

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

159



FROM: County Executive Office

SUBMITTAL DATE:
June 9, 2010

SUBJECT: Fiscal Impact Analysis of the Public Safety and Taxpayer Protection Act 2010 County Initiative Petition

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file this report; and,
2. Submit the ordinance to a vote of the voters of the county at the November 2, 2010, consolidated general election.

BACKGROUND: On May 18, 2010, the Board of Supervisors approved certification of a ballot initiative proposing a new county ordinance pertaining to public safety pension benefits. Pursuant to Section 9116(c) of the Elections code, the board directed the County Executive Office to return with a report addressing the fiscal impact and other issues raised by the board regarding this initiative in conformance with Section 9111. At this time, the board may either adopt the ordinance within ten days, or order the initiative to be set for election. Based on the conclusions of the attached report, the County Executive Office recommends setting the matter for election.


Denise C. Harden, Principal Management Analyst

FINANCIAL DATA

Current F.Y. Total Cost:	\$ NA	In Current Year Budget:
Current F.Y. Net County Cost:	\$ NA	Budget Adjustment:
Annual Net County Cost:	\$ NA	For Fiscal Year:

SOURCE OF FUNDS: NA

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

C.E.O. RECOMMENDATION:

APPROVE

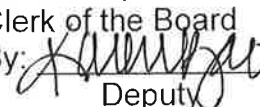
BY: 
Ed Corser

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Benoit and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Benoit and Ashley
Nays: None
Absent: Tavaglione and Stone
Date: June 15, 2010
xc: EO, ROV

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

Prev. Agn. Ref.: 05/18/10 Items 3.78 & 3.79 | District: All | Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.39

FORWARDED TO: 
BY: PAMELA J. WALLS
DATE: 6/11/10

Dept't Recomm.: ☐ Policy ☒ Policy
Per Exec. Ofc.: ☐ Consent ☒ Consent



COUNTY OF RIVERSIDE

EXECUTIVE OFFICE

Bill Luna

County Executive Officer

Jay E. Orr

Assistant County Executive Officer

Fiscal Impact Analysis of the Proposed Public Safety and Taxpayer Protection Act of 2010

June 8, 2010

Robert T. Andersen Administrative Center
4080 Lemon Street, 4th Floor • Riverside, CA 92501
Tel (951) 955-1100 • Fax (951) 955-1105



Public Safety Pension Ballot Initiative
Fiscal Impact Report

June 9, 2010

Executive Summary

As Riverside County's pension liability rises, a proposed Riverside Sheriff's Association ballot measure would prohibit the Board of Supervisors from altering pension benefits for deputies without voter approval. The Riverside Sheriff's Association (RSA) is the union that represents Riverside County sheriff's deputies.

The measure raises many concerns for Riverside County, including the restrictions it imposes on the Board of Supervisors' budget planning ability, especially when the economy falters. Local governments across California and the nation already are straining as revenues tumble and pension costs climb.

Of equal concern is how the measure locks in existing benefits, circumventing a committee the Board of Supervisors empanelled specifically to develop options for bringing pension costs back under control.

Although RSA describes its measure as a "taxpayer protection act," the initiative would hinder county efforts to explore a two-tier pension benefit for new safety employees, a shift that could save taxpayers an estimated \$16 million to \$80 million over the next decade. In addition, placing a proposed pension change on the ballot in any election would cost county taxpayers \$350,000 to \$400,000.

This report examines the measure's possible effects and other issues that will drive county financial decisions for decades. Key points to consider include:

- The county's projected pension liability for safety and non-safety employees will total \$6.12 billion by June 30, 2010, soaring by more than 50 percent in the last five years.
- The county negotiates contracts with employee labor organizations within the context of budgetary constraints. Delaying contracts while awaiting voter consideration could stall budget decisions well into future fiscal years and force unplanned cuts in safety and non-safety departments if changes fail at the polls.
- Riverside County must address pension reform for all employees, safety and non-safety alike, in order to protect vital services Riverside County residents deserve and demand.
- Three of the five counties surrounding Riverside County have adopted two-tier pension plans for safety employees. Two-tier plans let public agencies maintain commitments to current employees yet lower the county's pension obligation by offering new employees reasonable salaries and sustainable pensions.
- Taxpayers already shoulder over \$6 billion in county pension liability. Annual safety pension costs would grow by 76 percent if unchecked over the next decade, jumping from \$51.1 million to \$90.2 million. Rising costs threaten existing safety services and other programs as tax dollars intended for community services are redirected to pay pension costs.

During challenging budget times, the Board needs flexibility to make difficult decisions key to maintaining vital services and stabilizing county finances. Restricting the Board's control over such important decisions raises serious concerns.

**Public Safety Pension Ballot Initiative
Fiscal Impact Report**

June 9, 2010

Background

On May 18, 2010, the Board approved agenda item 3.78 certifying RSA's measure, which is included in Attachments B and C to this report. If approved, the initiative would establish a county ordinance preventing the Board of Supervisors from adjusting the pension formula for current and future county safety employees without voter approval. A vote also would be required to decrease or increase pre-retirement death benefits for current or future county safety employees' beneficiaries. The ordinance requires the county to maintain the existing 3 percent at 50 pension benefit, the most generous plan CalPERS offers, even if CalPERS no longer offers the formula.

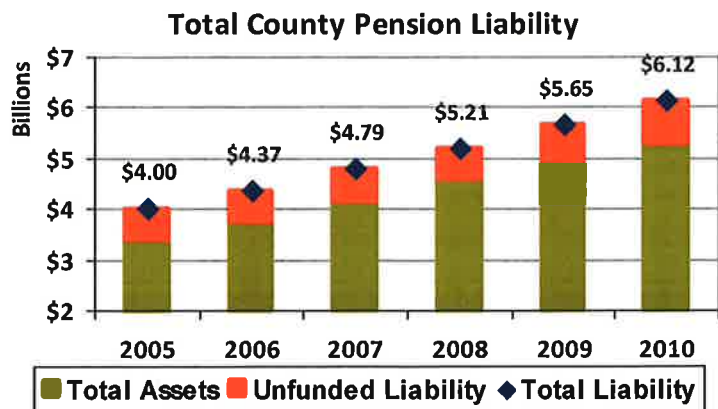
Under Sec. 9116 of the Elections Code the Board has three options when a certified initiative petition proposes a new county ordinance: 1) adopt the ordinance without alteration; 2) immediately call for a special election; or, 3) order a report pursuant to Sec. 9111 within 30 days, upon which the Board shall either adopt the ordinance within 10 days or order an election.

The report may address fiscal impacts and other issues the Board requests. The Board directed that the county executive officer return with a report by June 15, 2010. Questions the Board wanted addressed include: whether the initiative will foreclose the Board's ability to move toward a multi-tier retirement plan; the financial impact on the county; whether resulting cost increases may intensify pressure to lower other employees' pensions; and, whether future pension cost increases may have implications on the county's ability to maintain staffing and sustain service levels.

