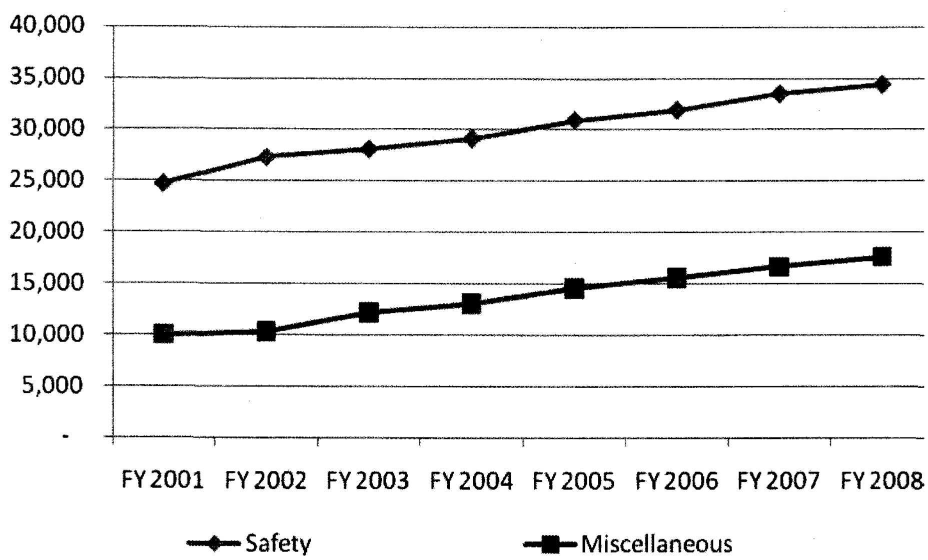
Typically public sector employers have provided career employees a level of retirement benefits sufficient for them to retire with enough income from all sources to maintain their pre-retirement standard of living (Replacement Income.)

Replacement Income is usually framed in the context of a "three-legged stool." The three-legged stool reflects all sources of retirement income: Employer-provided benefits, Social Security and personal savings. At the County Social Security benefits are provided for non-Safety employees.

The County Miscellaneous Plan is designed to provide a 30-year career employee with 90 percent of pre-retirement income at age 60 (employees eligible for Employer Paid Member Contributions, or EPMC, which counts as compensation earnable for CalPERS' purposes retire with 97.2 percent of pre-retirement income). Social Security will add to this benefit when the retiree becomes eligible. The County Safety Plan is designed to provide a 30-year career employee with a maximum of 90 percent of his or her pre-retirement income at age 50. However, in the last year of employment nine percent Employer Paid Member Contribution is counted as compensation and thus increases benefits to 98.1 percent of pre-retirement income. Safety employees are not eligible for Social Security benefits.

A CalPERS' Replacement Ratio study conducted in 2001 found that the three percent @ 60 Miscellaneous formula with Social Security, and the three percent @ 50 Safety formula without Social Security exceeded the target Replacement Ratios at all income levels. The County's CalPERS' benefits are higher than the benefit at most other surrounding counties.

The following graph shows the history of average pension benefits paid out to retirees by both the Miscellaneous and Safety Plan. It should be noted, however, that the average retiree is not a career employee.



Average Annuity Miscellaneous & Safety

Other Benefits:

The County sponsors supplemental pension plans that provide additional benefits to certain employees. In the case of SEIU and LIUNA represented employees, the County participates in funding the pension plans as a contributing employer to union sponsored plans. Below we have listed supplemental plans and briefly summarized:

1. SEIU and LIUNA sponsored plans: The County contributes $0.10 per hour worked for represented employees. The plans are Defined Benefit Plans and provide a dollar amount benefit to employees for each year of service earned ($4.02 per year for SEIU and $2.20 per year for LIUNA.)

2. Supplemental Pension Plan: The County contributes for eligible employees (Unrepresented, Management and Confidential, LEMU, DDAA), normally $25. The plan is a Defined Contribution Plan.

3. Deferred Compensation Plan: The Deferred Compensation Plan is a Defined Contribution IRS 457 Plan in which employees can make voluntary tax deferred contributions up to the IRS permitted annual limits.

Recruitment and Retention

The base pay which employees receive is only a portion of their total compensation. Many employees identify benefits such as insurance, retirement, vacation, leave and other intangibles as top reasons why they are attracted to stay with the County.

Studies show that the promise of a secure and stable pension benefit can be a powerful recruitment and retention tool for organizations. Watson Wyatt, a recognized benefits consulting firm conducted a Retirement Attitude Survey to learn about how employees feel about their Defined Contribution Retirement Plans and how these benefits affect employees' workforce decisions. The survey focuses on private sector employers and the results were published in a report titled "Watson Wyatt Trends in Pensions-2005."

The survey found that most employees highly value their pension plans, both Defined Contribution Plans and Defined Benefit Plans. Employees who value their pension benefit, were three times more likely to stay with the current employer than those that did not value pension benefits. The survey also found that while retirement benefits are more important to workers over the age of 45, these workers are more likely to remain with their employer regardless of their feelings toward retirement benefits. Commitment to stay with their employer is higher still for those who are satisfied with their retirement benefits and consider them valuable. Watson Wyatt reports that while turnover is typically higher among younger employees, employees younger than 35 who value their plans more highly and are satisfied with them are more likely to remain with their current employer than other young employees. Moreover, "younger workers who rate their Defined Benefit Plan as highly important are nearly twice as committed to their organization as comparable employees with a Defined Contribution Plan."

The County attracted and retains a work force of over 18,000 employees which deliver services to a population of 2 million residents. Workers on average had 7.8 years of service, with an average age of 41.8 years and were drawn mainly from the County and surrounding counties.

Most public sector employers provide traditional Defined Benefit Plans. Private sector employers have shifted away from Defined Benefit Plans to less Defined Contribution Plans. Today less than 40 percent of all major employers continue to offer Defined Benefit Plans.

The shift from Defined Benefit Plans are primarily due to three reasons:

1. Increased workforce mobility. Defined Contribution Plans are better suited for a mobile workforce. Defined Benefit Plans suit career employees; today employees typically change employers five times in a career.

2. Pressure to limit cost and risk. Defined Contribution Plans limit the employer's risk; employers bear the risk with Defined Benefit Plans. Traditional Defined Benefit Plans cost employers more.

3. Increased regulation. Regulations have made the administration of Defined Benefit Plans complex and expensive relative to Defined Contribution Plans.

The table below illustrates key considerations and compares Defined Benefit Plan to Defined Contribution Plans.

Defined Benefit Plan versus Defined Contribution Plan

Strategic Considerations	Defined Benefit Plans	Defined Contribution Plans
Employee Retention	Attracts longer tenured/older employees	Attracts shorter tenured/younger employees
Financial Liabilities	Placed on employer	Placed on the participant
Responsibility placed on Employee	Very little	Significant – voluntary contributions, necessary investment decisions
Responsibility placed on Employer	Significant – investment decisions, financial liability	Less significant
Employer Fiduciary Responsibility	Significant	Significant
Investment Results	Average returns are higher/narrower distribution of returns	Average returns are lower/broader distribution of returns
Economic Savings	Significantly increases savings rate and the available pool of national savings	Less significantly increases savings rate and the available pool of national savings
Personal Retirement Savings	Maximizes savings for retirement	Allows withdrawals and loans before retirement, depleting retirement savings
Fees	Lower overall fees	Higher overall fees
Administrative Complexity	Generally high	Generally high
Portability	Not typical	Yes

County Comparison:

Comparing retirement benefits across public sector employers can be difficult because plan provisions are complicated. Many public sector employers do not participate in Social Security, and the retirement benefit is the sole source of income at retirement, other than personal savings. At the County Miscellaneous employees participate in Social Security, but Safety members do not. Riverside County also contracts with CalPERS to provide ancillary benefits such as Survivor Continuance, up to two percent Annual Cost-of-Living Adjustments, Reciprocity, and a Purchasing Power Protection Allowance that other agencies may not offer (Appendix B provides a description of these benefits.)

Pension benefits provided by the County for non-Safety employees are on average more generous than that provided by the surrounding counties (See tables in the following pages.)

When we compare the County's retirement benefits to those of the five nearby Counties (Los Angeles, Orange, San Diego, Ventura and San Bernardino), only San Diego has a non-Safety three percent @ 60 formula. However, San Diego County implemented a lower Defined Benefit Plan tier for its Safety and non-Safety new employees effective August 28, 2009. New non-Safety employees will receive 2.6 percent @ 62, and new Safety employees will receive a three percent @ 55 benefit (from 3 percent @ 50). Orange County is also implementing pension reform. The Orange County Board of Supervisors has approved a two-tiered hybrid pension plan for its new employees.

All new employees will have the option to choose the current pension benefit of 2.7 percent @ 55 (and pay for it) or the hybrid pension plan which includes a reduced defined benefit of 1.62 percent @ 65 and a Defined Contribution Plan with a matching contribution.

Below we summarize the Non-Safety and Safety benefit formulas and ancillary benefits for the County of Riverside and five nearby counties (prior to reform at Orange County.)

Non Safety Comparison

County	Formula Non-Safety	Compensation	EPMC Converted to Comp	Member Contribution	Social Security	Survivor Continuance	COLA
Riverside	3% @ 60	Single Highest Year	Yes – based on MOU	EE Rate = 8% Paid by ER after five years, except Unrepresented immediate pickup	Yes	25% of the unmodified allowance is paid in addition to the basic beneficiary allowance. The beneficiary allowance is dependant on the benefit payout option and age.	**2% Max**
Los Angeles	Plan D: 2% @ 61 Plan E: 2% @ 65 With 10 years of service	Plan D: Average Highest 12 consecutive months Plan E: Average Highest 3 years of service	No	Plan D: 7% Plan E: 0% (Paid by ER)	No	Plan D: 65% of Unmodified amount Plan E: 55% of unmodified amount	**2% Max**
Orange	Plan A 1.77% @ 55 Plan B 1.49% @ 55 Plan G 2.5% @ 55 Plan H 2.5% @ 55 Plan I 2.7% @ 55 Plan J 2.7% @ 55 Plan M 2.0% @ 55 Plan N 2.0% @ 55 With 10 years of service	Plans A, G, I and M = Highest consecutive 12 months Plans B, H, J and N = Highest consecutive 36 months	No	Member rate varies based on plan. Employer pays almost 100% but is not credited to EE account. Average =12.12%	No	60% of the Unmodified option	**3% Max**
San Bernardino	2% @ 55 With 10 years of service	Single Highest Year	No	Average = 9.20% ER pays 2.5% to 7% varies by job class.	No	60% of the Unmodified option	**2% Max**
San Diego	Tier A: 3% @ 60 Tier B: 2.6@ 62 with 10 years of service (effective 8/28/2009)	Single Highest Year	No	Average = 9.18% ER pays based on years of service (5 or less = 3.5% then 7%)	Yes	60% of the Unmodified option	**3% Max**
Ventura	Tier I: 1.24% @ 50 Tier II: 1.18% @ 50 With 10 years of service	Tier 1: Highest 12 months. Tier II: Highest 36 months.	No	Tier I: 8.39% Tier II: 5.48% ER pays portion	Yes	60% on Unmodified option	**Tier I: 3% Max.** **Tier II: 2% Max**

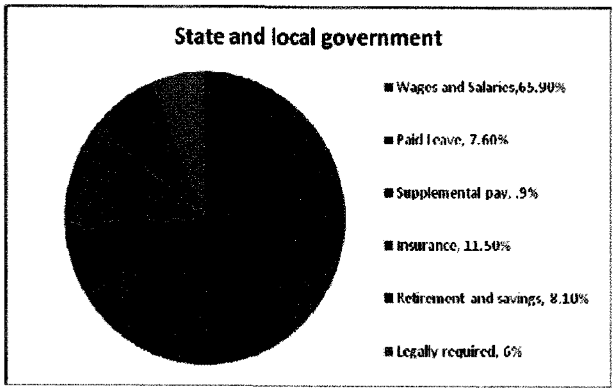
Safety

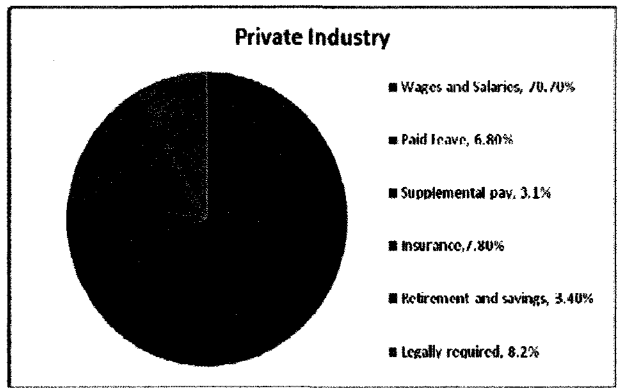
County	Formula Safety	Compensation	EPMC Converted to Comp	Member Contribution	Survivor Continuance	COLA
Riverside	3% @ 50	Single Highest Year	Yes	Rate = 9% ER pays based on MOU RSA =3 years, PSU =5, LEMU and MLX = DOH	50% on the unmodified allowance	**2% Max**
Los Angeles	2% @ 50 With 10 years of service.	Highest Consecutive 12 months	No	Plan A: Based on entry age ranges from 7.44% to 11.67% Plan B: Ranges from 6.42% to 12.23% No ER payment	65% on unmodified option	**Plan A is 3% Max** **Plan B is 2.0% Max**
Orange	3% @ 50 With 10 years of service.	Plan E: Highest consecutive 12 months Plan F: Highest consecutive 36 months	No	Range from 7.84% to 17.93% based on Entry Age. ER pays almost 100% % but is not credited to EE account.	60% on unmodified option	**3% Max**
San Bernardino	3% @ 50 With 10 years of service.	Single Highest Year	No	Rate varies by age ranging from 9.95% to 15.65% ER pays based on job classification	60% on unmodified option	**2% Max**
San Diego	Tier A: 3% @ 50 Tier B: 3% @ 55 with 10 years of service (effective 8/28/2009)	Single Highest Year	No	Rate = 10.76% ER pays 9.5%	60% on Unmodified option	**3% Max**
Ventura	2% @ 50 With 10 years of service	Single Highest Year.	No	Rate = 11.5% ER pays 11.5%	60% on Unmodified option	**3% Max**

Private Sector Comparison:

For many years, conventional wisdom has held that public sector wages were lower than private sector wages, and thus more generous retirement benefits were needed in order to attract and retain skilled workers in the public sector. Recent data from the U.S. Bureau of Labor Statistics suggest that total compensation averages in the public sector are more generous than private sector compensation averages.

Below is a breakdown of total compensation for both the private and public sector derived from the U.S. Bureau of Labor Statistics.





According to Greg Philipatis, the Assistant Regional Commissioner of the Chicago U.S. Bureau of Labor Statistics, numerous caveats should be considered before drawing any conclusions from the data.

- The employer survey is voluntary, with 15 percent to 20 percent of the private sector employers refusing to participate and only four percent to five percent of the public sector employees refusing to participate.
- More than 40 percent of public sector workers are represented by a union, while fewer than 10 percent of private sector workers are. When the data are controlled for union participation, the difference in the average compensation levels in the public and private sectors narrows. Union workers are typically better compensated than non-union workers.
- Average employee tenure is twice as long in the public sector.
- The occupational mix of each sector is different: Roughly two-thirds of public sector jobs are professional and administrative, while 51 of private sector jobs are retail sales and food service jobs. Relatively low-paid and often part-time positions represent 20 percent of private sector jobs, but only two percent of public sector jobs.

