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

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

Policy ☒ Consent ☐ Dep't Recomm.:

Policy ☒ Consent ☐ Per Exec. Ofc.:

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Buster, seconded by Supervisor Tavaglione and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes:	Buster, Tavaglione, Stone, Benoit and Ashley
Nays:	None
Absent:	None
Date:	September 14, 2010
xc:	EO

Kecia Harper-Ihem
Clerk of the Board
By: Deputy

Prev. Agn. Ref.: ATTACHMENTS FILED WITH THE CLERK OF THE BOARD | **District:** ALL | **Agenda Number:** 3.48

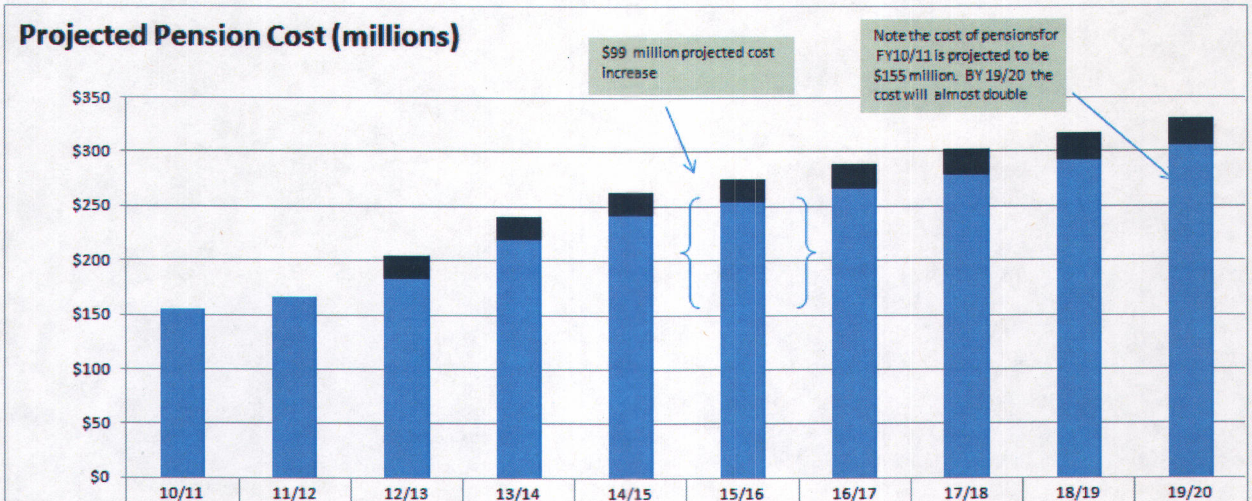
BACKGROUND continued:

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).

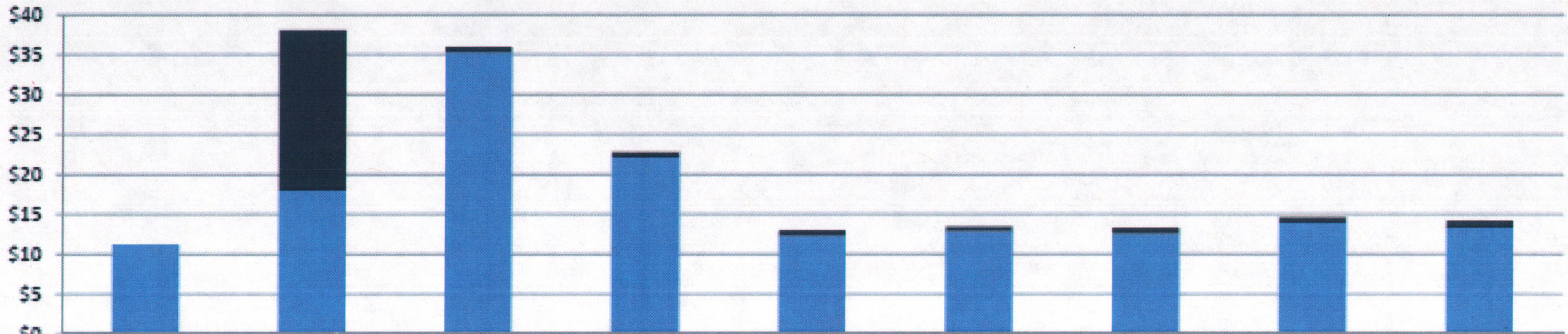
Therefore, to build momentum on this issue, the Board should:

