Phase I Update: San Diego Pension Plans

Progress and Opportunities for CalPERS Contracted Cities to Save Taxpayer Dollars

September 20, 2010

Acknowledgements

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Through the update of our first report, each city responded to our multiple public records requests. We would like to extend our gratitude for their cooperation.

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Summary

In October 2009, the San Diego County Taxpayers Association (SDCTA) released a report entitled "Phase I: CalPERS-Contracted Municipalities" that reviewed the pension costs and benefits for the San Diego region's seventeen (17) cities enrolled in the California Public Employees' Retirement System (CalPERS). The report focused solely on the costs that were required to fund each city's plan but did not focus on optional benefits and supplemental pension costs offered to public employees. Furthermore, the report only looked at one year of costs (fiscal year 2008). Through our first report, we found that the most commonly offered benefit formulas in the region were also the most generous. We also discovered that many city employees were not monetarily contributing to their public pension, and taxpayers were left on the hook for both the employer **and** employee share.

Since the release of the October 2009 report, SDCTA has gathered historical information regarding pension benefits in the region's CalPERS-contracted cities, specifically reviewing pension costs from fiscal year (FY) 1999 to FY 2009. Furthermore, as cities have begun reforming their pension plans, we have updated our records to identify where each city stands in terms of the retirement benefits awarded to its employees.

Key Findings of SDCTA's Phase I Update

Through our review, SDCTA found several interesting trends and unique occurrences in the pension benefits (and their associated costs) among the region's cities that contract with CalPERS. For more information on any one item, please review the pages associated with the item.

- The landscape of pension benefits has changed significantly since the release of our first report.
  - Five cities in the region have established a second, lower retirement formula for new employees: Carlsbad, El Cajon, La Mesa, National City, and Solana Beach. Prior to the release of SDCTA's October report, no city had a second tier for new hires. **(page 13)**
  - Ten cities in the region have reduced or eliminated the amount of pension costs they had picked up on behalf of employees. **(page 23)**

- From FY 1999 – FY 2009, SDCTA examined each city's total pension costs as a ratio to its General Fund. The only city to make the list of the top five highest ratios each year was Chula Vista. However, they were never the highest. Several cities in the region are "repeat offenders", meaning they have made the list more than once in the past 11 years: **(page 29)**
  1. Chula Vista (11 reoccurrences)
  2. National City (10 reoccurrences)
  3. Escondido (9 reoccurrences)
  4. La Mesa (7 reoccurrences)
  5. El Cajon (7 reoccurrences)
  6. Oceanside (6 reoccurrences)
  7. Vista (2 reoccurrences)

- Over the past five years, 14 of the 17 cities reviewed have experienced pension cost growth rates that have far exceeded their growth rates in General Fund revenue. **(page 28)**

- Based upon the years reviewed, San Marcos has had the highest pension cost growth of any CalPERS-contracted city in the region. **(page 28)**

- SDCTA found that in addition to CalPERS pension benefits offered to public employees, cities sometimes offer supplementary benefits (such as defined contribution plans) that can increase the annual payout employees receive upon retirement.

SDCTA Recommendations

In response to growing pension costs throughout the region, SDCTA released pension reform recommendations in June of 2009. These reform recommendations are based upon the opportunity to achieve cost savings within the current constraints of CalPERS. SDCTA's pension reform recommendations consist of the following:

- All employees should pay their required share of pension costs (between 7% and 9% of payroll). Much of this is subject to collective bargaining with each city's labor groups, and it should occur as soon as possible as it has the potential to yield the most significant savings.
    - The mayor, members of the city council, and unrepresented employees of each city should start paying their share **immediately.**
    - Reduction or elimination of the amount picked up on behalf of employees should happen without an accompanying salary increase. If salary increases are offered, the city should request an actuarial analysis to ensure that they are not exacerbating their future pension liability.

- Since retirement formulas cannot be lowered for active employees, a second, lower tier should be created for new hires. This tier should be created with the most conservative options available:
    a. Safety employees – 2% @ age 55 formula
    b. Miscellaneous employees:
        i. 1.5% @ age 65 if Social Security is offered
        ii. 2% @ age 60 formula if Social Security is not offered
    c. The average of the highest consecutive 36 months of salary should be used as the final compensation rather than the highest consecutive 12 months of salary to ensure the most conservative pension payout.

- To reduce costs, cities should begin paying off their unfunded pension liabilities as soon as possible.

Methodology

While the first phase of our report focused solely on CalPERS benefits, this update looks at the costs of *all* pension benefits—including defined contribution plans, enrollment in the Public Agency Retirement System (PARS), and pension obligation bonds. In addition, this report strengthens the methodology used within the first report by 1) excluding contracting costs for cities that receive law enforcement through the County of San Diego to show a more accurate representation of pension costs throughout the region, and 2) including the costs cities incur by "picking up" employee contributions.

SDCTA strives to ensure all of the information we have presented within this report is accurate. We have afforded each city the opportunity to verify all data we have on file. Most cities in the region have chosen to do this. Much of the information we have obtained through this report is available in the audited financial statements of each city. However, due to inconsistencies in reporting, SDCTA has received some information through Public Records Act requests.