According to the Employee Benefit Research Institute (EBRI), public sector employees on average earn more per hour than private sector employees; see summary which (excludes bonuses and stock options.)

Below is a snapshot of the salary/wages survey results:

	Public Sector	% of Total	Private Sector	% of Total
Total Compensation	$39.50	100%	$26.09	**100%**
Wages and Salaries	$26.26	66.5%	$18.42	**70.6%**
Retirement benefits	$3.04	7.7%	$0.91	**3.6%**
Health benefits	$4.35	11.0%	$1.85	**7.1%**
Other	**$5.85**	**14.80%**	**$4.81**	**18.71%**

Keith A. Bender, Associate Professor of Economics, University of Wisconsin-Milwaukee, finds that in low-skilled jobs, public sector wages exceed private sector wages, but in high-skilled jobs, public sector wages significantly lag private sector wages. State and local governments employ 14 percent of American workers outside of agriculture.

Pension Cost

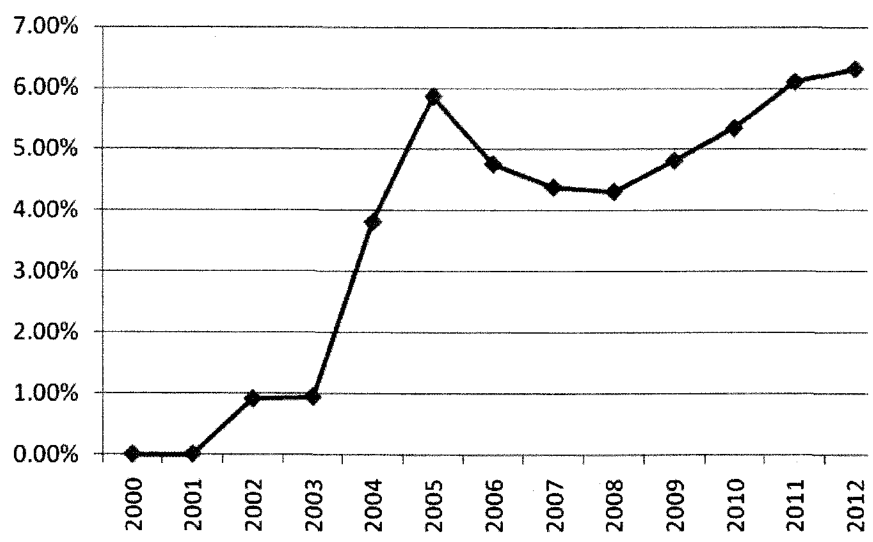
Government is service-oriented and labor intensive, making benefit costs a major expense. Pension benefit costs in the County for FY 2008 accounted for 4.31 percent of total expenditures. While pension costs are going up, the County, like most other municipalities, is experiencing a severe drop in tax revenues.

At the national level the recession appears to have ended during the summer. For state and local governments the end of the downturn does not alleviate its financial problems.

State and local sales tax revenues tend to lag behind the downturns as well as the upturns in the economy because of the time it takes for collections to catch up with depressed store sales and diminished incomes. Counties rely heavily on property tax revenue to support many general government services. Revenues for FY 2010 are being impacted by the 10 percent drop in the County's assessed valuation and declining sales taxes. The County Assessor's early projection is for a further 4.5 to 5 percent erosion of assessed values in the new year.

The graph below shows the cost of providing pension benefits as a percentage of total general government expenditure as reported in the CAFR. General government expenditure for FY 2010 through FY 2012 is projected to remain fixed at the FY 2009 level. It is possible that total County expenditures will fall given current economic conditions.

Riverside County Pension ARC as a Percentage of Total Government Expenditures



Source: CAFR

Lucy Dadayan, an Analyst at the Rockefeller Institute of Government at the State University of New York, expects continued weakness well into 2010, if not further.

Defined Benefit Pension Plans receive revenue from two principal sources: contributions and investment income earned on those contributions. Future pension costs are thus subject to contribution and market volatility. The favorable market performance of the late 1990's contributed to the decision to increase pension benefits in 2001 and 2002.

The cost of providing pension benefits consists of the following obligations: 1) pledges to currently retired employees; 2) benefits vested to terminated employees; 3) benefits vested to active employees; 4) benefits payable to non-vested active employees who may vest in the future; and, 5) benefits that will be earned by current workers resulting from future salary increases.

Pension Cost Outlook:

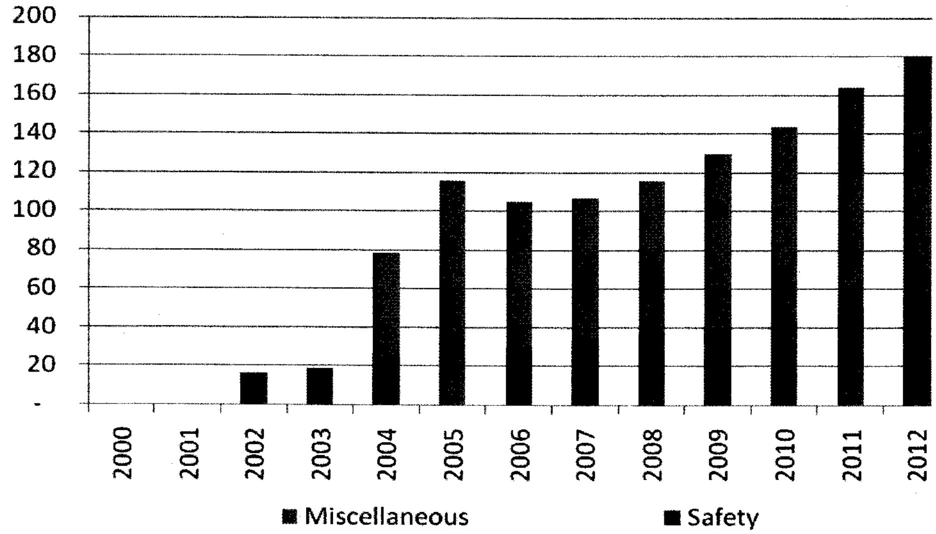
The Annual Required Contribution (ARC) is the annual cost of providing benefits and is usually reported as a percentage of covered payroll. It is calculated by the system's actuary and includes the cost allocated to the current fiscal year plus an amount to amortize unfunded actuarial accrued liabilities. Not paying the fully required amount over a period of time creates an unfunded liability that will have to be repaid with correspondingly higher payments at some future point. The cost for FY 2012 will be impacted by the 24.8 percent investment loss of 2009, due to a two-year delay between investment results and the incorporation of those results into the ARC rate. The impact of the investment loss on the ARC rate for FY 2012 would have been more severe had CalPERS not changed its smoothing methodology.

- **FY 2011:** The Miscellaneous and Safety Plans' ARC rate will rise to 12.2 percent and 19.3 percent, respectively. The projected contribution amounts are $113 million for the Miscellaneous Plan and $51.1 million for the Safety Plan.

- **FY 2012:** The Miscellaneous and Safety Plans' ARC rate will rise to 12.6 percent and 20.1 percent, respectively. The projected contribution amounts are $120.5 million for the Miscellaneous Plan and $55.0 million for the Safety Plan.

- Under the unmodified smoothing method the Miscellaneous and Safety Plans' ARC rate would have risen to 15.8 percent and 25.2 percent, respectively. The projected contribution amounts would have been $151.1 million for the Miscellaneous Plan and $68.9 million for the Safety Plan.

Below is a 10-year history of ARC payments as reported in the CAFR; and the expected FY 2011 and FY 2012 ARC payments. (Pension Obligation Bond [POB] debt service not included.)



Over the longer run, ARC rates as a percentage of payroll are projected to increase. The magnitude of the increase will depend on CalPERS' investment performance benefit changes, and changes in actuarial assumptions. If CalPERS were to continue to underperform for a sustained period, the impact upon rates would be negative, but that impact would be delayed by CalPERS' rate smoothing. The size of the County's PERSable payroll will determine the dollar cost impact. A smaller payroll will cap the dollar cost increase associated with higher ARC rates. It is important to note that the new smoothing method spreads the investment loss over a longer period of time, and thus it is financed over a longer period at CalPERS' assumed rate of return of 7.75 percent. The following information does not include the cost associated with POB and the early retirement program.

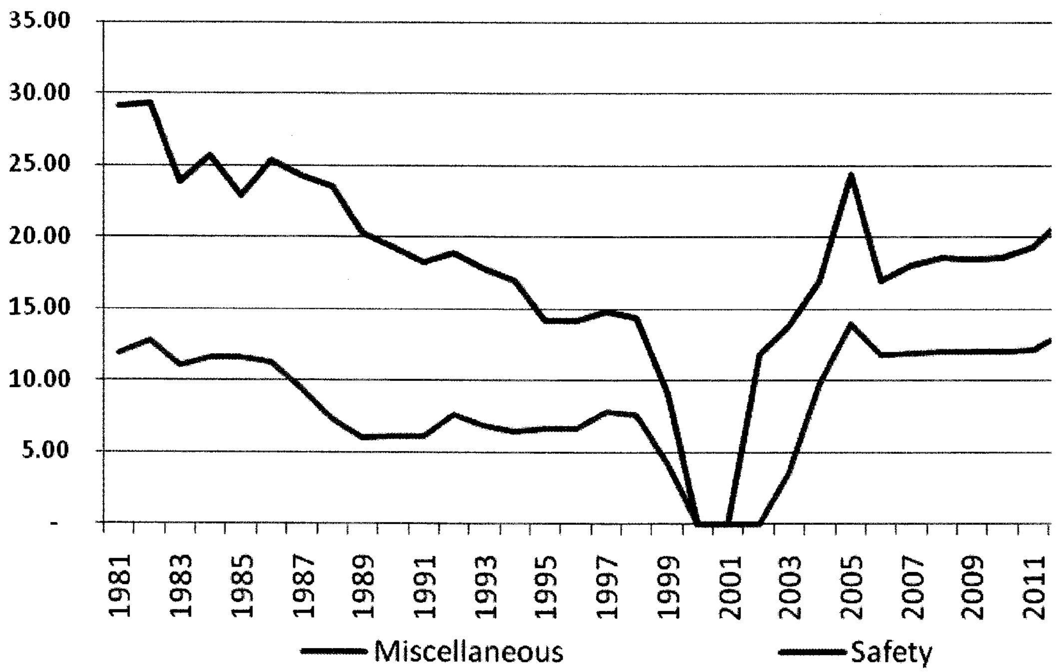
- **Investment Rate of Return scenario of 7.75 percent.** If an average rate of return of 7.75 percent is achieved, the ARC rates as a percentage of total payroll for the Miscellaneous and the Safety Plans are projected to increase to 15.0 percent and 24.0 percent, respectively by FY 2016.

- **Investment Rate of Return scenario of 4.3 percent.** If an average rate of return of between 0.4 percent and 3.6 percent is achieved, the ARC rates as a percentage of total payroll for the Miscellaneous and the Safety Plans are projected to increase to 19.1 and 30.4 percent, respectively by FY 2016, if an average rate of return of between 0.4 percent and 3.6 percent is achieved.

Below is a 28-year history and two-year projection of ARC payments expressed as a percentage of payroll.

The committee will monitor CalPERS' investment performance and the County's funding needs annually and might recommend making higher payments than CalPERS requires to mitigate the impact of sustained under performance in such a case. Riverside County's annual pension cost includes employer contributions and POB debt service. There will be $375 million in POB's outstanding as of June 30, 2010.

Riverside County Pension ARC Payments as a Percentage of Payroll



Pension Reform Landscape

Most public sector employers in California are faced with a difficult choice. Rising pension costs at a time of unprecedented budget constraints are forcing policy makers to re-evaluate pension offerings.

The stock market performance of the 1990's, contributed to the belief that more generous retirement benefits could be provided at little or no additional cost.

The adoption of Senate Bill 400 (SB 400) in 1999 led to the implementation of more generous retirement benefits for state employees.[11] In response, local agencies began to improve their retirement benefits to keep up with their neighbors. The County increased benefits for both the Safety and Miscellaneous Plans.

In California, attempts to reduce pension benefits have focused on the creation of two-tier plans (cutting benefits for new hires.) Benefit cuts to current employees are prevented by contract law under both the U.S. and the State's Constitutions. Pensions bargained under labor contracts are said to be protected by court decisions, which allow cuts only if something of equal value is provided.

Last June, Governor Schwarzenegger and, more recently, CalPERS' actuary Ron Seeling, have called current benefits "unsustainable." Some believe investment returns will be lower in the post-recession economy and others see higher pension costs in the future as a result of life science and improved standards of living, which are leading to longer life expectancy.

Four years ago, Governor Arnold Schwarzenegger briefly backed an initiative proposed by former Assemblyman Keith Richman, R-Northridge, that would have changed all new state and local government hires to a 401(k) style plan.

Many have proposed that pensions for new hires be rolled back to the formulas used before CalPERS' sponsored legislation SB 400.

A League of Cities task force proposed rolling back benefits for new hires. It recommends that "pensions should be fiscally sustainable and politically defensible."[12]

In July 2009 the Orange County Board of Supervisors approved a change to their pension plans. The change was also agreed to by the Orange County Employees Association. Under the new plan, new employees starting April 23, 2010 will receive a combination of 1.65 percent @ 65 defined with an additional two percent match to a defined contribution plan. Orange County also recently negotiated a two-tier plan with its deputy sheriffs.

The city and County of San Diego have both adopted "two-tier" pension systems, giving new hires lower benefits. But it's a *long-term* plan not expected to produce significant savings for several decades.

Members first hired on or after August 28, 2009 are classified as Tier B. The benefit formula per year of service credit is approximately 2.6 percent @ 62 for the General, Tier B members, and three percent @ 55 for Safety, Tier B members.[13]

[11] Ed Mendel, "From CalPensions: CalPERS actuary says pension costs are not sustainable" August 12, 2009
[12] Pension Reform in California, League of Cities, March 1, 2005
[13] San Diego County Employees Retirement Association, Retirement Plan Summary.

The Foundation for Fiscal Responsibility attempted to put a pension reform initiative on the November 2010 ballot that would mandate a much less generous second tier system across the State (as of yet, Governor Arnold Schwarzenegger has not endorsed the effort).

The plan proposes the following two-tier formulas: for peace officers or firefighters—2.3 percent @ 58; for other public safety employees—1.8 percent @ 60; for any other public agency employees that do not require Social Security contributions—1.65 percent at defined United States Social Security Old Age and Survivors Insurance Program (65-67), for any other public agency employee that does require Social Security contributions—1.25 percent at defined United States Social Security Old Age and Survivors Insurance Program (65-67).

Alternative Options

Benefits are provided through the Miscellaneous Plan with a three percent at 60 benefit formula and the Safety plan with a three percent at 50 benefit formula. The formula is applied to the highest consecutive 12-month compensation. CalPERS offers several other formulas and ancillary benefits established under the Public Employees' Retirement Law (PERL). Any changes to the benefit formula would only apply to new employees.

Pension reform has been framed as a spectrum of choices from which policy makers can determine courses of action. The menu below presents a range of options with increasing levels of change.

I. Cost Sharing:

Negotiate with unions for shared responsibility with employees for cost increases and/or increased pension contributions by County in lieu of employee pay raises.

All benefit changes including cost-sharing arrangements can be negotiated with unions. There are three approaches to cost-sharing that have been identified:

1. The County has obtained legal opinion that the PERL does allow for the reduction or elimination of the Employer Paid Member Contribution (EPMC) under section 20691 available to certain Miscellaneous employees without breaching employees' Vested Rights.

