

## **Pension Reform Recommendations for Water Districts in San Diego County**

The following actions are needed to curb labor costs at the county's water districts:

**Pension Formula:** All districts whose employees receive Social Security should reduce their pension benefit formula for new employees to 1.5% @ 55 (approved as a benefit formula option by CalPERS)<sup>1</sup>. Doing so will contribute greatly to reducing their long-term pension liabilities.

**Eliminate EPMC:** Throughout the period covered in this study, most districts have paid the full portion of the amount that employees are required to contribute to help finance their retirements (usually seven or eight percent of salary, depending on the benefit formula). Eliminating the EPMC benefit would save districts hundreds of thousands of dollars annually.

**Reform OPEB:** Retired water district employees—and often their spouses—are also entitled to retiree healthcare benefits until they turn 65. This is an extremely generous benefit that further increases long-term liabilities. Districts should join CERBT or institute some other pre-funding mechanism, make employees pay the full costs of this benefit, or, preferably, eliminate the benefit altogether.

**Clarify Financial Reporting:** While the districts' financial reporting is thorough, it fails, as does the reporting of most public agencies, to provide specific details about its labor costs, necessitating reports such as this one. Aggregate numbers, while helpful, do not give the public sufficient information. Such a level of detail is not required by law, but would allow ratepayers to better understand the public institutions that serve them and hold them accountable.

**Unbundle City Water Departments:** Because the cities of Carlsbad, Encinitas, Oceanside, Poway, and San Diego combine the financial data relating to their respective water district or department with similar information for the city as a whole, it is virtually impossible to determine labor costs at the water agencies or departments serving their residents. This is a disservice to ratepayers who have a right to know the extent to which labor costs are influencing water rates

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<sup>1</sup>CalPERS. "Optional Benefits Listing." Pg. 16. <http://www.calpers.ca.gov/eip-docs/employer/program-services/retirement/contract-info/optional-benefits/optional-benefits-listing-2011.pdf#page=20>