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)

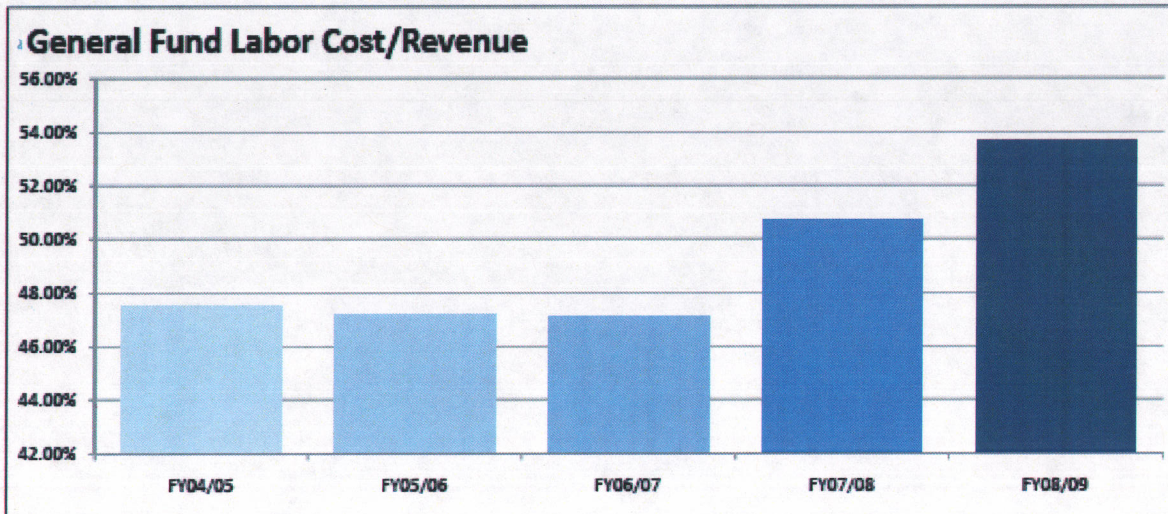


	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
Scenario 1	-	19.95	0.65	0.67	0.69	0.71	0.74	0.76	0.79
Base Case	11.17	18.07	35.29	22.15	12.24	12.79	12.52	13.91	13.34

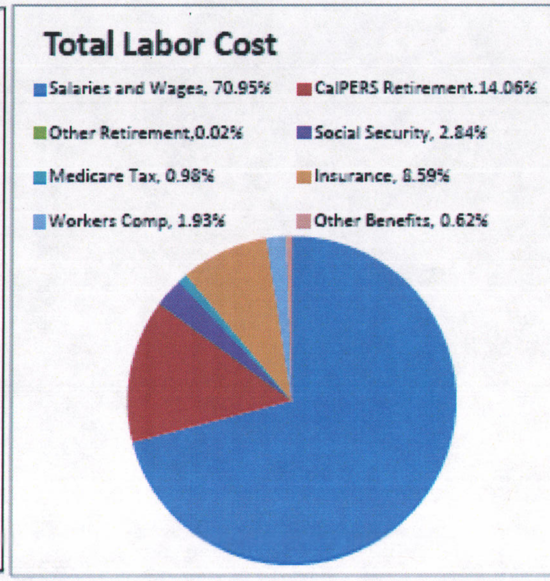
Source: Based on Bartel Associates August 11,2010 Report. Data is for both Miscellaneous and Safety Plans and includes POB debt service
Payroll Assumption (FY09/10 -5%,FY10/11 -5%,FY11/12 -5%,FY12/13-FY19/20 3.25%)
Base Case: CalPERs discount rate 7.75%
Scenario 1 assumes a 0.25% reduction in the CalPERs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