Analysis

The initiative does not completely foreclose the Board's ability to increase or decrease the public safety pension benefit formula. However, it does significantly restrict the Board's flexibility to respond in a timely manner to changing economic or budgetary conditions. It will increase the time, complexity and administrative cost of implementing negotiated changes in public safety pension benefits. The measure requires a countywide election each time changes are proposed for safety employees. If cost-saving changes to pension benefits were negotiated and put to vote, but not passed, the Board would have to look for cuts elsewhere, reducing other community services, staffing levels or elements of compensation. According to the county's registrar of voters, adding the item to the ballot for each election would cost county taxpayers \$350,000 to \$400,000 each time.

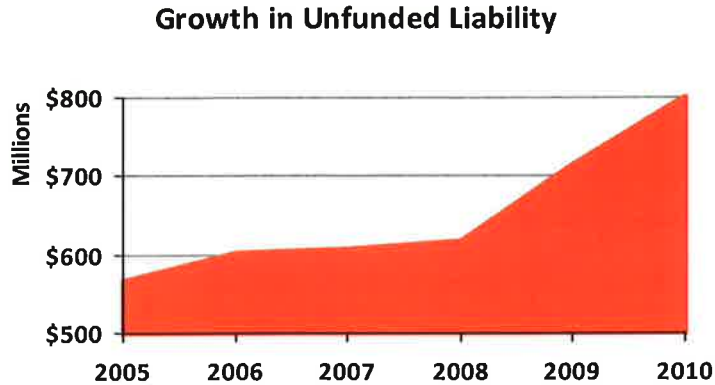
According to actuarial analysis, the County of Riverside's projected total pension liability for both safety and non-safety employees will be \$6.12 billion by June 30, 2010.¹ This liability grew by \$2.12 billion, from \$4 billion in June 2005.² To cover this liability, the county has a total of \$5.32 billion³ in assets with CalPERS, an increase of \$1.88 billion since June 2005. This leaves a projected total *unfunded* liability of \$800 million.⁴



**Public Safety Pension Ballot Initiative
Fiscal Impact Report**

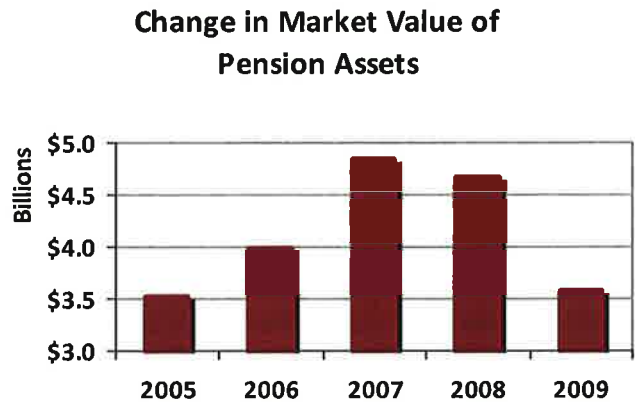
June 9, 2010

The pension liability for commitments to non-safety employees increased from \$2.79 billion in June 2005 to a projected \$4.3 billion by June 2010.⁵ Of this liability, \$606 million is unfunded. The pension

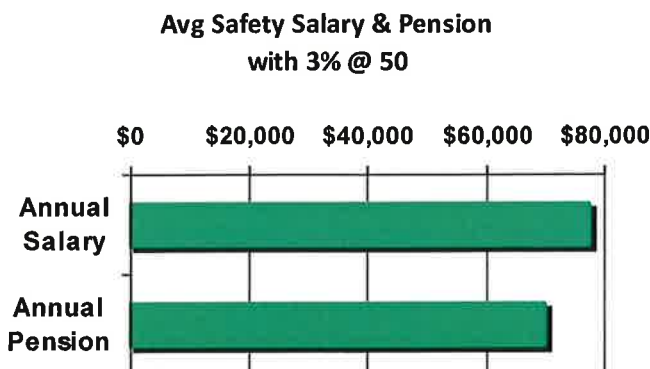


liability for commitments to public safety employees increased from \$1.21 billion in June 2005 to a projected \$1.82 billion by June 2010.⁶ The county's unfunded public safety pension liability is \$194 million. The ratio of the county's unfunded to total pension liability decreased from 14.1 percent in June 2005 to 11.8 percent in June 2008. However, it is estimated this ratio rose again to 12.6 percent in 2009, and is projected to reach 13.1 percent in June 2010.

Ten years ago, the funded status of the county's pension position with CalPERS was "super-funded," meaning the county's pension assets more than covered the pension liability projected at that time.⁷ The county now has unfunded pension liability for two key reasons. First, the county's pension assets are invested by CalPERS. Ten years ago, CalPERS' investment returns were quite positive and the county's pension assets grew faster than expected. However, over the last two years, CalPERS' portfolio lost substantial investments because of the financial crisis and ensuing recession. As a result, the market value of the county's pension assets shrank significantly, declining 26 percent since 2007.⁸ This was not within the county's control.



Second, partly because of the county's super-funded position, the county negotiated increased pension benefits for public safety employees. The county provided a "3 percent at 50" formula and agreed to pay close to 100 percent of the cost to CalPERS for this benefit. Under the 3 percent at 50 formula,



vested career public safety employees can retire at age 50 and receive 3 percent of their highest year salary for each year worked. In addition, unlike other counties discussed below, the county pays 100 percent of employees' pension contributions once they are vested.

Public safety employees who retire with 30 years of service will receive 90 percent of their highest year's salary. Recent experience

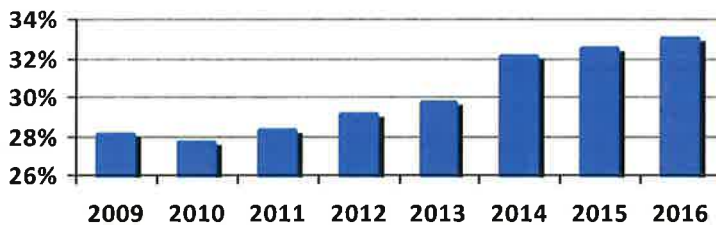
Public Safety Pension Ballot Initiative
Fiscal Impact Report

June 9, 2010

indicates that the average safety employee's base salary at retirement is \$77,377.⁹ Under the 3 percent at 50 formula, that employee will receive an annual pension of \$69,639. The decision to increase pensions was based on economic and investment information known at the time.

The additional annual amortized contribution required to cover the unfunded liability for past and present employees is estimated to be \$13 million per year.¹⁰ Covering the unfunded liability under current economic conditions presents significant challenges. CalPERS' projected average annual rate of return on investment – 7.75 percent¹¹ – may or may not hold over the near term. If that rate is not realized, the county's unfunded liability and the annual contributions required to cover it would almost certainly grow, potentially by many millions of dollars per year.