Note: Our original report failed to realize that some cities have different terminology for items reported in their financial statements. For this reason, three cities (El Cajon, La Mesa, and Santee) were reported to have a higher pension cost to General Fund ratio. This error has since been corrected.

Background on Public Pensions

In the public sector, there are two basic retirement plans: defined benefit and defined contribution. **Defined benefit pension plans** are those in which current employees as well as the pension plan sponsor make annual contributions to the plan (a trust). Theoretically, these contributions and the investment earnings of the plan will be sufficient to fund retirement benefits. This is a guaranteed annual pension that is based on a formula of variables (retirement age, years of service, salary, etc.). **Defined contribution plans** specify contributions at a fixed-dollar or fixed-rate amount. The retirement benefit paid out of these plans, e.g. 401(k) plans, is based on contributions and investment earnings.

Throughout the San Diego region, there are several different pension systems. The California Public Employees Retirement System (**CalPERS**) is the pension system most cities in the region contract with, while the City of San Diego and the County of San Diego have their own retirement systems, San Diego City Employees' Retirement System (**SDCERS**) and San Diego County Employees Retirement Association (**SDCERA**), respectively.

CalPERS, SDCERS, and SDCERA have administered defined benefit plans for decades. CalPERS was originally established for state public employees under California law in 1931. This option was extended to local governments in 1939, and now there are over 1.6 million members participating in CalPERS—making it the largest public pension system in the nation.[i] Cities contract with CalPERS to provide pension benefits to their employees. Active members and retirees of CalPERS-contracted cities fall into two categories: miscellaneous employees and safety employees. Safety employees are those working as police officers, fire fighters, and lifeguards (with some exceptions), while miscellaneous employees are the general employees (e.g. city administrators).

CalPERS operates off of several different **benefit formulas**—dependent upon the employer, occupation, and contract. An important component of the benefit formula is the **final compensation**, which is mostly made up of either an average of the highest consecutive 36 months of salary or the highest consecutive 12 months of salary. CalPERS, however, allows other items to be considered within final compensation, such as the employees' share of pension costs picked up by the municipality.[ii] Final compensation is critical in determining the amount the employee will receive upon retirement. Figure 1 shows the formula that calculates how much a retiree will receive in annual pension benefits upon retirement.

Defined benefit pension plan: employees and employers make annual contributions into a plan that defines the level of benefit received at retirement.

Defined contribution pension plan: contributions are specified at a fixed dollar or percentage amount and the benefit payout of these plans are based upon contributions and investment earnings.

CalPERS: California Public Employees' Retirement System, established in 1931. CalPERS offers a defined benefit pension plan for contracted public agencies.

SDCERS: San Diego City Employees' Retirement System, established in 1927. SDCERS offers a defined benefit pension plan for employees in the City of San Diego.

SDCERA: San Diego County Employees' Retirement Association, established in 1939. SDCERA offers a defined benefit pension plan for employees in the County of San Diego and specific entities associated with it.

Benefit formula: specifies the level of benefits an employee will receive based upon a specified formula, e.g. 2% @ 50. The formula is based upon the years of service, final average compensation, and a benefit factor.

Final compensation: average highest consecutive 12 or 36 months of salary that is used as part of the benefit formula that will determine the annual retirement benefit. Final compensation can also include additional benefits and bonuses offered to employees.

Figure 1: CalPERS Basic Annual Pension Benefit Formula

Annual Pension Benefits

=

years of service[iii]

(the number of years an employee has put in at an agency)

x

final compensation

(the highest consecutive 12 or 36 months of salary, including some additional benefits and bonuses offered)

x

benefit factor

(A multiplier received for each year of service, usually between 2% and 3% of the final compensation)

Table 1 shows the "menu" of options CalPERS-contracted municipalities can choose from for their employee pension benefit formulas.

Table 1: CalPERS Retirement Formulas

Employee Formula Type - Miscellaneous					
Formula	2% @ 55	2.5% @ 55	2.7% @ 55	2% @ 60	3% @ 60
Employee Formula Type - Safety					
Formula	2% @ 50	2% @ 55	3% @ 50	3% @ 55	

These benefit formulas have been created by state legislation as contract options for local governments. Some of these benefit formulas are recent additions. Senate Bill (SB) 400 (Ortiz), which was signed by Governor Gray Davis in 1999, created an additional level of benefits for state and local public safety workers. SB 400 not only introduced the costly 3% @ 50 formula (the most generous available), but it also mandated that when agencies upgrade to that formula, they offer the benefits for all active employees from the date of hire. The last Senate floor analysis read:

> "The new formula would provide a retirement benefit factor of 3% at age 50 and would be available as a contract option for local contracting agencies. This formula would supersede the present 2% at age 50 formula for both past and future service." [iv]

In 1999, CalPERS experienced strong investment returns that exceeded expectations. The last Senate Floor analysis determined that there was little fiscal impact if SB 400 were adopted, since CalPERS had "superior return on system assets in recent years."[v] Many cities in the region saw this as a low-cost option to reward government employees. At the time, public pensions were consuming much less of their budget, and many cities even had "super-funded status" by the time they adopted this formula, which meant that they were required to contribute very little if anything at all to CalPERS.