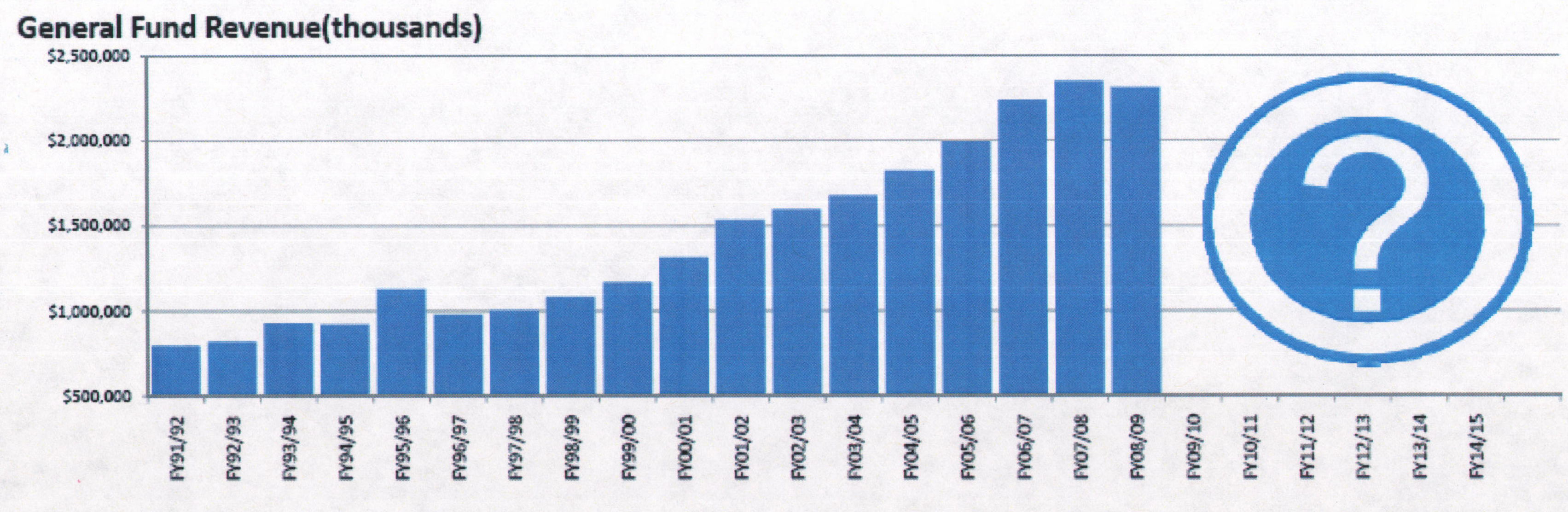
ATTACHMENT B

Labor Cost Analysis



Source: CAFR





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 • Safety 2.0% @ 50 • Safety 2.0% @ 55	\$ 3.3 M \$ 6.8 M \$ 10.2 M	\$ 14.7 M \$ 30.0 M \$ 47.3 M
• Miscellaneous 2.7% @ 55 • Miscellaneous 2.5% @ 55 • Miscellaneous 2.0 % @ 55 • Miscellaneous 2.0% @ 60 • Miscellaneous 1.5% @ 65	\$ 5.8 M \$ 17.2 M \$ 23.6 M \$ 34.0 M \$ 46.3 M	\$ 22.0 M \$ 65.7 M \$ 90.0 M \$ 129.7 M \$ 226.7 M

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

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

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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

Members of the Pension Reform Advisory Committee:

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.

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[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. <u>Sustainability Of Current Pension and Compensation Model</u>

(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% @ **<u>50</u>** x yrs. of service);
- Multiplier factor (<u>3%</u> @ 50 x yrs. of service);
- Creditable years of service (3% @ 50 x **<u>yrs. of service</u>**);
- Definition of final compensation (salary for highest **<u>final year</u>**).

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. <u>Can the County offer pension benefits for new hires other than those options offered by CalPERS?</u>

   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. <u>Can the County change how much it pays of the member's contribution and County's own contributions?</u>

   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. <u>Must any change in benefits apply uniformly to all miscellaneous employees and uniformly to all safety employees?</u>

   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.)

<u>Riverside County Ranking In Retiree Total Compensation</u>

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.)

<u>Riverside County Ranking In Employee Total Compensation</u>

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)

	Miscellaneous								
	Payroll*			Savings					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.

BA 8/27/2010

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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.