2. The PERL allows the County to share with employees the cost of prior benefit enhancements from the inception of the contract to date.

3. Independent of the above two items, the County may negotiate with unions for employees to pay a portion of the Employer Contribution. If this approach is taken, CalPERS will not be able to credit employees with the portion of the Employer Contribution they have paid, and most likely the contributions will be paid on an after-tax basis. Further legal review is required to determine the feasibility of this option. The County should anticipate that there may be legal challenges to cost sharing, in particular option 3. Bartel Associates estimates that reducing the employer-paid employee contributions by two percentage points may save the County $14.5 million for the Miscellaneous Plan and $6.6 million for the Safety Plan in fiscal year 2011. That translates to a reduction of approximately 1.6 percent of payroll for the miscellaneous and 2.5 percent of payroll for the Safety Plan for fiscal year 2010/11.

According to the State's Legislative Analyst Office (LAO) in regards to the Governor's proposal to shift the employer paid benefit to an employee-required contribution:

"There are serious concerns about the legal viability of the Governor's proposed five percent shift in pension contributions from the State employee, particularly if the shift is accomplished through the legislative process, instead of through collective bargaining. Courts have repeatedly negated attempts to create substantial savings from altering pension payments for current employees without offering comparable offsetting benefits in exchange."

II. CalPERS Two-Tier Plan:

Select a lower tier and for new employees from the menu of CalPERS Defined Benefit Plans.

Pensions bargained under labor contracts are said to be protected by court decisions, which allow cuts only if something of equal value is provided. Under a two-tier system all current employees continue to accrue benefits at the same level. New employees accrue benefits at a lower rate.

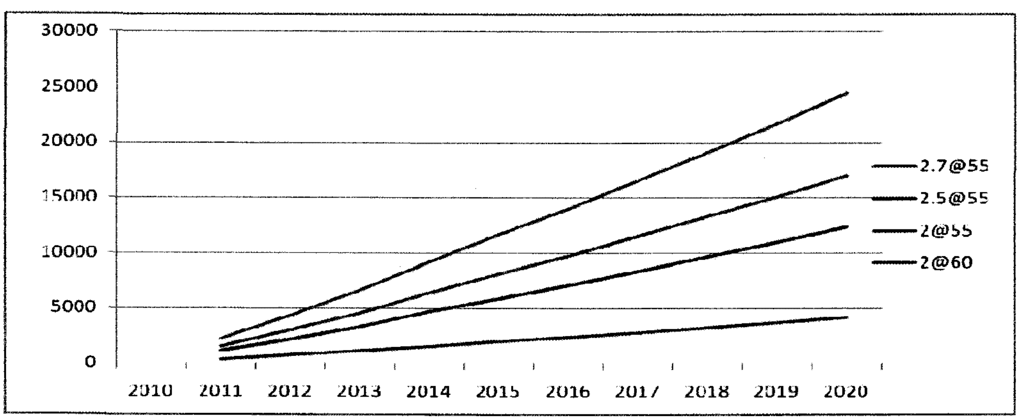
According to Bartel & Associates, moving to a two-tier Defined Benefit Pension system that offered lower benefits to new employees would result in savings in the long run. In the short run there would be very little savings associated with a new defined benefit tier as the proportion of new employees receiving the lower benefits would be proportionally small and thus have a limited impact on cost. Budgetary cuts will further limit short term benefits associated with a two-tier benefit system.

CalPERS offers the following benefit alternatives[14]:

Miscellaneous Plan	Safety Plan
2.0% @ 55	2.0% @ 50
2.0% @ 60	2.0% @ 55
2.5% @ 55	2.5% @ 55
2.7% @ 55	3.0% @ 50
3.0% @ 60	3.0% @ 55

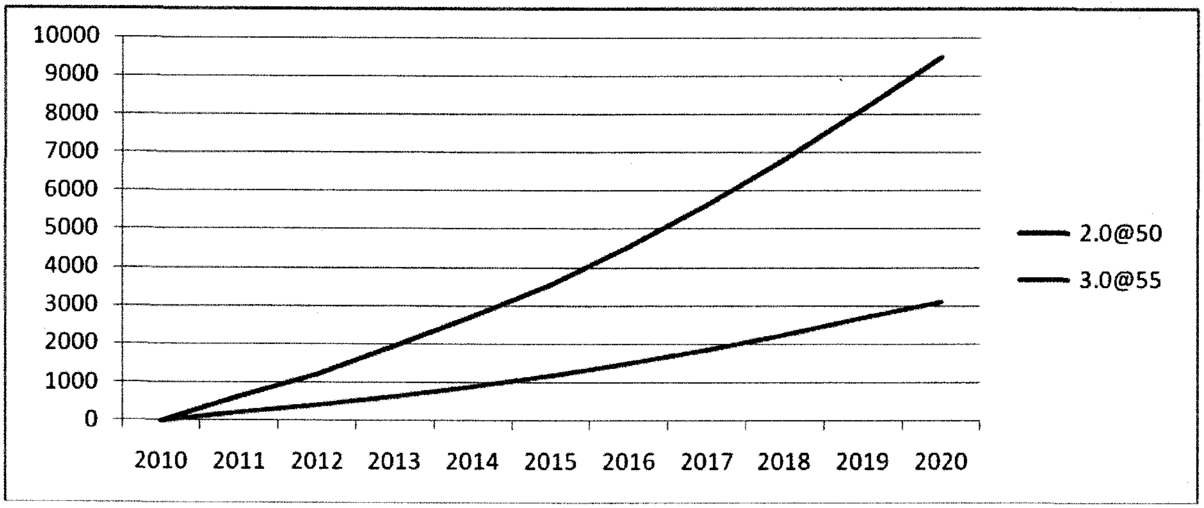
For the Miscellaneous Plan, going from the current formula of three percent at 60 to two percent at 60, would generate $98 million in savings on a present value basis, assuming a four percent discount rate by 2020. For the Safety Plan, going from the current formula of three percent at 50 to two percent at 50, would generate $22 million in savings on a present value basis, assuming a four percent discount rate by 2020. Cost savings will be dependent on the new tier plan design.

Miscellaneous Annual Savings by Benefit Formula (millions)



[14] CalPERS offers benefit alternatives

Safety Annual Savings by Benefit Formula (millions)



PERL does not allow participants to have current employees participate in CalPERS and new employees participate in a different mandatory pension plan system. All new employees must participate in CalPERS.

Contracting with CalPERS offers the County several advantages. As a CalPERS' participating agency the County is part of one of the largest pension plans in the world with huge economies of scale. The County receives the stability, track record and management resources of a $200 billion dollar plan.

However, participating in CalPERS' limits the County's flexibility in setting benefit levels and changing demographic assumptions. The inflexibility is problematic in crafting the optimal compensation package. Different employee subgroups value compensation differently. Younger employees place a higher value on wages and portable benefits, while older workers tend to place a higher value on the security offered by a Defined Benefit Plan.

If the County wishes to provide a lower second tier of benefits by either a lower defined benefit formula or a Defined Contribution Plan not offered by CalPERS; lobbying Sacramento for additional flexibility or leaving CalPERS would be the options available to the County.

Given the financial distress in the State and the growing tide for pension *reform*, should the County decide to remain with CalPERS, the County should pursue the most cost-effective and clearest path for changing benefits by leveraging its political assets in Sacramento so that CalPERS can introduce new benefit formulas.

The County can choose to leave CalPERS and establish its own pension system under the Counties Employees Law of 1937, commonly referred to as the "1937 Act" or join an existing pension system with much greater flexibility. A move out of CalPERS may result in a large termination fee and significant start up costs. The termination fee may require a large lump sum payment or ongoing payments for the accrued benefits of current participants. More information is needed from CalPERS to quantify the financial impact of a move out of CalPERS.

III. Non CalPERS Defined Benefit Two-Tier Plan:

Create a lower tier, Tier II for new employees' Defined Benefit Plan designed by the County. Tier II will contain features that produce additional savings (compared to CalPERS' plans) while still meeting a desired Replacement Ratio.

Establishing an independent system or a 1937 Act Plan would offer much more flexibility in designing pension benefits than CalPERS. The 1937 Act provides two methods by which a county may establish a 1937 Act retirement system: 1) an affirmative vote by a majority of the electors voting on the proposition at a general or special election; or, 2) by a four-fifths vote of the Board of Supervisors. Once a county elects to come under the 1937 Act, the Act's provisions become operative on either the following January 1, or July 1, but not sooner than 60 days after the appropriate election. A system established pursuant to the 1937 Act supersedes any previously established county retirement system. A 1937 Act plan would require establishment of a board with:

1. The authority to invest plan assets and select actuarial methods and assumptions.
2. Selection of one of several formulas and ancillary benefits established under the 1937 Act.
3. Responsibility for most administrative functions.

Article XI section 4 and 6 of the State Constitution authorizes Charter Counties to establish independent retirement systems if their charter so provides. San Luis Obispo County and San Francisco County have established such systems.

Under this option the County could potentially use the same retirement formula as currently used for TAP employees (two percent of eligible career compensation), although this may impact our ability to recruit top talent.

This option may require termination of the County's CalPERS' Contract. Defined Benefit Plans (like CalPERS) generally provides the most efficient allocation of employer dollars towards providing employees secure retirement income and provides higher relative benefit accruals at older ages. However, one major drawback is that, employer contributions can be volatile. CalPERS' smoothing methods mitigate this but cannot eliminate volatility. Defined Contribution Plans, on the other hand, generally provide higher benefit accruals in the early years of service thus potentially appealing to short-term, younger employees. In addition, they also appeal to employees who want more direct control over their retirement savings. Furthermore, employer contributions are very predictable.

Defined Benefit Plans typically also provide an efficient method of providing ancillary benefits (for example, disability and pre-retirement death benefits.)

IV. Defined Contribution Two-Tier Plan:

Create Tier II comprised either entirely of a defined contribution retirement benefit or apportioned benefits between a Defined Benefit Plan and Defined Contribution Plan thereby giving employees a safety net while allowing them to share in investment returns. Select a Defined Benefit Plan that provides a "base level" benefit. The County could potentially use the same retirement formula as currently used for TAP employees (two percent of eligible career compensation.)

This option may require termination of the County's CalPERS' Contract.

Defined Contribution Plans are usually established by agreement with bargaining groups with administration, investment and legal work handled by a third party administrator (TPA).

Defined Contribution Plan (DC): Promises a designated contribution to a retirement savings plan. Employers typically contribute a percentage of employee pay to an individual account plan. Employees often have the opportunity to defer a portion of their pay. The retirement benefit is determined in part by contributions to the plan, but also in large part by plan asset performance. Employees often are responsible for investment elections and always bear the risk of investment outcome. An advantage to DC plans is portability. Benefits can be paid in installments or as a lump sum.

A new Defined Contribution Tier, or Hybrid Tier, may produce greater cost savings in the near term in that once the County makes a contribution to the plan its obligation ends. Investment returns will not change the County's liability.

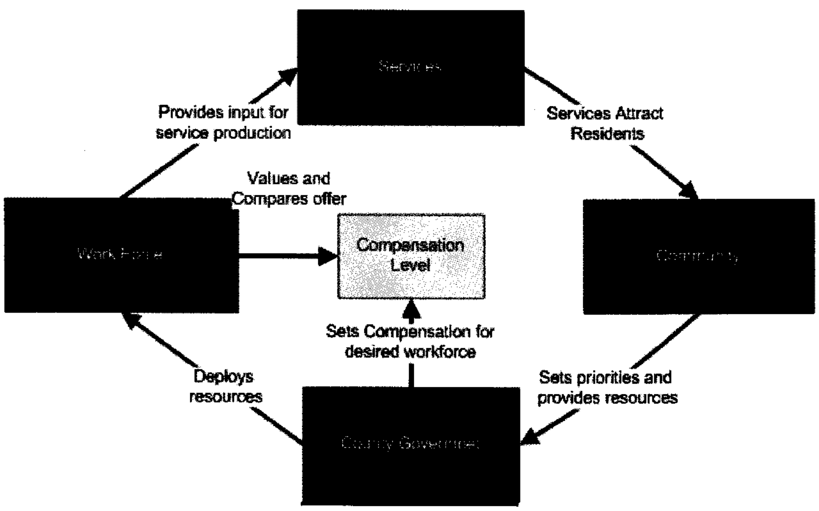
Over the last decade some public sector employers have introduced DC plans. However, according to a January 2008 Issue Brief published by the Center for State and Local Government Excellence, those participating in DC plans as their primary pension represent less than 4.0 percent of the state and local workforce and less than 1.0 percent of total state and local pension assets.

Framework for Analysis

Falling government revenues and rising pension costs are shrinking the budget and stressing the County's ability to provide services at a time when there is increased need for many services in the community.

The decision by an employer to offer a pension plan depends on employee preferences for current compensation relative to deferred compensation, the cost of providing a dollar of future income compared to providing a dollar today; and how the pension might influence worker turnover and retirement rates.

Compensation Level Setting Dynamics



Any benefit plan policy changes will be subject to stakeholder legal, contractual, and cost constraints. Stakeholders with vested interest in public pension funds include: 1) former public employees drawing benefits; 2) fund beneficiaries (current government employees have a stake in both their future retirement benefits and current contribution obligations); 3) CalPERS; and, 4) County residents.

> **Vested Rights:** Under the contract clause of both the United States and the California Constitution, public employees earn vested rights to their pension benefits for performance of service with a governmental employer. Benefits of existing pension members, including the right to accrue future benefits from future service and compensation, cannot be reduced for current members without an offsetting benefit.
>
> **Collective Bargaining:** Changes to employees' total compensation, including pension benefits, must be collectively bargained with the unions for represented employees. County employees are represented by various unions, and the County must bargain for change in pension benefits with each union.

CalPERS: As a contracting local agency with CalPERS the County is bound by the Public Employees' Retirement Law (PERL). PERL requires that all employees of a contracting agency (with limited exceptions) be members of CalPERS PERL does not allow the County to create a benefit plan for new employees outside of CalPERS while maintaining current benefits for existing employees at CalPERS.

Community: The decision of the employer to set the level of pension benefit depends on the employer's financial position and its need to attract and retain the optimal workforce that will maximize the delivery of services to the community.

Pension plan analysis requires a long-term horizon. Contribution and market volatility can lead to decisions with unintended consequences. Benefit level decisions should be based on a long-term assessment of what is financially feasible and labor/capital needs in the context of the local labor market.

The investment performance of the late 1990's lead to overfunded pension plans and low pension costs in the County. The County increased future benefit commitments by adopting more generous pension formulas. It was anticipated that the investment performance of the late 1990's would continue and no contribution increases would be required. The investment performance of the late 1990's was proven to be an aberration.

According to Fieldman, Rollap & Associates, 32 percent of the unfunded liability in FY 2004 could be attributed to increased pension benefits and other action taken by the County. (See Appendix 2)

In the aftermath of the Great Recession, the County is facing rising pension costs and a declining pension plan funding status as a result of devastating investment returns of FY 2009. Given the potential impact of any decision, independent third party analysis is needed.

Beyond the need for budgetary relief in this economic environment, the County needs to reform its pension plans to ensure that County pension plans are sustainable.

Improvements in the standard of living have increased the life expectancy of retirees. Consequently, public employers have seen pension plan costs rise as retirees are receiving benefits for longer periods than had been expected when benefits where granted.

Many investment professionals worry that investment returns in this economy, which is emerging from the aftermath of the largest economic contraction since World War II, will offer lower investment returns. A reduction in the rate of return will cause a fundamental shift in pension funding dynamics.