**Growth in Ratio of Estimated Safety
Pension Cost to Payroll**



In addition, these investment losses occur during an unprecedented economic crisis. As county revenues shrink, increased pension contributions consume an increasing proportion of the county's available resources. By 2016, the ratio of public safety pension costs to payroll will nearly equal 33 percent. Economic forecasts the county recently commissioned from California State University and Beacon Economics suggest county revenues may not

recover from currently depressed levels for 10 years. In addition, if mortgages on commercial real estate begin to fail, the impact on county property tax revenue could be worse than failures in the residential sector. The Board remains committed to meeting pension obligations to past and present employees. However, going forward it is clear that economic and budgetary conditions now and in the foreseeable future could require the flexibility to enact significant pension restructuring for new employees.

The Board is studying alternatives for a two-tier pension program, with a second tier formula applying to new hires. Options include moving to 3 percent at 55 formula, a 2 percent at 50 formula, or a hybrid formula that combines a traditional defined benefit component with a defined contribution component, similar to a 401k. Under the current 3 percent at 50 formula without a second tier for new hires, annual pension contributions for public safety over the next 10 years could increase from an estimated \$51.1 million in FY 10/11 to \$90.2 million in FY 19/20,¹² a 76 percent increase.

By contrast, under a second tier formula of 3 percent at 55, annual contributions could climb less, from an estimated \$50.9 million in FY10/11 to an estimated \$86.8 million in FY 19/20,¹³ a 71 percent increase. Using those projections, the second tier's estimated annual savings range from \$224,000 in FY 10/11 to \$3.4 million in FY 19/20.¹⁴

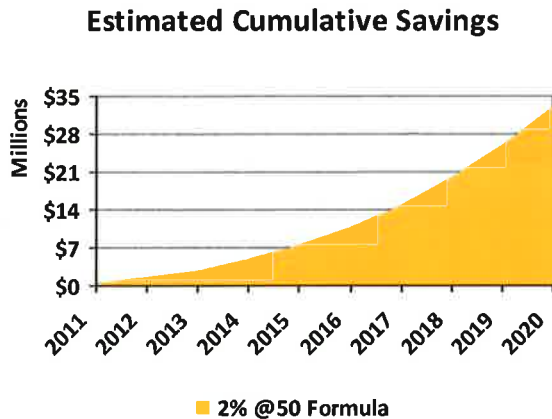
Estimated Cumulative Savings



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Savings from a second tier grow over time due to attrition in the first tier and the proportional increase in employees in the second tier. The estimated cumulative savings under this formula versus 3 percent at 50 is \$16 million.

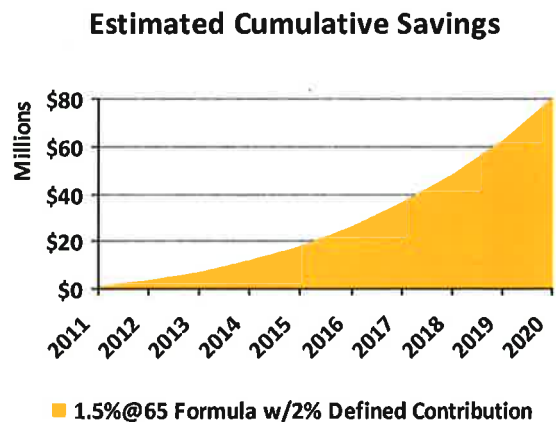


Under a second tier formula of 2 percent at 50, annual contributions could rise from an estimated \$50.7 million in FY 10/11 to an estimated \$83.3 million in FY 19/20,¹⁵ a 64 percent increase. Using those projections, the second tier's estimated annual savings range from \$455,000 in FY 10/11 to \$6.9 million in FY 19/20.¹⁶ The estimated cumulative savings under this formula versus 3 percent at 50 is \$32.6 million.

Another potential alternative being discussed with CalPERS is the possibility of introducing the option of a second tier formula with a defined

benefit of 1.5 percent at 65 for new hires plus 2 percent toward a defined contribution plan. Annual contribution for such a plan would grow, but not by as much, from an estimated \$50 million in FY 10/11 to \$73.3 million in FY 19/20.¹⁷ Using those projections, this second tier option might save an estimated \$1.1 million in FY 10/11 to \$16.9 million in FY 19/20.¹⁸ The cumulative savings under this formula versus 3 percent at 50 is estimated at \$79.6 million over 10 years.

The county is not alone in exploring pension alternatives for new hires. As seen in Attachment A, of the five surrounding counties, three have moved to two-tier public safety pension plans. San Diego County has a second tier formula of 3 percent at 55 in which employees pay 75 percent of the contributions. Los Angeles County has a second-tier formula of 2 percent at 50 with the employees paying 100 percent of contributions. Orange County's second tier formula is 3 percent at 50 after 10 years of service, based on average salary over the highest consecutive 36 months.



Both Ventura and San Bernardino counties have single-tier public safety pension plans. San Bernardino County has a 3 percent at 50 formula, but requires 10 years of service and employees pay 73 percent of contributions. Ventura County has a 2 percent at 50 formula, also requires 10 years of service, and employees pay 69 percent of contributions.¹⁹

In contrast, under Riverside County's 3 percent at 50 formula for public safety, the county pays 100 percent of the contribution after five years of service for the RSA public safety unit, after 3 years of service for the RSA law enforcement unit, and on the date of hire for both the law enforcement

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June 9, 2010

management unit and unrepresented management employees. Clearly, Riverside County has the most generous and expensive public safety pension benefits of all six Southern California counties.

Additional factors may influence the county's future pension liabilities. These include the growth rate of employee base wages, the rate at which safety employees retire, increased life expectancy, and CalPERS' portfolio performance and returns. As noted in the Pension Advisory Review Committee 2010 annual pension report, any reduction from CalPERS' assumed 7.75 percent annual rate of return would have significant consequences.²⁰ To the extent CalPERS underperforms and this rate is not realized, the unfunded liability and contributions to cover it will increase, perhaps by millions.

Moving both the county's safety and non-safety pension plans to richer formulas at lower age thresholds may have appeared sustainable 10 years ago. However, financial conditions have reversed dramatically in the last two years. This highlights the importance of the Board's ability to respond quickly to changing economic and budgetary conditions to protect the interests both of county employees and the public.

As the analysis shows, the financial impact over time of maintaining a single-tier benefit formula for public safety would be significant. Locking in public safety's 3 percent at 50 pension formula indefinitely under current budgetary constraints would force millions of dollars in additional cuts every year to safety and non-safety services. This might require cuts in pension benefits for newly hired non-safety employees. It might require cutting other forms of compensation for all employees, such as wages or other benefits. It might require cutting staffing levels, county services, and closing facilities. In addition, curtailing services in other departments will likely increase costs to public safety departments, compounding the fiscal impact on public safety. If CalPERS does not realize its projected rate of return, these cuts might be even deeper and more prolonged.