8/27/2010
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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, **<u>Report on University Retirement Benefits Task Force</u>, 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, **<u>Update of White Paper on Pension Reform in California,</u> 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%

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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.

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.

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

(B4)

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
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			3@55			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	[redacted]
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			2@60			3/5/2006	2@55 on CalPERS website; Unable to verify

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ATTACHMENT E

2010

Pension Advisory Review Committee

COUNTY OF RIVERSIDE

KEY COUNTY OF SOUTHERN CALIFORNIA

MAY 9, 1893

2010 Annual Pension Report

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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.

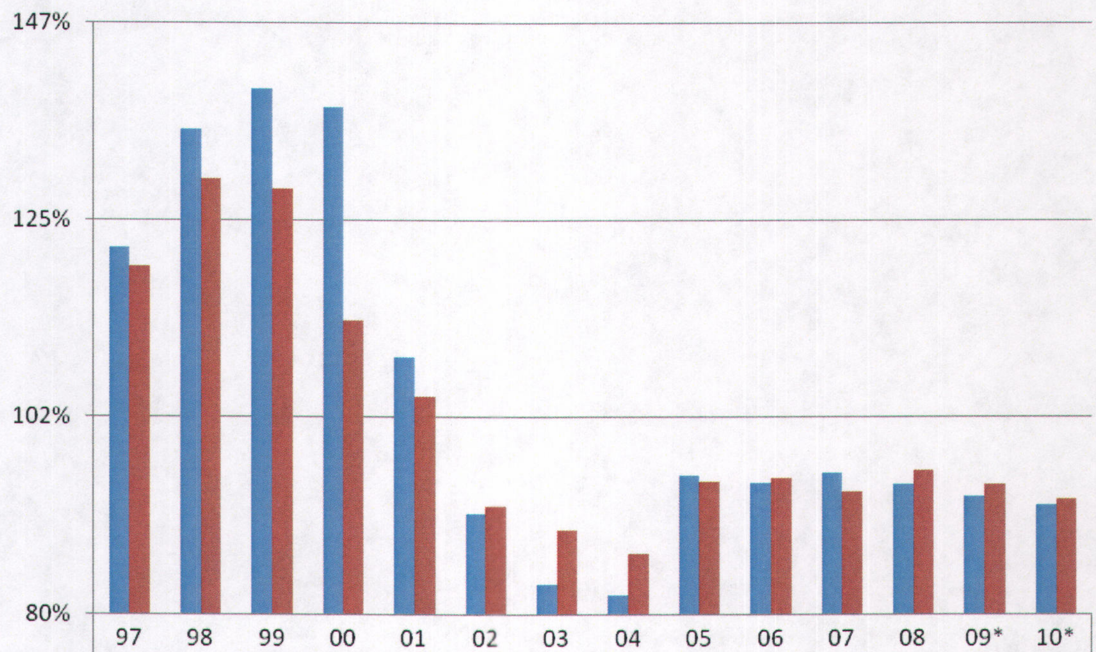
3 2009 Report on City & County Retirement Systems: Funding Levels and Asset Allocation.

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.

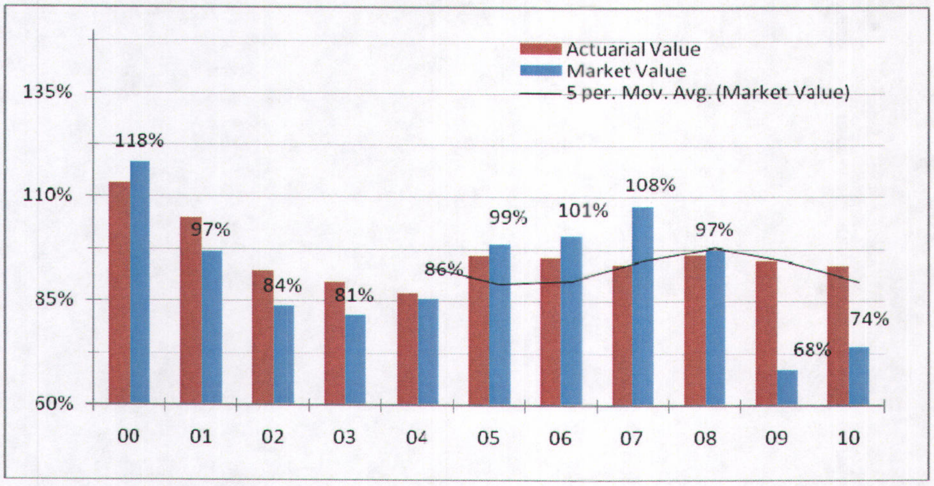
6 Gross funding only. Accounting for bond liability reduces the net funding levels to 85 percent and 89 percent for the Miscellaneous Plan and the Safety Plan, respectively.