Recent poor investment performance has magnified the rise in cost. The cost of providing the current pension benefit levels was $123.4 million (POB debt not included) in FY 2008, representing 4.3 percent of total expenditures.

These trends require that the County evaluate what benefit levels are sustainable, and what impact any changes will have on recruitment and retention.

According to a Los Angeles Times article, one of every four dollars collected by the City of Los Angeles general fund may go towards retirement benefits in the City by 2013. That would negatively impact basic services such as police, parks and libraries.[15]

[15] Los Angeles Times, "Los Angeles officials consider a ballot measure to scale back pensions" January 6, 2010

The popular options for dealing with rising pension costs are rolling back benefits by changing to a two-tier pension system and utilizing Defined Contribution Plan features.

Third Party Analysis:

Prior to moving aggressively to restructure the County's employee compensation regime, the County should conduct a thorough analysis to determine how its compensation package stacks up against competing employers. That analysis would provide the public and the Board with the data necessary to push for changes to the current system. Having an independent third party produce that information will give it a higher degree of credibility with employee groups.

PARC Composition:

As pension issues have become more complex and as the composition of the committee has changed, a number of Committee members have suggested that the Board expand its membership. Additional members would increase institutional knowledge of pension issues and bring additional perspective to the discussion.

Financing Status

Pension Obligation Bonds (POB). The County sold a $400 million Pension Obligation Bond (POB) in February 2005 and made its first payment on August 15, 2005. Contemporaneous projections show the POB's were expected to save $161.8 million over the life of the bonds. The projections assumed CalPERS earns its 7.75 percent assumed actuarial rate of return over the life of the bonds. The "break-even" rate for the bond transaction is 4.91 percent, the rate on the POBs.

Based upon the analysis of the independent actuary Bartel & Associates, the County has lost $54.0 million as a result of the sale of the POB. Recent historic losses in the equity and real estate markets have erased all prior year gains associated with this transaction. It is worth noting that the FY 2007 analysis showed $130 million in savings. Given the low break-even rate of 4.91 percent, it is reasonable to expect that over the remaining 25-year life of the bonds the transaction will produce savings. CalPERS' long-term expected rate of return is still 7.75 percent despite the recent economic downturn. The calculation is shown below.

Analysis of Performance to Date[16]

	Amount (millions)
CalPERS' Investment Earnings[17]	$42.9
POB Interest Payments	(93.8)
Cost of Issuance	(3.1)
Net Savings	**($54.0)**

Liability Management Fund

One key aspect incorporated into the POB structure is the Liability Management Fund. The fund collects an amount representing 50 percent of the projected savings that would otherwise be passed on to departments. The purpose is to accelerate repayment of the County's pension liabilities, reducing pension costs in the long term, and reducing the marginal risk associated with issuing POBs.

PARC policy dictates that at the end of the year the Committee is to recommend whether the funds should pay down any liability at CalPERS or buy down POBs. As of April 1, 2010, there was $4.2 million in the Liability Management Fund. It is projected that fiscal year ending balance will be $6.2 million.

In prior years, the Committee has recommended using the captured savings to pay down its unfunded pension liability. The Unfunded Actuarial Liability's assumed rate of return is 7.75 percent and is more expensive than the POB interest rate of 4.91 percent (the imputed rate of return.)

16 Provided by Bartel Associates. It should be noted that there could be any number of alternative calculation methods. They all would produce a negative return.
17 On POB proceeds only.

The Committee will recommend that the balance in the Liability Management fund, now estimated at $6.2 million, be sent to CalPERS to pay down the County's unfunded liability.

CalPERS Annual Prepayment:

One of the first steps PARC initiated was the annual prepayment program. CalPERS offers participants a discount for prepaying its projected annual employer's pension cost in a lump sum at the beginning of the fiscal year. The discount amounts to 50 percent of CalPERS' assumed actuarial return.

Since FY 2004 the General Fund has had a savings of approximately $13.4 million by executing the CalPERS' prepayment program, which takes advantage of the prepayment discount and associated internal cash flows.

For FY 2011 the County is obligated to pay $163 million, which is the employer's projected contribution amount for pension costs.

The Committee recommends that 40 percent, and 80 percent of the projected annual pension cost for the Miscellaneous and Safety Plan.

Summary Prepayment Savings (millions)

	FY 2006	FY 2007	FY 2008	FY 2009
Total Normal Cost	$97.74	$107.05	$113.20	$143.5
Normal Cost Prepaid	$87.96	$71.37	$75.46	$86.31
PERS discount	$3.22	$2.61	$2.76	$3.16
Interest earned	$1.59	$2.09	$1.80	$0.52
Net Borrowing cost	$(3.31)	$(2.46)	$(2.69)	$(.623)
Savings	**$1.50**	**$2.39**	**$1.87**	**$2.96**

Recommendations:

1. Receive and file the FY 2009/10 PARC Report.
2. Adopt the recommendation to use money in the Liability Management Fund to reduce the County's CalPERS' liability by transferring the funds to CalPERS. The amount available for transfer is estimated to be $6.2 million for FY 2010/11. (See page 38)
3. Adopt the recommendation to pre-pay the County's FY 2010/11 pension cost. (See page 39)
4. Engage the debate on pension reform directly and through CSAC and other advocacy organizations.
5. Prior to making any changes to the pension plan, conduct a RFI to engage a third-party actuary outside legal counsel and/or other benefit consultant(s) for advice.
    a. Cost Savings and benefit adequacy of various Pension Plan design.
    b. Examination of legal constraints.
    c. Impact on employee recruitment and retention for specific plan design options.

REQUEST FOR PROPOSAL # [Assigned on Approval]
Pension Consulting Services

By:
[Assigned on Approval], Procurement Contract Specialist
Riverside County Purchasing & Fleet Services
2980 Washington Street
Riverside, CA 92504-4647
(951) 955-4937 / (951) 955-3730 (fax)
Email: **[Assigned on Approval]**
NIGP Code(s): **[Assigned on Approval]**

NOTE: BIDDERS ARE RESPONSIBLE TO READ ALL INFORMATION THAT IS STATED IN THIS REQUEST FOR PROPOSAL AND PROVIDE A RESPONSE AS REQUIRED

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INSTRUCTIONS TO BIDDERS

Visit our Website: www.purchasing.co.riverside.ca.us

Telephone: (951) 955-4937

I. Vendor Registration – Unless stated elsewhere in this document, vendor must register online at www.Purchasing.co.riverside.ca.us with all current Vendor information, to be registered on the County's database.

II. Prices/Notations All prices/notations must be typewritten or written in ink. No erasures permitted. Mistakes shall be crossed out, corrections made adjacent and initialed by person signing document. Each item shall be bid separately.

III. Pricing/Terms/Tax - All pricing shall be quoted both F.O.B. shipping destination, (e.g., cash terms less than 20 days should be considered net) excluding applicable tax. The County pays California Sales Tax and is exempt from Federal excise tax. In the event of an extension error, the unit price shall prevail.

IV. Period of Firm Pricing - Unless stated otherwise elsewhere in this document, prices shall be firm for 120 days after the RFP closing date. If the County elects to do negotiations that require additional time, the County may request bidder's prices be firm for an additional period of time to complete negotiations and award the contract.

V. Recycled Material - Wherever possible, the County of Riverside is looking for items made from, or containing in part, recycled material. Bidders are encouraged to bid items containing recycled material as an alternative for the items specified; however, the County reserves the right to reject those alternatives as non-responsive.

VI. Method of Award - The County reserves the right to reject any or all offers, to waive any discrepancy or technicality and to split or make the award in any manner determined by the County to be most advantageous to the County. The County recognizes that prices are only one of several criteria to be used in judging an offer and the County is not legally bound to accept the lowest offer.

VII. Other Terms and Conditions – The terms and conditions as indicated in this document and/or attached are hereby included with full force and like effect as if set forth herein. Copies of the applicable Terms and Conditions may be obtained by visiting the County's website at www.purchasing.co.riverside.ca.us or contact Riverside County Purchasing at the number shown above and request a copy to be faxed or mailed to you.

VIII. Return of Bid/Closing Date/Return to - The bid response shall be delivered to **Purchasing and Fleet Services, 2980 Washington Street, Riverside, CA 92504 by 1:30 p.m**. on the closing date listed above. Bid responses not received by County Purchasing by the closing date and time indicated above will not be accepted. The closing date and time and the R.F.Q./R.F.P. number referenced above shall appear on the outside of the sealed envelope. A duly executed copy of the signature page of this bid document must accompany your response. The County will not be responsible for and will not except late bids due to delayed mail delivery or courier services.

IX. Auditing – The Contractor agrees that Riverside, County the State of California, the Federal government, or designated representatives shall have the right to review and copy any records and supporting documentation pertaining to the performance of this contract. Contractor agrees to maintain such records for possible audit for a minimum of (3) years after final payment, or until closure of pending matter unless a longer period of records retention is stipulated. Contractor agrees to allow auditor(s) access to such records during normal business hours and allow interviews of any employees or others who might reasonably have information related to such records. Further, the Contractor agrees to include a similar right of Riverside County, the State of California, or the Federal government to audit records and interview staff in any subcontract related to the performance of this contract.

X. Local Preference - The County of Riverside has adopted a local preference program for those bidders located within the County of Riverside. A five percent (5%) price preference may be applied to the total bid price during evaluation of the bid responses. To qualify as a local business, the business must have fixed offices within the geographical boundaries of Riverside County and must credit all sales taxes paid resulting from this RFQ/P to that Riverside County location. To qualify for local preference BIDDER must include a copy of a Riverside Business Tax Certificate that supports the local preference status and complete Form 116-260 Local Business Qualification Affidavit. Application of this local preference may be waived if funding sources disallow it.

Or

XI. Disabled Veteran Business Enterprise Preference - The County of Riverside has implemented a Disabled Veteran Owned Business preference policy. A three (3) percent preference shall be applied to the total bid price of all quotes/bids/proposals received by the County from certified disabled veterans owned businesses. Bidder must provide certification of Disabled Veteran Status. If the bid is submitted by a non-Disabled Veteran owned business, but lists subcontractors that are identified and qualified as Disabled Owned Business, the total bid price will be adjusted by 3% of the value of that subcontractor's portion of the bid.

IF CHECKED, THE FOLLOWING DOCUMENTS HEREBY MADE PART OF THIS RFQ/P
Please go to www.purchasing.co.riverside.ca.us to access these terms and conditions

_X_ APPENDIX "A" _X_ EXHIBIT (A-E) ___ PLANS/DRAWINGS ___ SAMPLES

___ #116-110 Special Conditions/Response
_X_ #116-260 Local Business Qualification Affidavit
___ 116-130 Equipment Information Sheet
___ 116-311 Boilerplate Agreement

IF CHECKED, THE FOLLOWING GENERAL CONDITIONS ARE INCLUDED WITH FULL FORCE AND LIKE EFFECT AS IF SET FORTH HEREIN

___ #116-200 General Conditions
___ #116-230 General Conditions - Equipment
___ #116-240 General Conditions - Personal/Professional Service
___ #116-210 General Conditions Materials and/or Services
___ #116-220 General Conditions - Public Works

Proposal Cover Page

BIDDER TO COMPLETE ALL APPLICABLE AREAS

Bidders are required to register (If not already registered) on the County of Riverside Purchasing website:

WWW.PURCHASING.CO.RIVERSIDE.CA.US

The County of Riverside Purchasing Department on behalf of The Human Resources Department is soliciting proposals from qualified organizations to Employee Benefits Consulting and Actuarial Services as detailed in Appendix A.

BID CLOSING DATE: November 1, 2010 no later than 1:30 pm.

NO FAXED PROPOSALS WILL BE ACCEPTED

After close of this RFP, the award may be announced within 30- 120 days.

If an addendum is issued for this procurement, it will be the Bidder's responsibility to retrieve all applicable addendum(s) from the Purchasing website.

"Execution hereof is certification that the undersigned has read and understands the terms and conditions hereof, and that the undersigned's principal is fully bound and committed."

Company Name:

Street Address:

Mailing Address:

City: State: Zip:

Remit to Address:

City: State: Zip:

Phone # ( ) FAX # ( )

Vendor Website:

Name: Title:

Signature:______________________ Date:__________ Email:______________________

Please Check ___ Disabled Veteran or ___Local Business – if checked, the above signer certifies that the above business is located within the geographical boundaries of Riverside County and that all sales taxes generated based on this RFP will be credited to that location in Riverside County. Form 116-260 must be completed and submitted with the Bidder's proposal

Form #116-100 RFP Form Word

APPENDIX A
SCOPE OF SERVICE

1.0 DEFINITIONS

Wherever these words occur in this RFP, they shall have the following meaning:

A. "RFP" shall mean Request for Proposal.

B. "Addendum" shall mean an amendment or modification to the RFP (Request for Proposals).

C. "Bid" shall mean the proposal submitted by a Bidder on the Bid Form consistent with the Instructions to Bidders, to complete the Work for a specified sum of money and within a specified period of time.

D. "Bidder" shall mean an individual, firm, partnership or corporation that submits a qualified Bid for the Work, either directly or through a duly authorized representative.

E. "Contractor" shall mean any employee, agent or representative of the contract company used in conjunction with the performance of the contract. For the purposes of this RFP, Contractor and Bidder are used interchangeably.

F. "MQs" shall mean minimum qualifications.

G. "COUNTY" shall mean the County of Riverside and its Human Resources Department. For purposes of this RFP, Human Resources and County are used interchangeably.

H. "CalPERS" shall mean the California Public Employees Retirement System.

2.0 PURPOSE/BACKGROUND

2.1 PURPOSE

The County of Riverside is soliciting this Request for Proposal from qualified Bidders for consulting services to analyze alternate pension benefit options for new County employees. Consulting services will include an analysis of cost, a review of legal considerations, and impact on total compensation and recruitment and retention. The County seeks a consultant expert in public pension plans and experienced in advising comparable public agencies.

2.2 BACKGROUND

a. Riverside County is the fourth largest county in California with a population of over 2 million people. The County maintains a workforce of over 18,000 employees, in over 30 departments and agencies, and has approximately 3,000 retired employees.

b. The County of Riverside recognizes excellence and performance by providing a comprehensive and competitive benefit program to its employees; for more information visit http://www.rc-hr.com and click the Benefits tab.

c. The County contracts with the CalPERS to provide Miscellaneous and Safety Employees defined benefit pension plans commonly known as 3% @ 60 and 3%@50 plans respectively; for more information visit www.calpers.ca.gov.

d. As a result of escalating costs, the County Board of Supervisors (Board) has approved the evaluation of alternate pension benefits for new employees and cost sharing options for current employees. See attached Pension Advisory Review Committee (PARC) and Pension Review Advisory Committee (PRAC) reports prepared at the direction of the Board for additional information.

3.0 SCOPE OF SERVICE

The County will select qualified consultant(s) to provide highly specialized services under the direction and at the request of the Assistant Chief Executive Officer/Human Resources Director in the categories described below. It is possible that the County will decide to retain more than one consultant pursuant to this RFP.

3.1 REQUIREMENTS

3.1.1 Alternate Pension Options (Tier II)

a. Provide actuarial analysis associated with alternate pension options
   - Consult with County representatives on appropriate alternate pension options for new employees, and to the extent not in violation of California Vested Rights provisions review alternate pension options for current employees.
   - Review actuarial cost analysis performed to date of defined benefit, defined contribution and hybrid pension options.
   - Discuss retirement income and income Replacement Ratios and determine the retirement income adequacy of proposed pension options. Use appropriate public sector and private sector benchmarks for comparison.
   - Use actuarial analysis performed to date to compare and discuss projected costs (Annual Required Contributions) associated with each alternative pension option. Compare costs with projected cost of current pension benefits and with appropriate Private and Public sector benchmarks.