The recession illustrated clearly that during challenging budget times the Board needs flexibility to make difficult decisions that are key to maintaining vital services and stabilizing county finances. Restricting the Board's control over those important decisions raises serious concerns as the county inches toward economic recovery.

Public Safety Pension Ballot Initiative
Fiscal Impact Report

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Endnotes

¹ John E. Bartel, Bartel Associates, LLC, "Safety & Miscellaneous Plans CalPERS Actuarial Issues – 6/30/08 Valuation," 63.

² Ibid, 63.

³ Ibid, 63.

⁴ County of Riverside Pension Advisory Review Committee, "2010 Annual Report," 4 May 2010, 3.

⁵ John E. Bartel, Bartel Associates, LLC, "Safety & Miscellaneous Plans CalPERS Actuarial Issues – 6/30/08 Valuation," 62.

⁶ Ibid, 61.

⁷ Ibid, 16, 38.

⁸ John E. Bartel, Bartel Associates, LLC, "CalPERS Actuarial Issues 6/30/08 Valuation and Alternative Formula Options," 30 March 2010, 9.

⁹ Riverside County Human Resources Department.

¹⁰ California Public Employees' Retirement System, "Actuarial Valuation as of June 30, 2008, for the Safety Plan of the County of Riverside (Employer #67) Required Contributions for Fiscal Year July 1, 2010-June 30, 2011," 5, and "Actuarial Valuation as of June 30, 2008, for the Miscellaneous Plan of the County of Riverside (Employer #67) Required Contributions for Fiscal Year July 1, 2010-June 30, 2011," 5.

¹¹ John E. Bartel, Bartel Associates, LLC, "CalPERS Actuarial Issues 6/30/08 Valuation and Alternative Formula Options," 30 March 2010, 3.

¹² John E. Bartel, Bartel Associates, LLC, "Tier Alternatives – 6/30/08 Valuation," 3 June 2010, 7.

¹³ Ibid, 7.

¹⁴ Ibid, 7.

¹⁵ Ibid, 8.

¹⁶ Ibid, 8.

¹⁷ Ibid, 9.

¹⁸ Ibid, 9.

¹⁹ Pension Advisory Review Committee, "2010 Annual Report," 4 May 2010, 20-21.

²⁰ Ibid, 11.

SAFETY AGENCY COMPARISON		
COUNTY*	BENEFIT FORMULA	EMPLOYEE CONTRIBUTION
Riverside	3% @ 50 with 5 or more years of service	The employee contribution rate is 9%. The County pays 100% of employee contribution based on the following schedule for employees represented by: <ul style="list-style-type: none"> RSA Law Enforcement Unit: County pays 100% after 3 years of continuous service. Employee pays 0% thereafter. RSA Public Safety Unit: County pays 100% after 5 years of continuous service. Employee pays 0% thereafter. Law Enforcement Management Unit: County pays 100% upon date of hire. Unrepresented Management: County pays 100% on date of hire.
Orange	Tier 1: 3% @ 50 with 10 or more years of service <i>(Tier 1 Members Final Average Salary is sum of highest consecutive 12 months)</i> Tier 2: 3% @ 50 with 10 or more years of service <i>(Tier 2 Members Final Average Salary is sum of highest consecutive 36 months)</i>	Employee contribution rate based on entry age into pension system. The County pays almost 100% of employee contributions. Tier 1: The midpoint employee contribution rate is 10.03% of which the County pays 10.03%. The employee pays 0% Tier 2: The midpoint employee contribution rate is 14.36% of which the County pays 14.36%. The employee pays 0%.
Ventura	2% @ 50 Age 50 and 10 or more years of service	The employee contribution rate is 10.97% of which the County pays 3.41%. The employee pays the remaining 7.56%
San Bernardino	3% @ 50 with 10 or more years of service	Based on entry age into SBCERA: The midpoint employee contribution rate is 12.85% of which the County pays 3.44%. The employee pays the remaining 9.41%.
San Diego	Safety, Tier A: 3% @ 50 <i>(Tier A Members hired into Safety position prior to Aug 28, 2009) with 10 or more years of service</i> Safety, Tier B: 3% @ 55 <i>(Tier B Members first hired into Safety position, or changed from General to Safety on or after Aug 28, 2009) with 10 or more years of service</i>	Safety, Tier A & B: The employee contribution rate is 11.93% of which the County pays 2.94%. The employee pays the remaining 8.99%.
Los Angeles	Tier 1: 2% @ 50 with 10 or more years of service <i>(Plan A – Prior to Sept. 1977)</i> Tier 2: 2% @ 50 with 10 or more years of service <i>(Plan B – Sept. 1977 to Present)</i>	Based on Entry Age into LACERA: Tier 1: The midpoint employee contribution rate is 9.56% of which the County pays 0%. The employee pays 100%. Tier 2: The midpoint employee contribution rate is 9.33% of which the County pays 0%. The employee pays 100%.

*Note: All County Safety Plans are not integrated with Social Security.

Source: Pension Advisory Review Committee, "2010 Annual Pension Report," 4 May 2010.

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

7900c

ATTACHMENT B



FROM: Registrar of Voters

SUBMITTAL DATE:
May 13, 2010

SUBJECT: Certification and Finding of Sufficiency of the Public Safety and Taxpayer Protection Act of 2010 County Initiative Petition

RECOMMENDED MOTION: That the Board accept the certification and finding of sufficiency of subject petition.

BACKGROUND: The Public Safety and Taxpayer Protection Act of 2010 County Initiative petition was filed in our office on April 5, 2010 for the purpose of verifying that the signatures thereon were registered voters within the County of Riverside. The signatures on the petition were counted and examined by means of a random sample verification process pursuant to Elections Code §9115. The number of valid signatures on the petition is declared sufficient.

Attachments:
Certification of Petition

Barbara Dunmore

Barbara Dunmore
Registrar of Voters

**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: N/A

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

C.E.O. RECOMMENDATION:

APPROVE

BY:

Karen L. Johnson
Karen L. Johnson

County Executive Office Signature

Policy

☐

Consent

☒

Dept't Recomm.:

Policy

☐

Consent

☒

Per Exec. Ofc.:

Prev. Agn. Ref.:

District: ALL

Agenda Number:

3.78

BARBARA DUNMORE
Registrar of Voters



REGISTRAR OF VOTERS
County of Riverside

2724 Gateway Drive
Riverside, CA 92507-0918
(951)486-7200 • Fax (951)486-7272
www.voteinfo.net

CERTIFICATE OF REGISTRAR OF VOTERS

State of California)
) ss.
County of Riverside)

I, **BARBARA DUNMORE**, Registrar of Voters of the County of Riverside, State of California, do hereby certify that on April 5, 2010 the Public Safety and Taxpayer Protection Act of 2010 petition was delivered to my office for the purpose of verifying that the signatures thereon were registered within the defined area.

