

## **County of San Diego Pension Reform Recommendations**

(which can be implemented without state legislative action)

*Approved by the SDCTA Board of Directors on August 19, 2011*

For nearly a decade, the San Diego County Taxpayers Association (SDCTA) has reviewed and weighed in on the issue of unsustainable retirement benefits and warned of the negative impact the system would have on future budgets. For most of this time, the Association was primarily focused on the City of San Diego. More recently, SDCTA released two studies outlining pension costs and pension reform recommendations for the seventeen CalPERS enrolled cities in the county.

Following the completion of these reports, SDCTA began its review of pension costs and benefits for the County of San Diego. This review has led to formation of a set of pension reform recommendations that would reduce costs for taxpayers:

- **Employee contribution rates:** Current employees should be required to pay contributions at least equal to the normal employee contribution rate.<sup>i</sup> The County should negotiate via the bargaining process with labor unions to eliminate the pick-up of employee contributions as soon as reasonably possible.
- **Tier “C” Retirement Proposal:** A Tier “C” retirement benefit for new employees should be created wherein the pension plan proposal contains the following:
  - a. Safety employees – 2% @ 55 formula (benefit multiplier capped at 2%)
  - b. General employees – 1.62% @ 65 formula (benefit multiplier capped at 1.62%).
  - c. Average of highest consecutive three years: The period for determining the average monthly pay rate when calculating retirement benefits should be the 36 highest paid consecutive months.
- **Calculation of Retirement on Base Pay:** The County should require, under the new retirement tier outlined above, that pension payouts be calculated on base pay alone. Other “ancillary benefits” offered to employees should not be calculated in an employee’s final pension payout or other post-employment benefits.
- **Funding Status:** The County should not increase pensionable earnings of employees (via salary increases or benefit increases) unless the pension system is at least 80% funded, and remains 80% funded if any increase in pensionable earnings is adopted. Any proposed increase in pensionable earnings above the actuarially assumed rate must be accompanied by an actuarial valuation that outlines the effect on the funding ratio.

- When determining the County's funding status and the ability to increase pensionable earnings, assets of the pension fund must be reduced by the outstanding balance of any pension obligation bonds.
- **County Charter Amendment:** The County should place a measure on the ballot amending the Charter to require a voter approval of any increase to retirement benefits for employees, similar to language recently adopted by voters within the City of Carlsbad.
  - **Appointments to the County Retirement Board:** The San Diego County Board of Supervisors appoints three individuals to serve on the board of the San Diego County Employees Retirement Association. The Board of Supervisors should require these individuals have relevant professional certifications, fifteen years experience in pension administration, pension actuarial practices, investment management (including real estate), banking, or certified public accounting. Experience/certification requirements should be waived should one of the appointments be a member of the Board of Supervisors.

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<sup>i</sup> Normal Employee Contribution Rate is amount the employee contributes into the system; it is based off of the pension benefit formula.