3.1.2 Total Compensation

a. Consult with County representatives and develop a total compensation analysis for selected representative job classifications for active employees and retirees.
b. Analyze impact on total compensation for each alternate pension benefit available from CalPERS listed in PARC report.
c. Compare total compensation of alternate pension options to private and Public Sectors of similar size; specifically include detailed comparisons with local governmental entities. Include the five following surrounding Counties in the benchmarking analysis: Los Angeles, Ventura, San Bernardino, Orange, and San Diego. Also, include the following Northern California counties of a similar size
   a. Contra Costa
   b. Santa Clara

3.1.3 Recruitment and Retention

a. Analyze impact on recruitment and retention impact based on Section 3.1.2 total compensation analysis and other pertinent factors.
b. Discuss projected demographic, economic and other pertinent trends that will impact recruitment and retention in addition to Pensions.

3.1.4 Legal Compliance

a. Analyze in detail and provide an opinion on legal issues associated with:
   - The adoption of an alternate pension option (Tier II) for new employees.
   - Cost sharing with new and current employees for pension cost increases.
   - Changes to pension benefits for current employees, including but not limited to providing current employees an option to select an alternate pension benefit
   - Collective Bargaining requirements.
   - Introduction and adoption of new benefit options at CalPERS

3.1.5 Administrative Duties

a. Must be able to frequently (at minimum 6 times) meet in-person with County representatives.
b. Must be able to participate and present findings, if called upon at committee meetings such as PARC, and must be able to present findings to the Board of Supervisors as requested
c. Must provide analysis, assumptions and findings in a comprehensive and illustrative report.
d. Must complete analysis and report on findings expeditiously within 3 months of award of the RFP or an otherwise mutually agreed upon date.
e. Must provide continued ad hoc consulting support as requested by the County.

4.0 WORK PRODUCT

4.1 Proposals shall be submitted no later than November 1, 2010 with 6 copies.

4.2 All work papers prepared in connection with the contractual services will remain the property of the successful bidder; however, all reports rendered to the County are the exclusive property of the County and subject to its use and control.

5.0 TIMELINE — DATES:

1. Release of Request for Proposal	**October 4, 2010**
2. Deadline for Submission of Questions. Email: [redacted]	**Must be in the form of an Email by 1:30pm on: October 18, 2010**
3. Deadline for Proposals	**November 1, 2010**
4. Tentative Date for Awarding RFP. Approximately 30 to 60 days after the RFP closes.	The Bidders are responsible for checking the Purchasing website for notice of intent to award at: www.Purchasing.ca.riverside.ca.us

5.1 **Inquiries:** All inquiries must be submitted on or before the last day for questions. Please refer to 5.0 Timeline for the particular date. Inquiries must reference the section number and title from the RFP. Inquiries must be in written format and emailed with the RFP bid number, to the attention of the Procurement Contract Specialist.

6.0 PERIOD OF PERFORMANCE

The period of performance shall begin with the award of the RFP and end with the final work product as outlined in this RFP.

7.0 PROPOSAL SUBMITTAL

All proposals shall be signed by an authorized agent and placed in a sealed package clearly marked "Bidder Proposal." The submitted proposal shall be prepared in a bound notebook(s).

Minimum Notebook requirement:

7.1 One (1) original and six (6) additional copies, each in a 3 ring binder for ease of opening by evaluators.

7.2 Binder capacity should be a minimum of 2" (two inches) to allow for ease of referencing various sections. (Small binders that are over stuffed or difficult to open may count against the bidder).

7.3 Include one (1) Microsoft Word or PDF document formatted on a virus free CD or flash drive within the original binder.

7.4 Financial statements should only be included in the binder marked "Original" (Financial statements will be removed and submitted for review), then placed in a sealed envelope and marked "Confidential."

7.5 **Faxed or emailed proposals will not be accepted.**

ALL SEALED BIDS MUST BE SENT TO:

County of Riverside
Purchasing and Fleet Services
Attention: Assigned on Approval
RFP# Assigned on Approval
2980 Washington Street
Riverside, CA 92504-4647

8.0 GENERAL REQUIREMENTS

Procedures for Submitting Proposals

8.1. All proposals must be submitted in accordance with the standards and specifications contained within this Request for Proposal (RFP) and must contain a cover page with a certification of intent to meet the requirements specified.

8.2. The cover page of a responsive bid must be signed appropriately and completed with the date, company name, and name and title of a company officer/owner authorized to sign on behalf of the company.

8.3. The County reserves the right to waive, at its discretion, any irregularity, which the County deems reasonably correctable or otherwise not warranting rejection of the proposal.

8.4. The County shall not pay any costs incurred or associated in the preparation of this or any proposal or for participation in the procurement process.

8.5. Modification of Proposals, any bidder who wishes to make modifications to a proposal already received by the County must withdraw his/her proposal in order to make the modifications. All modifications must be made in ink, properly initialed by bidder's authorized representative, executed, and submitted in accordance with the terms and conditions of this solicitation. It is the responsibility of the bidder to ensure that modified proposals are resubmitted before the RFP submittal deadline of November 1, 2010.

8.6. Bidders may withdraw their proposals at any time prior to the due date and time by submitting notification of withdrawal signed by the bidder's authorized agent. Proposals cannot be changed or modified after the date and time designated for receipt.

8.7. Proposals must be typed uniformly on letter size (8 ½ " x 11") sheets of white paper, single sided or double sided, each section clearly titled, with tabs A-K, and each page clearly and consecutively numbered. Proposals must be clean and suitable for copying. Proposals must be specific unto themselves. For example, *"See Enclosed Manual"* will not be considered an acceptable proposal. Receipt of all addenda, if any, must be acknowledged in the proposal.

8.8. **Late proposals will not be accepted.** Postmarks will not be accepted in lieu of this requirement. Proposals submitted to any other County office will be rejected.

8.9. The proposal shall be concise and to the point. Costly bindings, color plates, glossy brochures, etc. are neither necessary nor recommended. Examples of previous work may be submitted but will not necessarily influence the evaluation process. A letter format in sufficient detail to allow thorough evaluation and analysis is required.

9.0 REQUIRED FORMAT OF PROPOSALS

Proposals must contain the following sections:

- **A.** Proposal Cover Page (Page 4 of this RFP)
- **B.** Table of Contents
- **C.** Corporate/Company/Agency Profile
- **D.** Description of Services
- **E.** Cost Proposal
- **F.** Credentials/Resumes/Certifications/Licenses
- **G.** References
- **H.** Evidence of Insurability/ Business Licenses
- **I.** Financial Information
- **J.** Clarification/Exceptions/Deviations

A. Proposal Cover Page

The Proposal Cover Page (page 4 of this RFP) must be signed by an authorized representative. Signature by an authorized representative of the organization on the proposal cover page shall constitute a warranty, the falsity of which shall entitle the County of Riverside to pursue any remedy authorized by law, which shall include the right, at the option of the County of Riverside, of declaring any contract made as a result thereof, to be void.

B. Table of Contents

This section shall include a comprehensive table of contents that identifies material by sections A –K (in the order list above) and by sequential page numbers.

C. Corporate Profile

This section of the proposal is designed to establish the bidder as an entity with the ability and experience to operate the program as specified in the RFP. The Company Profile should be concise and clear, and include descriptive information regarding service delivery. The following information must be provided as follows:

1. Business name and legal business status (i.e., partnership, corporation, etc.);
2. Proof of non-profit status, if applicable;
3. Company overview of services or activities performed, include:
    a. The history of the bidder's firm-include a brief history of the firm.
    b. The number of years in business under the present business name, as well as prior business names.
    c. Number of years experience providing the proposed, equivalent, or related services.
    d. Company hierarchy (President, Vice President, Company Officers, etc.) and organizational chart. Organizational chart shall clearly identify all positions that are being proposed to be funded under the project.
    e. Company size - number of staff, proposed number of staff to provide services, and participant base.
    f. Location of the office from which the work under this contract will be provided and the staff allocation at that office.
4. Whether the bidder holds controlling or financial interests in any other organization, or is owned or controlled by any other person or organization, if none that must be stated.

D. <u>Description of services</u>

All proposals must include a detailed description of the services to be rendered, including but not limited to the following:

1. A written general understanding to the requirements in the scope of services as detailed in the RFP, Appendix A including:
    a. Provide a work plan or description of how the work will be performed.
    b. Give precise detail on your project reporting mechanisms. Include:
        i. A complete description of how the interaction between the bidder's company and the County will take place to ensure that the services are performed and to the County's satisfaction, including resolving problems that may be encountered during the transition of consultant and actuary.
        ii. Describe the bidder's company policies and procedures regarding these services to ensure proper compliance and quality assurance.
        iii. Provide the bidder's company employee training.
        iv. Provide the bidder's company background checking procedures and company utilized.
    c. Describe the bidder's technical capabilities for these services.
    d. Indicate whether or not the bidder will be subcontracting portion(s) of the work. If so, indicate the name of the subcontractor and the portion of the work, which will be subcontracted. Provide subcontractors qualifications that meet the requirements of the scope of work and their corporate profile in the same format as section 9 (c) above.

E. <u>Cost Proposal</u>

In this section, please complete and include the Cost Proposal Sheet attached as Exhibit A. Bidders may also include any other documents as information to explain the proposed costs. Proposals must fully describe all costs to charges to County as part of this service. As stated in the Cost Proposal Sheet, bidders must provide fully inclusive blended rates, which include all of the bidders, project-related or supported expenses.

Describe how costs will be controlled and properly identified to the specific tasks, while providing a high quality of services, high level of integrity and outcomes.

F. Credentials/Resumes/Certifications/Licenses

This section shall state the person(s) responsible for administering or providing the services. Identify the account executive directly responsible for the overall management of the account and include his/her, responsibilities, qualification/experience, and a copy of his/her certification or licenses held if applicable.

Bidder shall specifically provide the following information on all employees to be providing service:

- Description of education;
- General experience;
- Experience or education related to the RFP project;
- Letters of reference if available;
- Any other information, which will assist in evaluating qualifications.

G. References

All bidder(s) must include present and past performance information with a minimum of three (3) references in the last twenty four (24) months. References cannot include Riverside County Elected Officials, Department Directors, or the requesting agency as a reference. However, references can include other county agencies that are not partaking in this RFP. Each reference shall include:

- Dates of work performed.
- Current contact person, company, address, and email and telephone number for each reference identified.
- Describe recent similar agency contracts that are equivalent to the County. These experiences must show the qualifications of the bidder's capabilities to meet the County's requirements. Provide a summary of the scope of services performed for these other agencies.

Please verify that all reference information is correct. References must clearly correlate their performance with the requirements of this RFP.

H. Evidence of Insurability/Business Licenses

All bidder(s) shall submit evidence of all required insurance. An Accord cover page will suffice and if awarded the contract the Bidder has ten (10) calendar days to produce the required insurances including a certified endorsement naming the County as additionally insured. The bidder shall certify to the possession of any and all current required licenses or certifications. Do not purchase additional insurance until this bid has been awarded. Provide a copy of **current** business license or other applicable licenses.

I. Financial Statement

The bidder must submit financial statements (**balance sheet and income statement**) for its business that are dated no more than twelve (12) months prior to the date of the proposal submission and cover a period of at least one (1) year. These statements should clearly identify the financial status and condition of the bidder's entire business entity. Please place in a separate envelope and mark "Confidential" if your firm requires this to be kept confidential. The County does not guarantee that the financials submitted will be kept confidential.

J. Clarification, Exceptions or Deviations

All bidder(s) shall describe any exception or deviation from the requirements of the RFP. Each clarification, exception or deviation must be clearly identified. If your firm has no clarification, exception or deviation, a statement to that effect shall be included in this section. The following contractual terms are non-negotiable:

1. Indemnification
2. All insurance terms
3. Termination
4. Ownership/Use of Contract Materials and Products(If applicable)

5. Disputes
6. Governing Law
7. Venue

10.0 EVALUATION CRITERIA

In addition to meeting the General Requirements listed in section 3.0, the following evaluation criteria will be utilized:

1. Overall responsiveness and general understanding of the RFP requirements,
2. Bidder's qualifications, experience, technical ability and project methodology.
3. Overall cost to the County.
4. References with demonstrated success with similar work to the Scope of Service.
5. Experience representing and advising public agencies comparable in size to the County (both in population and size of assets in deferred compensation plans).
6. Financial status.
7. Clarification, Exceptions or Deviations.
8. Credential/Resumes/Licenses/Certifications.

11.0 EVALUATION PROCESS

All proposals will be given thorough review. All contacts during the review selection phase will be only through the Purchasing Department. Attempts by the Contractor to contact any other County representative may result in disqualification of the Contractor. All evaluation material will be considered confidential and not released by the County. The County reserves the right to split or make the award that is most advantageous to the County.

11.1 **Proposal Acceptance**

The County reserves the right to accept or reject any and all proposals, to waive or permit cure of irregularities or technical deficiencies and to negotiate with the selected organization any desired change in the proposal which best meets the requirements of the County of Riverside and its employees. The reserves the right to maintain one or more of the current vendor option

12.0 INTERPRETATION OF RFP

The Contractor must make careful examination and understand all of the requirements, specifications, and conditions stated in the RFP. If any Contractor planning to submit a proposal finds discrepancies in or omissions from the RFP, or is in doubt as to the meaning, a written request for interpretation or correction must be given to the County. Any changes to the RFP will be made only by written addendum and may be posted on the Purchasing website at www.purchasing.co.riverside.ca.us. The County is not responsible for any other explanations or interpretations. If any provision in this agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way. All notices regarding this procurement may be posted on the County's purchasing website at www.purchasing.co.riverside.ca.us.

13.0 CONTRACTUAL DEVELOPMENT

If a proposal is accepted, the County will enter into a contractual agreement with the selected Contractor. A sample of the standard County contract to be used for this service is attached as Exhibit C. If an agreement cannot be reached, negotiations with the second ranking Contractor shall commence.

All bidder(s) shall describe any exception or deviation from the requirements of the RFP. Each clarification, exception or deviation must be clearly identified. If your firm has no clarification, exception or deviation, a statement to that effect shall be included in this section. **The following contractual (Exhibit C of this RFP) terms are non-negotiable:**

- Indemnification (Point 21)
- All insurance terms (Point 22)
- Termination (Point 5)
- Ownership/Use of Contract Materials and Products ((If applicable) Point 6))
- Disputes (Point 11)
- Governing Law (Point 23.11)

14.0 CANCELLATION OF PROCUREMENT PROCESS

County may cancel the procurement process at any time. All proposals become the property of the County. All information submitted in the proposal becomes "public record" as defined by the State of California upon completion of the procurement process. If any proprietary information is contained in or attached to the proposal, it must be clearly identified by the Contractor; otherwise the Contractor agrees that any and all documents provided may be released to the public after contract award.

The procurement process may be canceled after opening, but prior to award if the County determines that cancellation is in the best interest of the County for reasons (but not limited to) such as:

- Inadequate, ambiguous, or otherwise deficient specifications that were cited in the RFP.
- The services are no longer required.
- Proposals received are at an unreasonable cost.
- Proposal did not independently arrive in open competition, were collusive, or were not submitted in good faith.
- The County determines, after analysis of the proposals that its needs can be satisfied through a less expensive method.