I further certify that the signatures on said petition were counted and examined by means of a random sample verification process, and that the results of said examination are as follows:

- That the total number of signatures submitted for said petition was.... 59,492
- The total number of signatures checked was..... 1,785
- The total number of sufficient signatures on said petition is..... 1,424
- The total number of insufficient signatures on said petition is..... 361

I further certify that out of the 59,492 signatures submitted, 45,306 signatures were projected to be valid based on the random sample of signatures.

I further certify that the number of valid signatures required to qualify said petition is 38,470 and that, because the number of valid signatures on said petition was 45,306 the petition is hereby declared sufficient.

Dated: May 13, 2010

BARBARA DUNMORE
Registrar of Voters

By: _____

Deborah Spence

Deputy

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



FROM: Executive Office

SUBMITTAL DATE:
May 13, 2010

SUBJECT: Public Safety and Taxpayer Protection Act of 2010 County Initiative Petition

RECOMMENDED MOTION: That the Board of Supervisors order a report on the effect of the proposed initiative pursuant to Elections Code §9111.

BACKGROUND: The Public Safety and Taxpayer Protection Act of 2010 County Initiative (see Attachment A), if adopted by a majority vote of the electorate, would prohibit the Board of Supervisors from taking any action to increase or decrease the current retirement benefit formula or increase or decrease the current death benefits to any past, current, or future public safety employee or beneficiary without first obtaining a majority vote of qualified voters. A petition for this initiative was filed with the Registrar of Voters on April 5, 2010. The Registrar of Voters has examined the petition pursuant to Elections Code §9115 and has declared the signatures on the petition to be sufficient.

According to Elections Code §9118, the Board of Supervisors has three options:

- (a) Adopt the ordinance without alteration at the regular meeting at which the certification of the petition is presented, or within 10 days after it is presented;

Karen L. Johnson, Management Analyst

**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: N/A

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

C.E.O. RECOMMENDATION:

APPROVE

BY:

Kathryn Field

County Executive Office Signature

Dep't Recomm.: ☒ Policy

☐ Consent

Per Exec. Ofc.: ☒ Policy

☐ Consent

Dep't Recomm.: ☐

Per Exec. Ofc.: ☐

Prev. Agn. Ref.:

District: All

Agenda Number:

3.79

- (b) Submit the ordinance, without alteration, to the voters pursuant to subdivision (b) of Elections Code §1405, unless the ordinance petitioned for is required to be, or for some reason is, submitted to the voters at a special election pursuant to subdivision (a) of Elections Code §1405; or
- (c) Order a report pursuant to Elections Code §9111 at the regular meeting at which the certification of the petition is presented.

Elections Code §9111 allows the Board to refer the proposed initiative measure to any county agency or agencies for a report on the fiscal impact and any other matters the Board requests to be in the report. Based on discussions with County Counsel, the Executive Office recommends that the Board order a report so that the impact of the adoption of the measure may be fully understood.

The report must be presented to the Board within 30 days of the acceptance of the certification of the sufficiency of the petition from the Registrar of Voters. When the report is presented to the Board, it shall either adopt the ordinance within 10 days or order an election pursuant to Elections Code § 9118, subdivision (b).

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The County Counsel has prepared the following title and summary of the chief purpose and points of the proposed measure:

TITLE:

INITIATIVE REQUIRING A MAJORITY VOTE OF THE ELECTORATE FOR THE BOARD OF SUPERVISORS TO INCREASE OR DECREASE RETIREMENT BENEFITS OR PRE-RETIREMENT DEATH BENEFITS OF ANY PUBLIC SAFETY EMPLOYEE AND REQUIRING THE COUNTY OF RIVERSIDE TO CONTINUE THE CURRENT CALPERS (California Public Employee Retirement System) RETIREMENT FORMULA

SUMMARY:

This measure, if adopted by the voters of Riverside County, would prohibit the Riverside County Board of Supervisors from taking any action to increase or decrease the current retirement benefit formula or increase or decrease the current death benefits to any past, current or future public safety employee or past, current or future beneficiary, without first obtaining a majority vote of qualified electors who vote on the matter. Voter approval would not be required for cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs.

If adopted by the voters of Riverside County, this measure would also require the County of Riverside to continue to offer the same CalPERS 3% @ 50 Benefit Formula, or substantially similar benefit, for retirement of public safety employees, as defined by CalPERS, even if CalPERS ceases to offer the 3% @ 50 and even if the County of Riverside were to cease to contract with CalPERS. It would also require the County of Riverside to continue to offer the same, or substantially similar, pre-retirement death benefits to public safety employees.

"Public Safety Employees" for purposes of the measure are defined as all local police officers, local sheriffs, firefighters, safety officers, county peace officers, and school safety members, employed by a contracting agency who have by contract been included within the system.

"Retirement Benefits" are defined as to include Service Retirement, Disability Retirement, Industrial Disability Retirement, Survivor Continuance and Retiree Health benefits of public safety employees and their survivors. "Death Benefits" are defined to include pre-retirement death benefits offered to beneficiaries of public safety employees.

NOTICE TO THE PUBLIC

**THIS PETITION MAY BE CIRCULATED BY A PAID SIGNATURE GATHERER OR A VOLUNTEER.
YOU HAVE THE RIGHT TO ASK.**

INITIATIVE REQUIRING A MAJORITY VOTE OF THE ELECTORATE FOR THE BOARD OF SUPERVISORS TO INCREASE OR DECREASE RETIREMENT BENEFITS OR PRE-RETIREMENT DEATH BENEFITS OF ANY PUBLIC SAFETY EMPLOYEE AND REQUIRING THE COUNTY OF RIVERSIDE TO CONTINUE THE CURRENT CALPERS (California Public Employee Retirement System) RETIREMENT FORMULA

SUMMARY:

This measure, if adopted by the voters of Riverside County, would prohibit the Riverside County Board of Supervisors from taking any action to increase or decrease the current retirement benefit formula or increase or decrease the current death benefits to any past, current or future public safety employee or past, current or future beneficiary, without first obtaining a majority vote of qualified electors who vote on the matter. Voter approval would not be required for cost of living adjustments, salary increases, and annual leave or compensatory time cash-outs.

If adopted by the voters of Riverside County, this measure would also require the County of Riverside to continue to offer the same CalPERS 3% @ 50 Benefit Formula, or substantially similar benefit, for retirement of public safety employees, as defined by CalPERS, even if CalPERS ceases to offer the 3% @ 50 and even if the County of Riverside were to cease to contract with CalPERS. It would also require the County of Riverside to continue to offer the same, or substantially similar, pre-retirement death benefits to public safety employees.