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

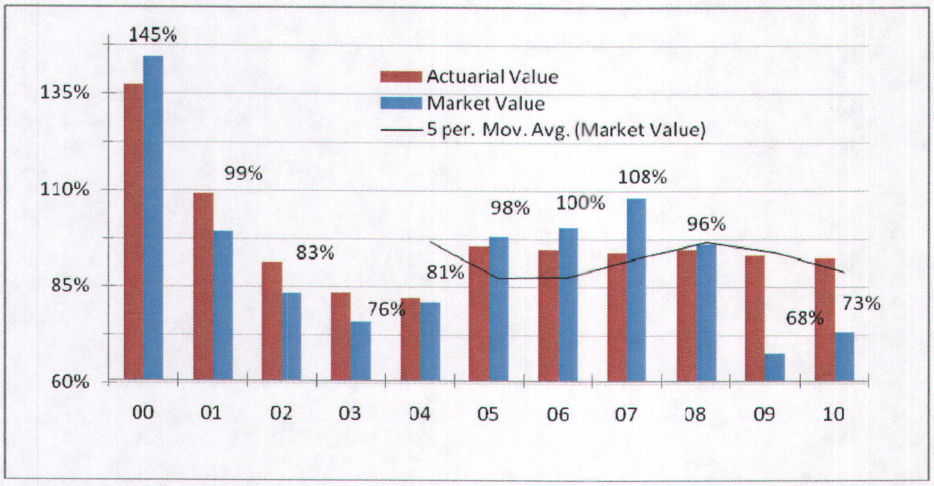
Bartel Associates forecast that as of June 30, 2010 the County will have a market value funding status for the Miscellaneous and Safety Plans of 72.5 percent and 73.1 percent, respectively. On a net basis (including the outstanding POB liability of $375 million) the funding levels are projected as 65.2 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:

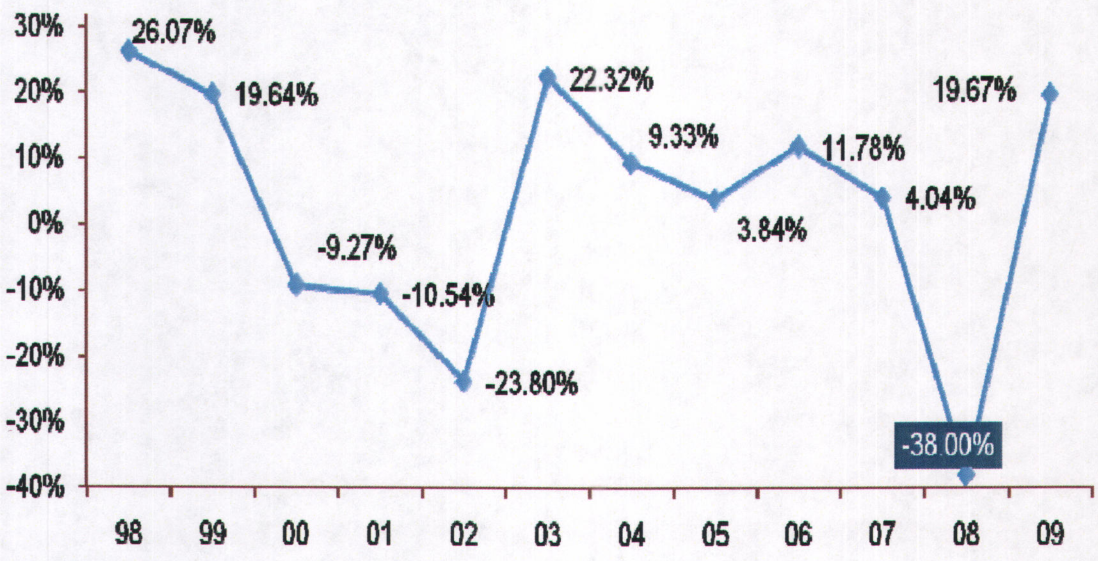
The economy had the sharpest decline in 2008 since World War II. The implosion of the housing bubble led to the demise of major financial institutions and had enormous ramifications for the credit markets, cutting off credit for banks and companies. Gross domestic product fell around 2.5 percent in 2009. 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.