The County reserves the right to amend or modify the project Scope of Services prior to the award of contract, as necessity may dictate, and to reject any and all proposals hereunder. This Request for Proposal does not commit the County to award a contract or to pay any costs incurred in the preparation of a proposal in response to this request. The County reserves the right to accept or reject any or all proposals received as a result of this request, to negotiate with any qualified source or to cancel in part or in its entirety this Request of Proposal if it is in the best interest of the County.

15.0 CONFIDENTIALITY AND PROPRIETARY DATA

All materials received relative to this RFP will be kept confidential, until such time an award is made or the RFP is canceled, at which time all materials received will be made available to the public. Proposals received will be subject to Government Code §6250, the Public Information Act. Proposal Submitters should mark information they consider proprietary or confidential in the event it is exempt from the requirements of the Act.

16.0 COUNTY OBSERVED HOLIDAYS

HOLIDAY	DAY OBSERVED
* New Year's Day	January 1
Martin Luther King Jr's Birthday	Third Monday in January
Lincoln's Birthday	February 12
Washington's Birthday	Third Monday in February
Memorial Day	Last Monday in May
Independence Day	July 4
Labor Day	First Monday in September
Columbus Day	Second Monday in October
Veterans' Day	November 11
*Thanksgiving Day	Fourth Thursday in November
* Following Thanksgiving	Friday following the fourth Thursday in November
*Christmas Day	December 25

*** Note:**

- Thanksgiving Day, which shall be the fourth Thursday in November unless otherwise appointed.
- Friday following Thanksgiving Day.
- December 24 and 31 when they fall on Monday.
- December 26 and January 2, when they fall on Friday.
- Friday proceeding January 1, February 12, July 4, November 11 or December 25, when such date falls on Saturday; the Monday following such date when such date falls on a Sunday.

EXHIBIT A
COST PROPOSAL SHEET

Consulting Services as described in the RFP must be expressed in a dollar amount.

Consultant Cost (Provide cost breakdown for each portion of RFP Section 3.0 Scope of Services):

	Yes / No
Will you provide Scope of Services as is? If no, provide an explanation in the last section of this table.	
Do you propose any changes to the Scope of Services? If yes, provide an explanation in the last section of this table.	
Are additional services offered and incorporated in cost? If yes, specify additional services in the last section of this table.	

Description	Labor/Fees	Position Level
Hourly Rate: (please specify position level)	$	
Hourly Rate: (please specify position level)	$	
Hourly Rate: (please specify position level)	$	
Hourly Rate: (please specify position level)	$	
Hourly Rate: (please specify position level)	$	

		Estimated Rate? Yes / No	Guaranteed Rate? Yes / No	Guaranteed Minimum Annual Cost	Guaranteed Maximum Annual Cost
Total 1/2011 - 12/2011 Cost	$				
Total 1/2012 - 12/2012 Cost	$				
Total 1/2013 - 12/2013 Cost	$				
Please provide any additional cost information:					

CONSULTANT Alternate Pricing Proposal:

Use this section to propose any alternatives to the pricing options shown in prior pages (alternative packaging of benefit consulting services, alternative or additional services your consulting firm provides, flat rate, etc.). Be specific and concise.

Description of Service	Consultant Rate

Total Cost	$

EXHIBIT B
SAMPLE AGREEMENT

PROFESSIONAL SERVICE AGREEMENT

for

(INSERT NAME OF PROGRAM)

between

COUNTY OF RIVERSIDE

and

(INSERT COMPANY NAME)

TABLE OF CONTENTS

SECTION HEADING **PAGE NUMBER**

This Agreement, made and entered into this ___day of _____, 2010, by and between (INSERT COMPANY NAME), (herein referred to as "CONTRACTOR"), and the COUNTY OF RIVERSIDE, a political subdivision of the State of California, (herein referred to as "COUNTY"). The parties agree as follows:

1. **Description of Services**

1.1 CONTRACTOR shall provide all services as outlined and specified in Exhibit A, Scope of Services, consisting of (INSERT # OF PAGES) pages at the prices stated in Exhibit B, Payment Provisions, consisting of (INSERT # OF PAGES) pages, and Attachment I, HIPAA Business Associate Attachment to the Agreement, consisting of (INSERT # OF PAGES) pages.

1.2 CONTRACTOR represents that it has the skills, experience and knowledge necessary to fully and adequately perform under this Agreement, and the COUNTY relies upon this representation. CONTRACTOR shall perform to the satisfaction of the COUNTY and in conformance to and consistent with the highest standards of firms/professionals in the same discipline in the State of California.

1.3 CONTRACTOR affirms this it is fully apprised of all of the work to be performed under this Agreement; and the CONTRACTOR agrees it can properly perform this work at the prices stated in Exhibit B. CONTRACTOR is not to perform services or provide products outside of the Agreement.

1.4 Acceptance by the COUNTY of the CONTRACTOR's performance under this Agreement does not operate as a release of CONTRACTOR's responsibility for full compliance with the terms of this Agreement.

2. **Period of Performance**

2.1 This Agreement shall be effective upon signature of this Agreement by both parties and continue in effect through (INSERT DATE), with the option to renew for (INSERT # OF RENEWALS YEARS), renewable in one year increments by written amendment, unless terminated earlier. CONTRACTOR shall commence performance upon signature of this Agreement by both parties and shall diligently and continuously perform thereafter.

3. **Compensation**

3.1 The COUNTY shall pay the CONTRACTOR for services performed, products provided and expenses incurred in accordance with the terms of Exhibit B, Payment Provisions. Maximum payments by COUNTY to CONTRACTOR shall not exceed (INSERT DOLLAR AMOUNT) annually including all expenses. The COUNTY is not responsible for any fees or costs incurred above or beyond the contracted amount and shall have no obligation to purchase any specified amount of services or products. Unless otherwise specifically stated in Exhibit B, COUNTY shall not be responsible for payment of any of CONTRACTOR's expenses related to this Agreement.

3.2 No price increases will be permitted during the first year of this Agreement All price decreases (for example, if CONTRACTOR offers lower prices to another governmental entity) will automatically be extended to the COUNTY. The COUNTY requires written proof satisfactory to COUNTY of cost increases prior to any approved price adjustment. After the first year of the award, a minimum of 30-days advance notice in writing is required to be considered and approved by COUNTY. No retroactive price adjustments will be considered. Any price increases must be stated in a written amendment to this Agreement. The net dollar amount of profit will remain firm during the period of the Agreement. Annual increases shall not exceed the Consumer Price Index- All Consumers, All Items - Greater Los Angeles, Riverside and Orange County areas (Insert type of item or service) and be subject to satisfactory performance review by the COUNTY and approved (if needed) for budget funding by the Board of Supervisors.

3.3 CONTRACTOR shall be paid only in accordance with an invoice submitted to COUNTY by CONTRACTOR within fifteen (15) days from the last day of each calendar month, and COUNTY shall pay the invoice within thirty (30) working days from the date of receipt of the invoice. Payment shall be made to CONTRACTOR only after services have been rendered or delivery of materials or products, and acceptance has been made by COUNTY. Prepare invoices in duplicate. For this Agreement, send the original and duplicate copies of invoices to:

(INSERT DEPARTMENT NAME AND ADDRESS)

a) Each invoice shall contain a minimum of the following information: invoice number and date; remittance address; bill-to and ship-to addresses of ordering department/division; Agreement number (insert contract ID#); quantities; item descriptions, unit prices, extensions, sales/use tax if applicable, and an invoice total.
b) Invoices shall be rendered monthly in arrears.
c) In accordance with California Government Code Section 926.10, COUNTY is not allowed to pay excess interest and late charges.

3.4 The COUNTY obligation for payment of this Agreement beyond the current fiscal year end is contingent upon and limited by the availability of COUNTY funding from which payment can be made. No legal liability on the part of the COUNTY shall arise for payment beyond June 30 of each calendar year unless funds are made available for such payment. In the event that such funds are not forthcoming for any reason, COUNTY shall immediately notify CONTRACTOR in writing; and this Agreement shall be deemed terminated and have no further force and effect.

4. **Alteration or Changes to the Agreement**

4.1 The Board of Supervisors and the COUNTY Purchasing Agent and/or his designee are the only authorized COUNTY representatives who may at any time, by written order, make alterations to this Agreement. If any such alteration causes an increase or decrease in the cost of, or the time required for the performance under this Agreement, an equitable adjustment shall be made in the Agreement price or delivery schedule, or both, and the Agreement shall be modified by written amendment accordingly.

4.2 Any claim by the CONTRACTOR for additional payment related to this Agreement shall be made in writing by the CONTRACTOR within 30 days of when the CONTRACTOR has or should have notice of any actual or claimed change in the work which results in additional and unanticipated cost to the CONTRACTOR. If the COUNTY Purchasing Agent decides that the facts provide sufficient justification, he may authorize additional payment to the CONTRACTOR pursuant to the claim. Nothing in this section shall excuse the CONTRACTOR from proceeding with performance of the Agreement even if there has been a change.

5. **Termination**

5.1. COUNTY may terminate this Agreement without cause upon 30 days written notice served upon the CONTRACTOR stating the extent and effective date of termination.

5.2 COUNTY may, upon five (5) days written notice, terminate this Agreement for CONTRACTOR's default, if CONTRACTOR refuses or fails to comply with the terms of this Agreement or fails to make progress so as to endanger performance and does not immediately cure such failure. In the event of such termination, the COUNTY may proceed with the work in any manner deemed proper by COUNTY.

5.3 After receipt of the notice of termination, CONTRACTOR shall:

(a) Stop all work under this Agreement on the date specified in the notice of termination; and

(b) Transfer to COUNTY and deliver in the manner as directed by COUNTY any materials, reports or other products which, if the Agreement had been completed or continued, would have been required to be furnished to COUNTY.

5.4 After termination, COUNTY shall make payment only for CONTRACTOR's performance up to the date of termination in accordance with this Agreement and at the rates set forth in Exhibit B.

5.5 CONTRACTOR's rights under this Agreement shall terminate (except for fees accrued prior to the date of termination) upon dishonesty or a willful or material breach of this Agreement by CONTRACTOR; or in the event of CONTRACTOR's unwillingness or inability for any reason whatsoever to perform the terms of this Agreement. In such event, CONTRACTOR shall not be entitled to any further compensation under this Agreement.

5.6 The rights and remedies of COUNTY provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or this Agreement.

6. **Ownership/Use of Contract Materials and Products**

The CONTRACTOR agrees that all materials, reports or products in any form, including electronic, created by CONTRACTOR for which CONTRACTOR has been compensated by COUNTY pursuant to this Agreement shall be the sole property of the COUNTY; and may be used by the COUNTY for any purpose COUNTY deems to be appropriate, including, but not limit to, duplication and/or distribution within the COUNTY or to third parties. CONTRACTOR agrees not to release or circulate in whole or part such materials, reports or products without prior written authorization of the COUNTY.

7. **Conduct of Contractor**

7.1 The CONTRACTOR covenants that it presently has no interest, including, but not limited to, other projects or contracts, and shall not acquire any such interest, direct or indirect, which would conflict in any manner or degree with CONTRACTOR's performance under this Agreement. The CONTRACTOR further covenants that no person or subcontractor having any such interest shall be employed or retained by CONTRACTOR under this Agreement. The CONTRACTOR agrees to inform the COUNTY of all the CONTRACTOR's interests, if any, which are or may be perceived as incompatible with the COUNTY's interests.

7.2 The CONTRACTOR shall not, under circumstances which could be interpreted as an attempt to influence the recipient in the conduct of his/her duties, accept any gratuity or special favor from individuals or firms with whom the CONTRACTOR is doing business or proposing to do business, in accomplishing the work under this Agreement.

7.3 The CONTRACTOR or its employees shall not offer gifts, gratuity, favors, and entertainment directly or indirectly to COUNTY employees.

8. **Inspection of Service; Quality Control/Assurance**

8.1 All performance (which includes services, workmanship, materials, supplies and equipment furnished or utilized in the performance of this Agreement) shall be subject to inspection and test by the COUNTY or other regulatory agencies at all times. The CONTRACTOR shall provide adequate cooperation to any inspector or other COUNTY representative to permit him/her to determine the CONTRACTOR's conformity with the terms of this Agreement. If any services performed or products provided by CONTRACTOR are not in conformance with the terms of this Agreement, the COUNTY shall have the right to require the CONTRACTOR to perform the services or provide the products in conformance with the terms of the Agreement at no additional cost to the COUNTY. When the services to be performed or the products to be provided are of such nature that the difference cannot be corrected, the COUNTY shall have the right to: (1) require the CONTRACTOR immediately to take all necessary steps to ensure future performance in conformity with the terms of the Agreement; and/or (2) reduce the Agreement price to reflect the reduced value of the services performed or products provided. The COUNTY may also terminate this Agreement for default and charge to CONTRACTOR any costs incurred by the COUNTY because of the CONTRACTOR's failure to perform.

8.2 CONTRACTOR shall establish adequate procedures for self-monitoring and quality control and assurance to ensure proper performance under this Agreement; and shall permit a COUNTY representative or other regulatory official to monitor, assess or evaluate CONTRACTOR's performance under this Agreement at any time upon reasonable notice to CONTRACTOR.

9. Independent Contractor

The CONTRACTOR is, for purposes relating to this Agreement, an independent contractor and shall not be deemed an employee of the COUNTY. It is expressly understood and agreed that the CONTRACTOR (including its employees, agents and subcontractors) shall in no event be entitled to any benefits to which COUNTY employees are entitled, including but not limited to overtime, any retirement benefits, worker's compensation benefits, and injury leave or other leave benefits. There shall be no employer-employee relationship between the parties; and CONTRACTOR shall hold COUNTY harmless from any and all claims that may be made against COUNTY based upon any contention by a third party that an employer-employee relationship exists by reason of this Agreement. It is further understood and agreed by the parties that CONTRACTOR in the performance of this Agreement is subject to the control or direction of COUNTY merely as to the results to be accomplished and not as to the means and methods for accomplishing the results.

10. Subcontract for Work or Services

No contract shall be made by the CONTRACTOR with any other party for furnishing any of the work or services under this Agreement without the prior written approval of the COUNTY; but this provision shall not require the approval of contracts of employment between the CONTRACTOR and personnel assigned under this Agreement, or for parties named in the proposal and agreed to under this Agreement.

11. Disputes

11.1 The parties shall attempt to resolve any disputes amicably at the working level. If that is not successful, the dispute shall be referred to the senior management of the parties. Any dispute relating to this Agreement which is not resolved by the parties shall be decided by the COUNTY's Purchasing Department's Compliance Contract Officer who shall furnish the decision in writing. The decision of the COUNTY's Compliance Contract Officer shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, capricious, arbitrary, or so grossly erroneous as necessarily to imply bad faith. The CONTRACTOR shall proceed diligently with the performance of this Agreement pending the resolution of a dispute.

11.2 Prior to the filing of any legal action related to this Agreement, the parties shall be obligated to attend a mediation session in Riverside County before a neutral third party mediator. A second mediation session shall be required if the first session is not successful. The parties shall share the cost of the mediations.

12. Licensing and Permits

CONTRACTOR shall comply with all State or other licensing requirements, including but not limited to the provisions of Chapter 9 of Division 3 of the Business and Professions Code. All licensing requirements shall be met at the time proposals are submitted to the COUNTY. CONTRACTOR warrants that it has all necessary permits, approvals, certificates, waivers and exemptions necessary for performance of this Agreement as required by the laws and regulations of the United States, the State of California, the County of Riverside and all other governmental agencies with jurisdiction, and shall maintain these throughout the term of this Agreement.