"Public Safety Employees" for purposes of the measure are defined as all local police officers, local sheriffs, firefighters, safety officers, county peace officers, and school safety members, employed by a contracting agency who have by contract been included within the system.

"Retirement Benefits" are defined as to include Service Retirement, Disability Retirement, Industrial Disability Retirement, Survivor Continuance and Retiree Health benefits of public safety employees and their survivors. "Death Benefits" are defined to include pre-retirement death benefits offered to beneficiaries of public safety employees.

NOTICE OF INTENT TO CIRCULATE COUNTY INITIATIVE PETITION

Notice is hereby given by the person whose names appears hereon of his intention to circulate within the County of Riverside, State of California, an initiative petition to enact the attached ordinance. A copy of the initiative is attached and incorporated by reference in this Notice.

A statement of the reasons for the proposed action as contemplated in the petition is as follows:

I am proposing the attached measure because:

- 1) The taxpayers of Riverside County should have the right to approve or reject any increases in the current formula for retirement and death benefits for public safety employees (such as sheriffs and firefighters);
- 2) Public safety employees deserve to know that their widow and orphans will be protected from any decreases in their benefits by requiring that such decreases be put to a public vote;
- 3) The County will benefit by being able to accurately forecast its future retirement if changes in the formula for retirement and death benefits of public safety officers cannot be made without a vote of the electorate;
- 4) Retired public safety employees, who have already earned their current retirement benefits through years of dedicated service to the people of Riverside County, are entitled to rely on those benefits not decreasing in the future.

s/ Ruben Rasso, Retired Deputy Sheriff, 5100 Humbolt Court, Riverside, California 92507

The People of the County of Riverside ordain as follows:

SECTION 1. TITLE.

This ordinance shall be known and may be cited as the *Public Safety and Taxpayer Protection Act of 2010*.

SECTION 2. FINDINGS.

- (a) Given current budgetary constraints, the People of Riverside County find that it is necessary and appropriate to protect taxpayers by prohibiting any increases in the current formula for retirement and death benefits provided to public safety employees without a vote of the electorate.
- (b) It is also the desire of the People of Riverside County to protect its public safety employees by ensuring that the widows and orphans of the County's firefighters, sheriff and other public safety employees are provided for if they are killed in the line of duty.
- (c) The People of Riverside County further determine that it will promote budgetary stability to prohibit changes in the formula for retirement and death benefits of public safety officers without a vote of the electorate, so as to allow the County to accurately forecast its future retirement expenditures.
- (d) The People of Riverside County further recognize that reducing the retirement benefits for current employees would be an unlawful impairment of contract in violation of Article I, Section 10 of the United States Constitution, as well as Article I, Section 9 of the Constitution of the State of California
- (e) The People of Riverside County find that fulfilling these goals – of freezing retirement benefits for public safety employees while ensuring that the families of public safety employees killed in the line of duty are provided for – will help the County continue to attract and retain skilled and experienced public safety employees by providing them and their families with predictability in their retirement and death benefits.

SECTION 3. Chapter 3.10 is added to the Riverside County Code to read:

CHAPTER 3.10 RETIREMENT BENEFITS FOR PUBLIC SAFETY EMPLOYEES

Section 3.10.010 Definitions.

For purposes of this Chapter, the following definitions apply:

- (a) "Retirement Benefits" means those retirement benefits offered to public safety employees and their survivors as of the effective date of this measure, and includes Service Retirement, Disability Retirement, Industrial Disability Retirement, Survivor Continuance, and Retiree Health Benefit.
- (b) "Death Benefit" means those pre-retirement death benefits offered to beneficiaries of public safety employees as of the effective date of this measure.
- (c) "Retirement Benefit Formula" means the retirement benefit formula currently in place for public safety employees, which is known as "3% @ 50", and includes the current limitation on these benefits of 90% of final compensation.
- (d) "Retirement System" means the California Public Employee Retirement System ("CalPERS") or any successor retirement system
- (e) "Public Safety Employees" means those employees who are defined as safety employees under CalPERS as of the effective date of this measure, including but not limited to firefighters and peace officers.

SECTION 5. CONFLICTS AND COMPETING MEASURES.

- (a) In the event this ordinance conflicts with the terms of any other ordinance, resolution, or policy of the County, this ordinance shall control.
- (b) In the event that another measure ("competing measure") appears on the same ballot as this ordinance which seeks to adopt or impose provisions that differ in any regard to, or supplement, the provisions or requirements contained in this ordinance, the voters hereby expressly declare their intent that if both the competing measure and this ordinance receive a majority of votes cast, and if this ordinance receives a greater number of votes than the competing measure, this ordinance shall prevail in its entirety over the competing measure without regard to whether specific provisions of each measure directly conflict with each other.
- (c) In the event that the competing measure and this ordinance receive a majority of votes cast, and the competing measure receives a greater number of votes than this ordinance, this ordinance shall be deemed complementary to the competing measure. To this end, and to the maximum extent permitted by law, the provisions of this ordinance shall be fully adopted except to the extent that specific provisions contained in each measure are deemed to be in direct conflict with each other on a "provision by provision" basis pursuant to *Yoshisato v. Superior Court* (1992) 2 Cal.4th 978.

SECTION 6. SEVERABILITY.

If any section, subsection, subdivision, sentence, clause, phrase, or portion of this ordinance is, for any reason, held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The People of Riverside County hereby declare that they would have adopted the ordinance and each section, subsection, subdivision, sentence, clause, phrase, or portion thereof, irrespective of the fact that any one or more sections, subsections, subdivisions, sentences, clauses, phrases, or portions thereof be declared invalid or unconstitutional.

SECTION 7. EFFECTIVE DATE.

The provisions of this ordinance shall be considered as adopted upon the date that the vote is declared by the Board of Supervisors and shall go into effect 10 days after that date, as provided for in Section 9122 of the California Elections Code.

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



FROM: Executive Office

SUBMITTAL DATE:
May 13, 2010


SUBJECT: Public Safety and Taxpayer Protection Act of 2010 County Initiative Petition

RECOMMENDED MOTION: That the Board of Supervisors order a report on the effect of the proposed initiative pursuant to Elections Code §9111.

BACKGROUND: The Public Safety and Taxpayer Protection Act of 2010 County Initiative (see Attachment A), if adopted by a majority vote of the electorate, would prohibit the Board of Supervisors from taking any action to increase or decrease the current retirement benefit formula or increase or decrease the current death benefits to any past, current, or future public safety employee or beneficiary without first obtaining a majority vote of qualified voters. A petition for this initiative was filed with the Registrar of Voters on April 5, 2010. The Registrar of Voters has examined the petition pursuant to Elections Code §9115 and has declared the signatures on the petition to be sufficient.