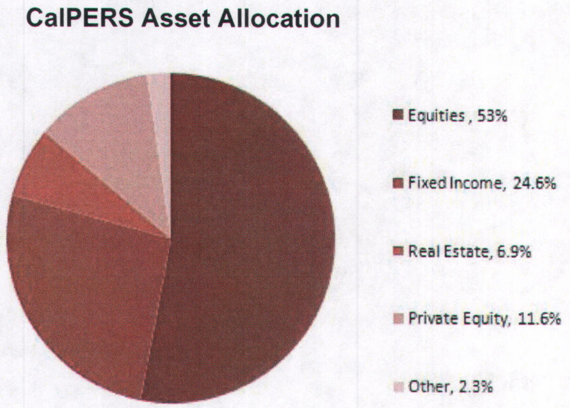
CalPERS Returns:

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.

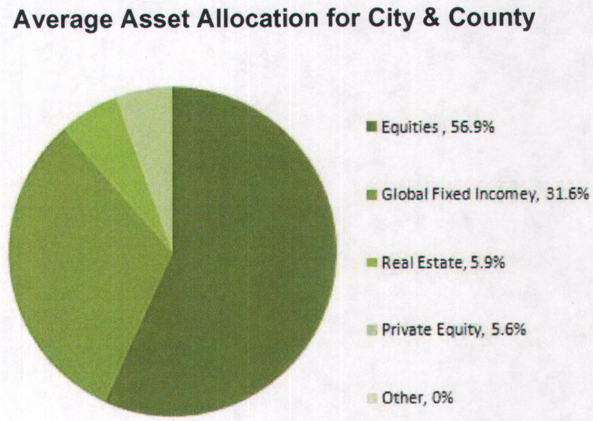
S&P 500 Annual Returns



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



Source: CalPERS January 6, 2010.



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.

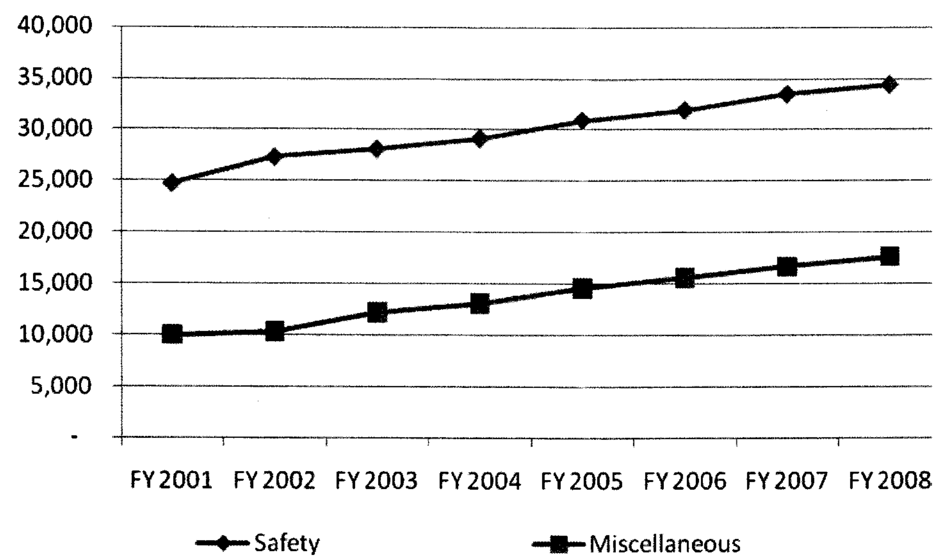
Typically public sector employers have provided career employees a level of retirement benefits sufficient for them to retire with enough income from all sources to maintain their pre-retirement standard of living (Replacement Income.)

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.