13. Use By Other Political Entities

The CONTRACTOR agrees to extend the same pricing, terms and conditions as stated in this Agreement to each and every political entity, special district, and related non-profit entity in Riverside County. It is understood that other entities shall make purchases in their own name, make direct payment, and be liable directly to the CONTRACTOR; and COUNTY shall in no way be responsible to CONTRACTOR for other entities' purchases.

14. Non-Discrimination

CONTRACTOR shall not be discriminate in the provision of services, allocation of benefits, accommodation in facilities, or employment of personnel on the basis of ethnic group identification, race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status or sex in the performance of this Agreement; and, to the extent they shall be found to be applicable hereto, shall comply with the provisions of the California Fair Employment and Housing Act (Gov. Code 12900 et. seq), the Federal Civil Rights Act of 1964 (P.L. 88-352), the Americans with Disabilities Act of 1990 (42 U.S.C. S1210 et seq.) and all other applicable laws or regulations.

15. Records and Documents

CONTRACTOR shall make available, upon written request by any duly authorized Federal, State or COUNTY agency, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the CONTRACTOR's costs related to this Agreement. All such books, documents and records shall be maintained by CONTRACTOR for at least five years following termination of this Agreement and be available for audit by the COUNTY. CONTRACTOR shall provide to the COUNTY reports and information related to this Agreement as requested by COUNTY.

16. Confidentiality

16.1 The CONTRACTOR shall not use for personal gain or make other improper use of privileged or confidential information which is acquired in connection with this Agreement. The term "privileged or confidential information" includes but is not limited to: unpublished or sensitive technological or scientific information; medical, personnel, or security records; anticipated material requirements or pricing/purchasing actions; COUNTY information or data which is not subject to public disclosure; COUNTY operational procedures; and knowledge of selection of contractors, subcontractors or suppliers in advance of official announcement.

16.2 The CONTRACTOR shall protect from unauthorized disclosure names and other identifying information concerning persons receiving services pursuant to this Agreement, except for general statistical information not identifying any person. The CONTRACTOR shall not use such information for any purpose other than carrying out the CONTRACTOR's obligations under this Agreement. The CONTRACTOR shall promptly transmit to the COUNTY all third party requests for disclosure of such information. The CONTRACTOR shall not disclose, except as otherwise specifically permitted by this Agreement or authorized in advance in writing by the COUNTY, any such information to anyone other than the COUNTY. For purposes of this paragraph, identity shall include, but not be limited to, name, identifying number, symbol, or other identifying particular assigned to the individual, such as finger or voice print or a photograph.

17. Administration/Contract Liaison

The COUNTY Purchasing Agent, or designee, shall administer this Agreement on behalf of the COUNTY. The Purchasing Department is to serve as the liaison with CONTRACTOR in connection with this Agreement.

18. Notices

All correspondence and notices required or contemplated by this Agreement shall be delivered to the respective parties at the addresses set forth below and are deemed submitted two days after their deposit in the United States mail, postage prepaid:

COUNTY OF RIVERSIDE	**CONTRACTOR**
(INSERT DEPARTMENT NAME)	(INSERT CONTRACTOR NAME)
(INSERT ADDRESS)	(INSERT ADDRESS)

19. Force Majeure

If either party is unable to comply with any provision of this Agreement due to causes beyond its reasonable control, and which could not have been reasonably anticipated, such as acts of God, acts of war, civil disorders, or other similar acts, such party shall not be held liable for such failure to comply.

20. EDD Reporting Requirements

In order to comply with child support enforcement requirements of the State of California, the COUNTY may be required to submit a Report of Independent Contractor(s) form **DE 542** to the Employment Development Department. The CONTRACTOR agrees to furnish the required data and certifications to the COUNTY within 10 days of notification of award of Agreement when required by the EDD. This data will be transmitted to governmental agencies charged with the establishment and enforcement of child support orders. Failure of the CONTRACTOR to timely submit the data and/or certificates required may result in the contract being awarded to another contractor. In the event a contract has been issued, failure of the CONTRACTOR to comply with all federal and state reporting requirements for child support enforcement or to comply with all lawfully served Wage and Earnings Assignments Orders and Notices of Assignment shall constitute a material breach of Agreement. If CONTRACTOR has any questions concerning this reporting requirement, please call (916) 657-0529. CONTRACTOR should also contact its local Employment Tax Customer Service Office listed in the telephone directory in the State Government section under "Employment Development Department" or access their Internet site at www.edd.ca.gov.

21. Hold Harmless/Indemnification

21.1 CONTRACTOR shall indemnify and hold harmless the County of Riverside, its Agencies, Districts, Special Districts and Departments, their respective directors, officers, Board of Supervisors, elected and appointed officials, employees, agents and representatives (individually and collectively hereinafter referred to as Indemnitees) from any liability whatsoever, based or asserted upon any services of CONTRACTOR, its officers, employees, subcontractors, agents or representatives arising out of or in any way relating to this Agreement, including but not limited to property damage, bodily injury, or death or any other element of any kind or nature whatsoever arising from the performance of CONTRACTOR, its officers, employees, subcontractors, agents or representatives Indemnitors from this Agreement. CONTRACTOR shall defend, at its sole expense, all costs, and fees including, but not limited, to attorney fees, cost of investigation, defense and settlements or awards, the Indemnitees in any claim or action based upon such alleged acts or omissions.

21.2 With respect to any action or claim subject to indemnification herein by CONTRACTOR, CONTRACTOR shall, at their sole cost, have the right to use counsel of their own choice and shall have the right to adjust, settle, or compromise any such action or claim without the prior consent of COUNTY; provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes CONTRACTOR'S indemnification to Indemnitees as set forth herein.

21.2 CONTRACTOR'S obligation hereunder shall be satisfied when CONTRACTOR has provided to COUNTY the appropriate form of dismissal relieving COUNTY from any liability for the action or claim involved.

21.3 The specified insurance limits required in this Agreement shall in no way limit or circumscribe CONTRACTOR'S obligations to indemnify and hold harmless the Indemnitees herein from third party claims.

21.4 In the event there is conflict between this clause and California Civil Code Section 2782, this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not relieve the CONTRACTOR from indemnifying the Indemnitees to the fullest extent allowed by law.

21.5 CONTRACTOR's indemnification obligations shall also apply to any action or claim regarding actual or alleged intellectual property infringement related to any material or product provided to COUNTY pursuant to this Agreement. In the event of any such action or claim, CONTRACTOR shall provide immediate notice to COUNTY of the action or claim. CONTRACTOR may defend or settle the action or claim as CONTRACTOR deems appropriate; however, CONTRACTOR shall be required to obtain for COUNTY the right to continue to use the material or product (or a similar non-infringing material or product with the same function) on terms identical to those stated in this Agreement.

22. Insurance

22.1 Without limiting or diminishing the CONTRACTOR'S obligation to indemnify or hold the COUNTY harmless, CONTRACTOR shall procure and maintain or cause to be maintained, at its sole cost and expense, the following insurance coverage's during the term of this Agreement. As respects to the insurance section only, the COUNTY herein refers to the County of Riverside, its Agencies, Districts, Special Districts, and Departments, their respective directors, officers, Board of Supervisors, employees, elected or appointed officials, agents, or representatives as Additional Insureds.

22.2 Workers' Compensation: If the CONTRACTOR has employees as defined by the State of California, the CONTRACTOR shall maintain statutory Workers' Compensation Insurance (Coverage A) as prescribed by the laws of the State of California. Policy shall include Employers' Liability (Coverage B) including Occupational Disease with limits not less than $1,000,000 per person per accident. The policy shall be endorsed to waive subrogation in favor of the County of Riverside.

22.3 Commercial General Liability: Commercial General Liability insurance coverage, including but not limited to, premises liability, unmodified contractual liability, products and completed operations liability, personal and advertising injury, and cross liability coverage, covering claims which may arise from or out of CONTRACTOR'S performance of its obligations hereunder. Policy shall name the COUNTY as Additional Insured. Policy's limit of liability shall not be less than $1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit.

22.4 Vehicle Liability: If vehicles or mobile equipment are used in the performance of the obligations under this Agreement, then CONTRACTOR shall maintain liability insurance for all owned, non-owned, or hired vehicles so used in an amount not less than $1,000,000 per occurrence combined single limit. If such insurance contains a general aggregate limit, it shall apply separately to this agreement or be no less than two (2) times the occurrence limit. Policy shall name the COUNTY as Additional Insureds.

22.5 Professional Liability: (ONLY TO BE INCLUDED IN CONTRACTS WITH SERVICE PROVIDERS INCLUDING BUT NOT LIMITED TO ENGINEERS, DOCTORS, AND LAWYERS). Contractor shall maintain Professional Liability Insurance providing coverage for the Contractor's performance of work included within this Agreement, with a limit of liability of not less than $1,000,000 per occurrence and $2,000,000 annual aggregate. If Contractor's Professional Liability Insurance is written on a claims made basis rather than an occurrence basis, such insurance shall continue through the term of this Agreement and CONTRACTOR shall purchase at his sole expense either 1) an Extended Reporting Endorsement (also, known as Tail Coverage); or 2) Prior Dates Coverage from new insurer with a retroactive date back to the date of, or prior to, the inception of this Agreement; or 3) demonstrate through Certificates of Insurance that CONTRACTOR has Maintained continuous coverage with the same or original insurer. Coverage provided under items; 1), 2), or 3) will continue as long as the law allows.

22.6 General Insurance Provisions - All lines:

1) Any insurance carrier providing insurance coverage hereunder shall be admitted to the State of California and have an A M BEST rating of not less than A: VIII (A:8) unless such requirements are waived, in writing, by the County Risk Manager. If the County's Risk Manager waives a requirement for a particular insurer such waiver is only valid for that specific insurer and only for one policy term.

2) The CONTRACTOR must declare its insurance self-insured retention for each coverage required herein. If any such self-insured retention exceeds $500,000 per occurrence each such retention shall have the prior written consent of the County Risk

Manager before the commencement of operations under this Agreement. Upon notification of self-insured retention unacceptable to the COUNTY, and at the election of the Country's Risk Manager, CONTRACTOR'S carriers shall either; 1) reduce or eliminate such self-insured retention as respects this Agreement with the COUNTY, or 2) procure a bond which guarantees payment of losses and related investigations, claims administration, and defense costs and expenses.

3) CONTRACTOR shall cause CONTRACTOR'S insurance carrier(s) to furnish the County of Riverside with either 1) a properly executed original Certificate(s) of Insurance and certified original copies of Endorsements effecting coverage as required herein, and 2) if requested to do so orally or in writing by the County Risk Manager, provide original Certified copies of policies including all Endorsements and all attachments thereto, showing such insurance is in full force and effect. Further, said Certificate(s) and policies of insurance shall contain the covenant of the insurance carrier(s) that thirty (30) days written notice shall be given to the County of Riverside prior to any material modification, cancellation, expiration or reduction in coverage of such insurance. In the event of a material modification, cancellation, expiration, or reduction in coverage, this Agreement shall terminate forthwith, unless the County of Riverside receives, prior to such effective date, another properly executed original Certificate of Insurance and original copies of endorsements or certified original policies, including all endorsements and attachments thereto evidencing coverage's set forth herein and the insurance required herein is in full force and effect. *CONTRACTOR shall not commence operations until the COUNTY has been furnished original Certificate (s) of Insurance and certified original copies of endorsements and if requested, certified original policies of insurance including all endorsements and any and all other attachments as required in this Section. An individual authorized by the insurance carrier to do so on its behalf shall sign the original endorsements for each policy and the Certificate of Insurance.*

4) It is understood and agreed to by the parties hereto that the CONTRACTOR'S insurance shall be construed as primary insurance, and the COUNTY'S insurance and/or deductibles and/or self-insured retention's or self-insured programs shall not be construed as contributory.

5) If, during the term of this Agreement or any extension thereof, there is a material change in the scope of services; or, there is a material change in the equipment to be used in the performance of the scope of work; or, the term of this Agreement, including any extensions thereof, exceeds five (5) years; the COUNTY reserves the right to adjust the types of insurance and the monetary limits of liability required under this Agreement, if in the County Risk Manager's reasonable judgment, the amount or type of insurance carried by the CONTRACTOR has become inadequate.

6) CONTRACTOR shall pass down the insurance obligations contained herein to all tiers of subcontractors working under this Agreement.

7) The insurance requirements contained in this Agreement may be met with a program(s) of self-insurance acceptable to the COUNTY.

8) CONTRACTOR agrees to notify COUNTY of any claim by a third party or any incident or event that may give rise to a claim arising from the performance of this Agreement.

23. <u>General</u>

23.1 CONTRACTOR shall not delegate or assign any interest in this Agreement, whether by operation of law or otherwise, without the prior written consent of COUNTY. Any attempt to delegate or assign any interest herein shall be deemed void and of no force or effect.

23.2 Any waiver by COUNTY of any breach of any one or more of the terms of this Agreement shall not be construed to be a waiver of any subsequent or other breach of the same or of any other term of this Agreement. Failure on the part of COUNTY to require exact, full, and complete compliance with any terms of this Agreement shall not be construed as in any manner changing the terms or preventing COUNTY from enforcement of the terms of this Agreement.

23.3 In the event the CONTRACTOR receives payment under this Agreement which is later disallowed by COUNTY for nonconformance with the terms of the Agreement, the CONTRACTOR shall promptly refund the disallowed amount to the COUNTY on request; or at its option the COUNTY may offset the amount disallowed from any payment due to the CONTRACTOR.

23.4 CONTRACTOR shall not provide partial delivery or shipment of services or products unless specifically stated in the Agreement.

23.5 CONTRACTOR shall not provide any services or products subject to any chattel mortgage or under a conditional sales contract or other agreement by which an interest is retained by a third party. The CONTRACTOR warrants that it has good title to all materials or products used by CONTRACTOR or provided to COUNTY pursuant to this Agreement, free from all liens, claims, or encumbrances.

23.6 Nothing in this Agreement shall prohibit the COUNTY from acquiring the same type or equivalent equipment, products, materials or services from other sources, when deemed by the COUNTY to be in its best interest. The COUNTY reserves the right to purchase more or less than the quantities specified in this Agreement.

23.7 The COUNTY agrees to cooperate with the CONTRACTOR in the CONTRACTOR's performance under this Agreement, including, if stated in the Agreement, providing the CONTRACTOR with reasonable facilities and timely access to COUNTY data, information, and personnel.

23.8 CONTRACTOR shall comply with all applicable Federal, State and local laws and regulations. CONTRACTOR will comply with all applicable COUNTY policies and procedures. In the event that there is a conflict between the various laws or regulations that may apply, the CONTRACTOR shall comply with the more restrictive law or regulation.

23.9 CONTRACTOR shall comply with all air pollution control, water pollution, safety and health ordinances, statutes, or regulations which apply to performance under this Agreement.

23.10 CONTRACTOR shall comply with all requirements of the Occupational Safety and Health Administration (OSHA) standards and codes as set forth by the U.S. Department of Labor and the State of California (Cal/OSHA).

23.11 This Agreement shall be governed by the laws of the State of California. Any legal action related to the performance or interpretation of this Agreement shall be filed only in the Superior Court of the State of California located in Riverside, California, and the parties waive any provision of law providing for a change of venue to another location. In the event any provision in this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will nevertheless continue in full force without being impaired or invalidated in any way.