According to Elections Code §9118, the Board of Supervisors has three options:

- (a) Adopt the ordinance without alteration at the regular meeting at which the certification of the petition is presented, or within 10 days after it is presented;


Karen L. Johnson, Management Analyst

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: N/A

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

C.E.O. RECOMMENDATION:

APPROVE

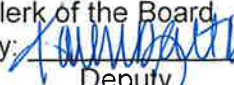
BY: 
Kathryn Field

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Benoit and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended with the formation of an ad-HOC Committee, consisting of Supervisor Stone, Supervisor Buster and County Counsel to prepare a comprehensive analysis and report back June 15, 2010 at 9:00 a.m.

Ayes: Buster, Tavaglione, Stone, Benoit and Ashley
Nays: None
Absent: None
Date: May 18, 2010
xc: EO, Co.Co., Supvr. Buster, Supvr. Stone

Kecia Harper-Ihem
Clerk of the Board
By: 
Deputy

Prev. Agn. Ref.:

District: All

Agenda Number:

3.70
3.70

Dept't Recomm.: ☐ Consent ☒ Policy
Per Exec. Ofc.: ☐ Consent ☒ Policy

- (b) Submit the ordinance, without alteration, to the voters pursuant to subdivision (b) of Elections Code §1405, unless the ordinance petitioned for is required to be, or for some reason is, submitted to the voters at a special election pursuant to subdivision (a) of Elections Code §1405; or
- (c) Order a report pursuant to Elections Code §9111 at the regular meeting at which the certification of the petition is presented.

Elections Code §9111 allows the Board to refer the proposed initiative measure to any county agency or agencies for a report on the fiscal impact and any other matters the Board requests to be in the report. Based on discussions with County Counsel, the Executive Office recommends that the Board order a report so that the impact of the adoption of the measure may be fully understood.

The report must be presented to the Board within 30 days of the acceptance of the certification of the sufficiency of the petition from the Registrar of Voters. When the report is presented to the Board, it shall either adopt the ordinance within 10 days or order an election pursuant to Elections Code § 9118, subdivision (b).

Highlights of the Fiscal Analysis of RSA's Proposed Pension Initiative

June 15, 2010

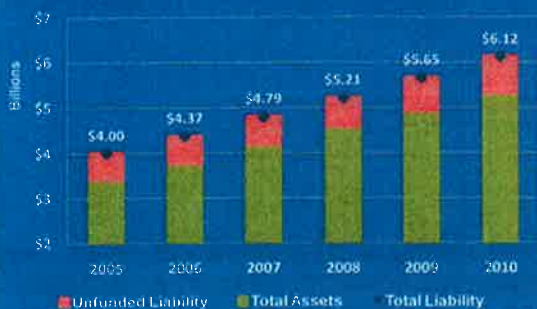
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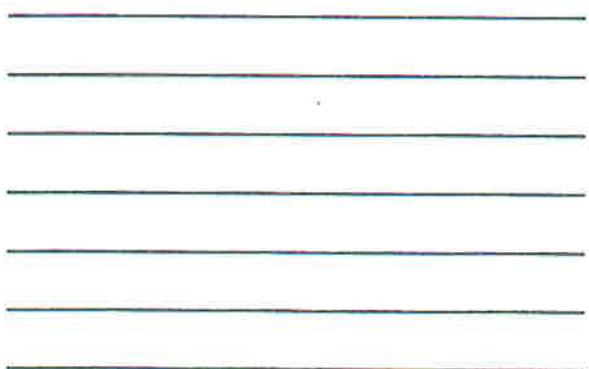
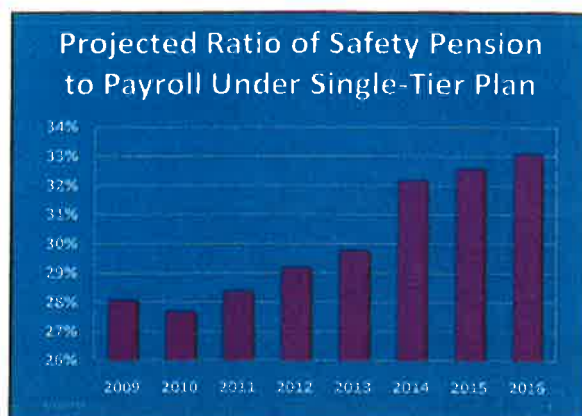
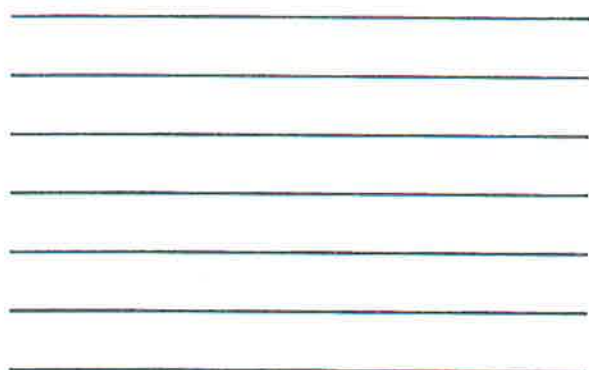
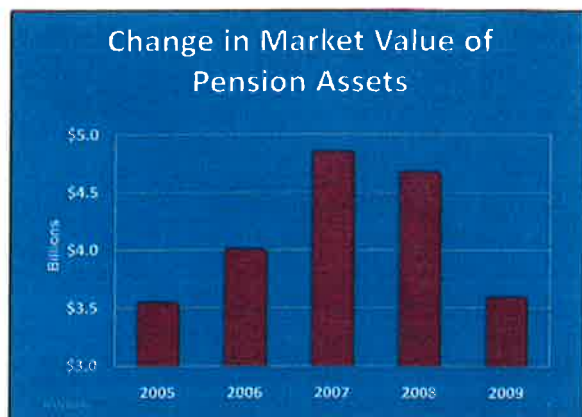
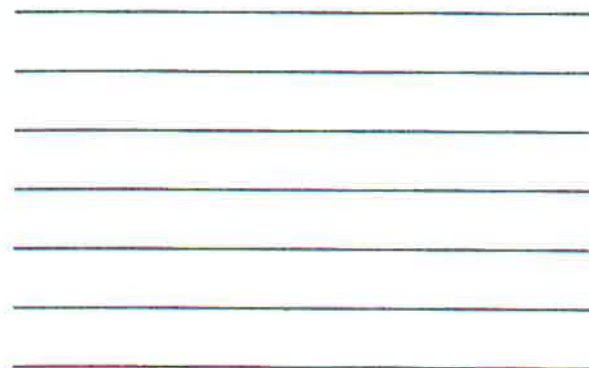
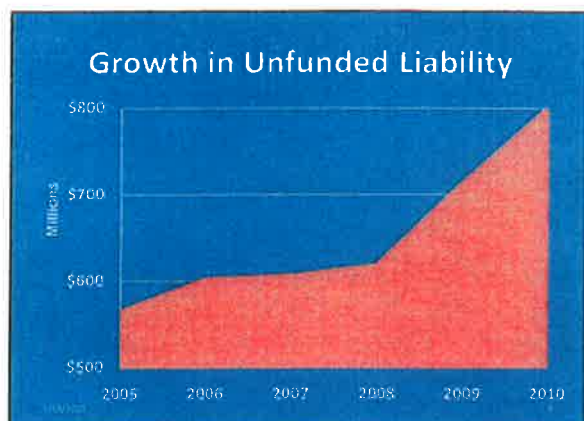
Report Summary

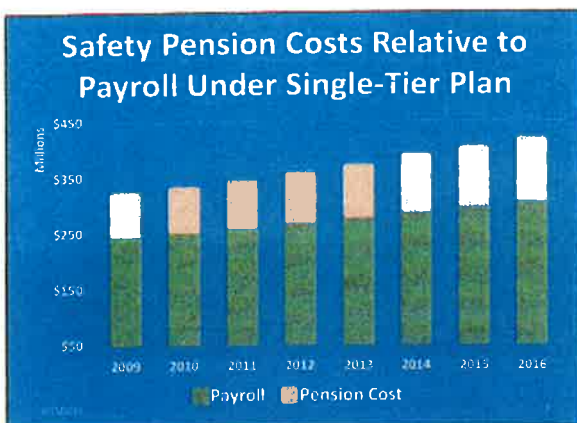
- The measure does not foreclose the Board's ability to increase or decrease pension benefits.
- However, it does significantly restrict the Board's flexibility to respond to changing economic or budgetary conditions.
- If voters reject pension changes at the polls, it would severely impact the Board's options, particularly in a faltering economy.

10/10/10

Total Pension Liability

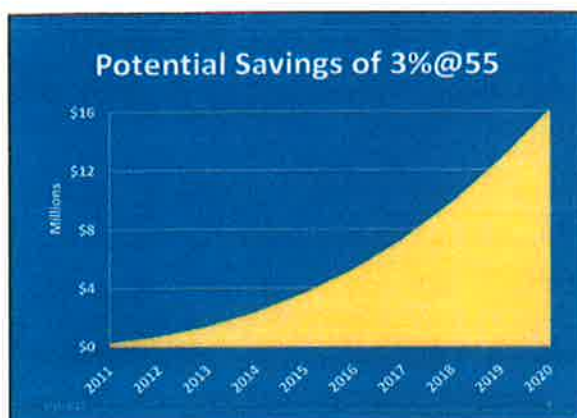


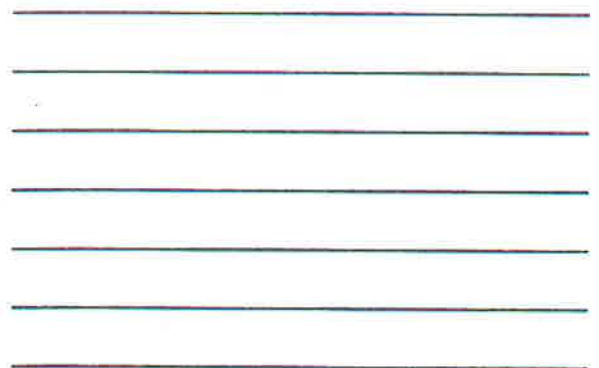
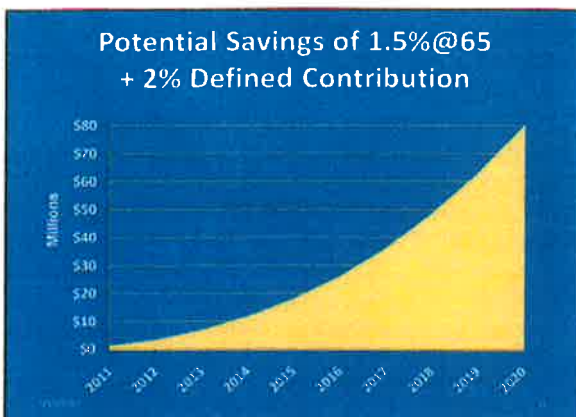
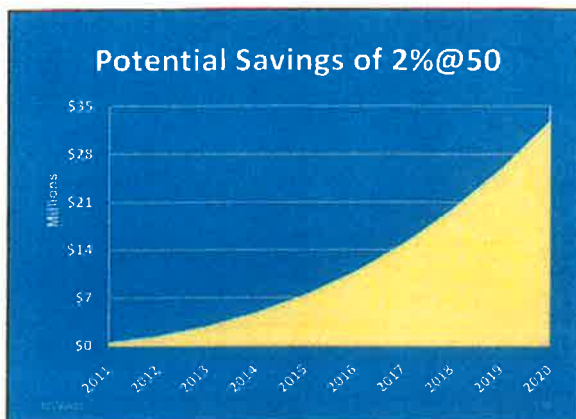




Alternative Pension Formulas

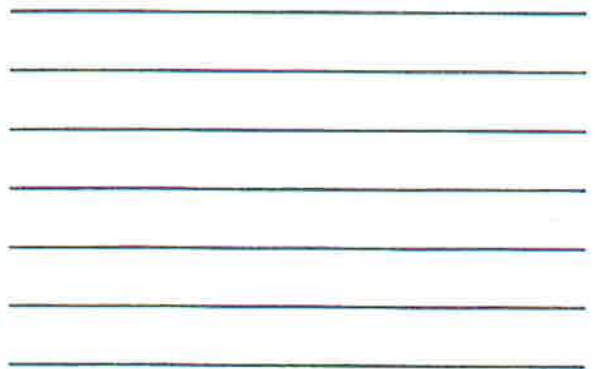
- Potential second tier alternative pension formulas being explored for new safety employees include:
 - 3% at 55
 - 2% at 50
 - 1.5% at 65 plus 2% defined contribution
- Alternatives such as these are already implemented in neighboring counties.





Impact of Locking in 3% at 50

- The proposed measure would lock in public safety's 3 percent at 50 formula not just for past and present safety employees, but for *future* safety employees as well.
- Given current budgetary conditions, this would force millions of dollars in additional cuts each year to safety & non-safety services.



Maintaining Single-Tier Plan Would Result in Further Cuts

- Resulting cost-saving measures might include:
 - Cuts in pension benefits for newly hired non-safety employees.
 - Cutting other forms of compensation for all employees, such as wages or other benefits.
 - Cutting staff, county services, and closing facilities.
 - Curtailing services in other departments may increase costs to public safety departments, compounding the fiscal impact on public safety.

Conclusion

- The Board needs flexibility to make difficult decisions to maintain vital services and stabilize county finances.
- The Executive Office recommends the Board not adopt the ordinance, but instead set it for election.