23.12 This Agreement, including any attachments or exhibits, constitutes the entire Agreement of the parties with respect to its subject matter and supersedes all prior and contemporaneous representations, proposals, discussions and communications, whether oral or in writing. This Agreement may be changed or modified only by a written amendment signed by authorized representatives of both parties.

COUNTY:
(INSERT DEPARTMENT NAME)
(INSERT ADDRESS)

Signature:______________________________

Print Name: (YOUR NAME HERE)__________

Title: (INSERT TITLE)____________________

Dated: ______________________________

CONTRACTOR:
(INSERT CONTRACTOR NAME)
(INSERT ADDRESS)

Signature:____________________________

Print Name: (CONTRACTOR NAME HERE)

Title: (INSERT TITLE)_______________

Dated: ______________________________

Attachment I
HIPAA Business Associate Addendum to the Agreement
Between the County of Riverside
and
(CONTRACTOR).

This HIPAA Business Associate Agreement Addendum ("Addendum") supplements, and is made part of the Agreement for Services (the "Underlying Agreement") between the COUNTY OF RIVERSIDE ("County") and (Insert Contractor Name) ("Contractor") as of the date of approval by both parties (the "Effective Date").

RECITALS

WHEREAS, County and Contractor entered into the Underlying Agreement pursuant to which Contractor provides services to County, and in conjunction with the provision of such services certain Protected Health Information ("PHI") and/or certain electronic Protected Health Information (ePHI) may be made available to Contractor for the purposes of carrying out its obligations under the Underlying Agreement; and,

WHEREAS, the provisions of the Health Insurance Portability and Accountability Act, Pub. L. No. 104-161 of 1996 ("HIPAA"), more specifically the regulations found at Title 45, CFR, Parts 160 and 164 (the "Privacy Rule") and/or Part 162 (the "Security Rule"), as may be amended from time to time, which are applicable to the protection of any disclosure of PHI and /or ePHI pursuant to the Underlying Agreement; and,

WHEREAS, County is a Covered Entity, as defined in the Privacy Rule; and,

WHEREAS, Contractor, when a recipient of PHI and/or ePHI from County, is a Business Associate as defined in the Privacy Rule; and,

WHEREAS, the parties agree that any disclosure or use of PHI and/or ePHI be in compliance with the Privacy Rule, Security Rule, or other applicable law;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties agree as follows:

1. Definitions. Unless otherwise provided in this Addendum, capitalized terms shall have the same meanings as set forth in the Privacy Rule and/or Security Rule, as may be amended from time to time.

2. Scope of Use and Disclosure by Contractor of County Disclosed PHI and/or ePHI

   A. Contractor shall be permitted to use PHI and/or ePHI disclosed to it by the County:

      (1) On behalf of the County, or to provide services to the County for the purposes contained herein, if such use or disclosure would not violate the Privacy Rule and/or Security Rule;

      (2) As necessary to perform any and all of its obligations under the Underlying Agreement.

   B. Unless otherwise limited herein, in addition to any other uses and/or disclosures permitted or authorized by this Addendum or required by law, Contractor may:

      (1) Use the PHI and/or ePHI in its possession for its proper management and administration and to fulfill any legal obligations.

      (2) Disclose the PHI and/or ePHI in its possession to a third party for the purpose of Contractor's proper management and administration or to fulfill any legal responsibilities of Contractor. Contractor may disclose PHI and/or ePHI as necessary for Contractor's operations only if:

         (a) The disclosure is required by law; or

         (b) Contractor obtains written assurances from any person or organization to which Contractor will disclose such PHI and/or ePHI that the person or organization will:

(i) Hold such PHI and/or ePHI in confidence and use or further disclose it only for the purpose of which Contractor disclosed it to the third party, or as required by law; and,

(ii) The third party will notify Contractor of any instances of which it becomes aware in which the confidentiality of the information has been breached.

(3) Aggregate the PHI and/or ePHI aggregate the PHI and/or ePHI with that of other data for the purpose of providing County with data analyses related to the Underlying Agreement, or any other purpose, financial or otherwise, as requested by County.

(4) Not disclose PHI and/or ePHI disclosed to Contractor by County not authorized by the Underlying Agreement or this Addendum without patient authorization or de-identification of the PHI and/or ePHI as authorized in writing by County.

(5) De-identify any and all PHI and/or ePHI of County received by Contractor under this Addendum provided that the de-identification conforms to the requirements of the Privacy Rule and/or Security Rule and does not preclude timely payment and/or claims processing and receipt.

C. Contractor agrees that it will neither use nor disclose PHI and/or ePHI it receives from County, or from another business associate of County, except as permitted or required by this Addendum, or as required by law, or as otherwise permitted by law.

D. Notwithstanding the foregoing, in any instance where applicable state and/or federal laws and/or regulations are stricter in their requirements than the provisions of HIPAA and prohibit the disclosure of mental health, and/or substance abuse records, the applicable state and/or federal laws and/or regulations shall control the disclosure of records.

3. Obligations of County.

A. County agrees that it will make its best efforts to promptly notify Contractor in writing of any restrictions on the use and disclosure of PHI and/or ePHI agreed to by County that may affect Contractor's ability to perform its obligations under the Underlying Agreement, or this Addendum.

B. County agrees that it will make its best efforts to promptly notify Contractor in writing of any changes in, or revocation of, permission by any Individual to use or disclose PHI and/or ePHI, if such changes or revocation may affect Contractor's ability to perform its obligations under the Underlying Agreement, or this Addendum.

C. County agrees to make its best efforts to promptly notify Contractor in writing of any known limitation(s) in its notice of privacy practices to the extent that such limitation may affect Contractor's use of disclosure of PHI and/or ePHI.

D. County shall not request Contractor to use or disclose PHI and/or ePHI in any manner that would not be permissible under the Privacy Rule and/or Security Rule.

E. County will obtain any authorizations necessary for the use or disclosure of PHI and/or ePHI, so that Contractor can perform its obligations under this Addendum and/or the Underlying Agreement.

4. Obligations of Contractor. In connection with its use of PHI and/or ePHI disclosed by County to Contractor, Contractor agrees to:

A. Use or disclose PHI and/or ePHI only as permitted or required by this Addendum or as required by law.

B. Use reasonable and appropriate safeguards to prevent use or disclosure of PHI and/or ePHI other than as provided for by this Addendum.

C. To the extent practicable, mitigate any harmful effect that is known to Contractor of a use or disclosure of PHI and/or ePHI by Contractor in violation of this Addendum.

D. Report to County any use or disclosure of PHI and/or ePHI not provided for by this Addendum of which Contractor becomes aware.

E. Require sub-contractors or agents to whom Contractor provides PHI and/or ePHI to agree to the same restrictions and conditions that apply to Contractor pursuant to this Addendum.

F. Use appropriate administrative, technical, and physical safeguards to prevent inappropriate use or disclosure of PHI and/or ePHI created or received for or from the County.

G. Obtain and maintain knowledge of the applicable laws and regulations related to HIPAA, as may be amended from time to time.

5. <u>Access to PHI, Amendment and Disclosure Accounting</u>. Contractor agrees to:

A. Provide access, at the request of County, within five (5) days, to PHI in a Designated Record Set, to the County, or to an Individual as directed by the County.

B. To make any amendment(s) to PHI in a Designated Record Set that the County directs or agrees to at the request of County or an Individual within sixty (60) days of the request of County.

C. To assist the County in meeting its disclosure accounting under HIPAA:

(1) Contractor agrees to document such disclosures of PHI and information related to such disclosures as would be required for the County to respond to a request by an Individual for an accounting of disclosures of PHI.

(2) Contractor agrees to provide to County or an Individual, within sixty (60) days, information collected in accordance with this section to permit the County to respond to a request by an Individual for an accounting of disclosures of PHI.

(3) Contractor shall have available for the County the information required by this section for the six (6) years preceding the County's request for information (except the Contractor need have no information for disclosures occurring before April 14, 2003).

D. Make available to the County, or to the Secretary of Health and Human Services, Contractor's internal practices, books and records relating to the use of and disclosure of PHI for purposes of determining Contractor's compliance with the Privacy Rule, subject to any applicable legal restrictions.

E. Within thirty (30) days of receiving a written request from County, make available any and all information necessary for County to make an accounting of disclosures of County PHI by Contractor.

F. Within thirty (30) days of receiving a written request from County, incorporate any amendments or corrections to the PHI in accordance with the Privacy Rule in the event that the PHI in Contractor's possession constitutes a Designated Record Set.

G. Not make any disclosure of PHI that County would be prohibited from making.

6. <u>Access to ePHI, Amendment and Disclosure Accounting</u>. In the event contractor needs to create or have access to County ePHI, Contractor agrees to:

A. Implement and maintain reasonable and appropriate administrative, physical, and technical safeguards to protect the confidentiality of, the integrity of, the availability of, and authorized persons' accessibility to, County ePHI as applicable under the terms and conditions of the Underlying Agreement. The ePHI shall include that which the Contractor may create, receive, maintain, or transmit on behalf of the County.

B. Ensure that any agent, including a subcontractor, to whom Contractor provides ePHI agrees to implement reasonable and appropriated safeguards.

C. Report to County any security incident of which Contractor becomes aware that concerns County ePHI.

7. Term and Termination.

A. Term – this Addendum shall commence upon the Effective Date and terminate upon the termination of the Underlying Agreement, except as terminated by County as provided herein.

B. Termination for Breach – County may terminate this Addendum, effective immediately, without cause, if County, in its sole discretion, determines that Contractor has breached a material provision of this Addendum. Alternatively, County may choose to provide Contractor with notice of the existence of an alleged material breach and afford Contractor with an opportunity to cure the alleged material breach. In the event Contractor fails to cure the breach to the satisfaction of County in a timely manner, County reserves the right to immediately terminate this Addendum.

C. Effect of Termination – upon termination of this Addendum, for any reason, Contractor shall return or destroy all PHI and/or ePHI received from the County, or created or received by Contractor on behalf of County, and, in the event of destruction, Contractor shall certify such destruction, in writing, to County. This provision shall apply to all PHI and/or ePHI which is in possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the PHI and/or ePHI.

D. Destruction not Feasible – in the event that Contractor determines that returning or destroying the PHI and/or ePHI is not feasible, Contractor shall provide written notification to County of the conditions which make such return or destruction not feasible. Upon determination by Contractor that return or destruction of PHI is not feasible, Contractor shall extend the protections of this Addendum to such PHI and/or ePHI and limit further uses and disclosures of such PHI and/or ePHI to those purposes which make the return or destruction not feasible, for so long as Contractor maintains such PHI and/or ePHI.

8. Hold Harmless/Indemnification

Contractor shall indemnify and hold harmless all Agencies, Districts, Special Districts and Departments of the County, their respective directors, officers, Board of Supervisors, elected and appointed officials, employees, agents and representatives from any liability whatsoever, based or asserted upon any services of Contractor, its officers, employees, subcontractors, agents or representatives arising out of or in any way relating to this Addendum, including but not limited to property damage, bodily injury, or death or any other element of any kind or nature whatsoever including fines, penalties or any other costs and resulting from any reason whatsoever arising from the performance of Contractor, its officers, agents, employees, subcontractors, agents or representatives from this Addendum. Contractor shall defend, at its sole expense, all costs and fees including but not limited to attorney fees, cost of investigation, defense and settlements or awards all Agencies, Districts, Special Districts and Departments of the County, their respective directors, officers, Board of Supervisors, elected and appointed officials, employees, agents and representatives in any claim or action based upon such alleged acts or omissions.

With respect to any action or claim subject to indemnification herein by Contractor, Contractor shall, at their sole cost, have the right to use counsel of their choice, subject to the approval of County, which shall not be unreasonably withheld, and shall have the right to adjust, settle, or compromise any such action or claim without the prior consent of County; provided, however, that any such adjustment, settlement or compromise in no manner whatsoever limits or circumscribes Contractor's indemnification to County as set forth herein. Contractor's obligation to defend, indemnify and hold harmless County shall be subject to County having given Contractor written notice within a reasonable period of time of the claim or of the commencement of the related action, as the case may be, and information and reasonable assistance, at Contractor's expense, for the defense or settlement thereof. Contractor's obligation hereunder shall be satisfied when Contractor has provided to County the appropriate form of dismissal relieving County from any liability for the action or claim involved.

The specified insurance limits required in the Underlying Agreement of this Addendum shall in no way limit or circumscribe Contractor's obligations to indemnify and hold harmless the County herein from third party claims arising from the issues of this Addendum.

In the event there is conflict between this clause and California Civil Code Section 2782, this clause shall be interpreted to comply with Civil Code 2782. Such interpretation shall not relieve the Contractor from indemnifying the County to the fullest extent allowed by law.

In the event there is a conflict between this indemnification clause and an indemnification clause contained in the Underlying Agreement of this Addendum, this indemnification shall only apply to the subject issues included within this Addendum.

9. General Provisions.

A. Amendment – the parties agree to take such action as is necessary to amend this Addendum from time to time as is necessary for County to comply with the Privacy Rule and HIPAA generally.

B. Survival – the respective rights and obligations of this Addendum shall survive the termination or expiration of this Addendum.

C. Regulatory References – a reference in this Addendum to a section in the Privacy Rule means the section as in effect or as amended.

D. Conflicts – any ambiguity in this Addendum and the Underlying Agreement shall be resolved to permit County to comply with the Privacy Rule, Security Rule, and HIPAA generally.

E. Interpretation of Addendum – this Addendum shall be construed to be a part of the Underlying Agreement as one document. The purpose is to supplement the Underlying Agreement to include the requirements of HIPAA.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum as set forth below:

CONTRACTOR	COUNTY OF RIVERSIDE
By: ______________________	By: ______________________
Date: ______________________	Date: ______________________

EXHIBIT C
LOCAL PREFERENCE

RFP # HRARC-040

Local Business Qualification Affidavit

The County of Riverside Local Business Preference may be applied to this Request for Proposal/Quotation. If you qualify for this preference, please submit this form along with your response to this RFP/Q.

Definition of Local Business

A local business shall mean business firms with fixed offices located within the geographical boundaries of Riverside County, authorized to perform business within the County, and in doing so, credit all sales tax from sales generated within Riverside County to the County, and who provide product or perform contracted work using employees, of whom the majority are physically located in said local offices.

Local businesses" shall have a Riverside County business street address. Post office box numbers, residential addresses or un-staffed sales offices shall not suffice to establish status as a "local business." To qualify as a "local business" the location must be open and staffed during normal business hours and the business must establish proof that it has been located and doing business in Riverside County for at least (6) six months preceding its certification to the County as a local business.

Additional supporting documentation that may be requested by the County to verify qualification includes:

1. **A copy of their current BOE 531-A and/or BOE 530-C form** (State, Local & District Sales and Use Tax Return Form). This is what businesses submit to the State Board of Equalization when paying the sales tax to the State of California indicating the amount of the payment to be credited to each jurisdiction (i.e. Counties, Cities).
2. **A current business license** if required for the political jurisdiction the business is located.
3. **Proof of the current business address.** The local business needs to be operating from a functional office that is staffed with the company's employees, during normal business hours.

Business Name: ______________________________

Physical Address: ______________________________

Phone: ____________ FAX: ____________ E-Mail: ____________

Length of time at this location: ____________ Number of Company Employees at this address: ________
If less than 6 month, list previous
Riverside County location: ______________________________

Business License # (where applicable): ________ Jurisdiction ______________

Hours of Operation: ______________________________

Primary function of this location (i.e., sales, distribution, production, corporate, etc): ______________

____

______________________________ ____________
Signature of Company Official Date

Submittal of false data will result in disqualification of local preference and/or doing business with Riverside County.