Two years later, Governor Gray Davis signed Assembly Bill (AB) 616 (Calderon) offering three additional, increased benefit formulas for miscellaneous employees: 2.5% @ 55, 2.7% @ 55, and 3% @ 60.

The last Assembly Floor analysis stated the following:

> "Supporters further state that with the passage of SB 400 (Ortiz), Chapter 555, Statutes of 1999, local safety members received authorization to negotiate a 50% increase in their benefit while local miscellaneous members were not offered a commensurate formula. This bill seeks to provide a local option formula for these members that would increase their retirement benefits by 33%." [vi]

An example of a 3% @ 60 benefit formula and its annual pension benefit is provided below in Example 1.

Example 1: Miscellaneous Employee Retirement Benefit

Assume Joe Smith, a city administrator, is working for the City of Happiness and has a 3% @ 60 retirement formula with a final compensation of the 12 highest consecutive months of salary.

Using the formula provided in Figure 1, if Joe worked for the City for 30 years, retired at age 60, and made $100,000 per year at his peak, then he would receive $90,000 annually in retirement benefits (plus annual cost of living adjustments).

To determine an equivalent annual benefit for a 401(k) retirement account with annual cost of living increases and survivor benefits, the following formula was used (which assumes a conservative 4% rate of return on investments):[vii]

Figure 2: 401(k) Investment Formula

401(k) investment

=

(85 - years old at retirement)

x

annual pension salary

Example 2 shows the investment amount that would be needed using the formula in Figure 2 to reach the same retirement benefit illustrated in Example 1.

Example 2: 401(k) Investment Needed to Reach Example 1 Retirement Payout

Using the formula from Figure 2, to retire at age 60 with a $90,000 annual retirement benefit, $2.25 million is needed in a 401(k) account.

Throughout the San Diego region, pension benefits vary widely. Some cities offer only CalPERS benefits while others provide additional options for full-time and/or part-time workers. Some of the more common examples shown within this report are defined contribution plans offered for part-time, seasonal, or temporary staff; **deferred compensation**; and early retirement incentives. Each of these has some cost associated with it, and they have been outlined within this report according to city.

Deferred compensation plan: separate savings plan that allows employees to dedicate a specific amount of their income to save for retirement—usually referred to as a 457 plan. Some cities also provide additional money for this fund on behalf of employees.

San Diego County's CalPERS-Contracted Cities

The table below provides aggregate information on San Diego's seventeen (17) cities enrolled in CalPERS.

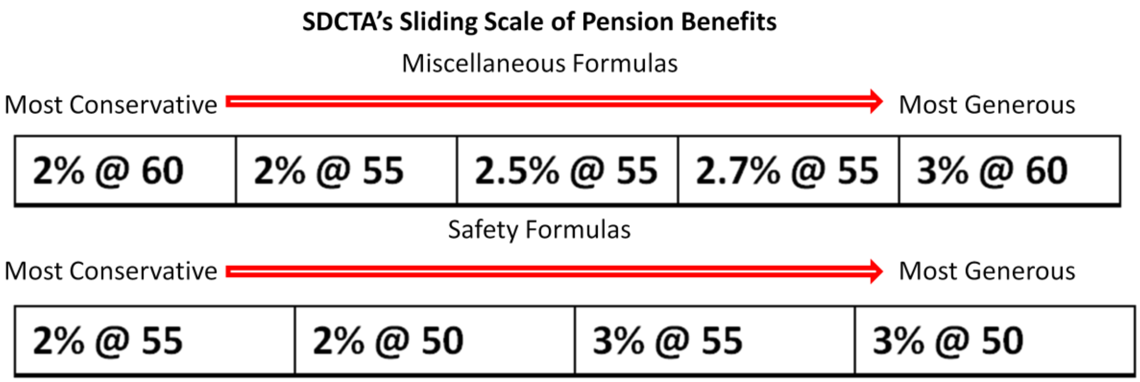
Table 2: San Diego County Cities

City	Population 2010 (California Department of Finance)	Pension Plan
Carlsbad	106,804	CalPERS
Chula Vista	237,595	CalPERS
Coronado	23,916	CalPERS
Del Mar	4,660	CalPERS
El Cajon	99,637	CalPERS
Encinitas	65,171	CalPERS
Escondido	147,514	CalPERS
Imperial Beach	28,680	CalPERS
La Mesa	58,150	CalPERS
Lemon Grove	26,131	CalPERS
National City	57,799	CalPERS
Oceanside	183,095	CalPERS
Poway	52,056	CalPERS
San Diego	1,376,173	SDCERS
San Marcos	84,391	CalPERS
Santee	58,044	CalPERS
Solana Beach	13,783	CalPERS
Vista	97,513	CalPERS

Updated Regional Pension Information

For local cities, CalPERS currently offers five (5) benefit formulas for miscellaneous employees and four (4) formulas for safety employees. Based upon the benefit factor and retirement age in the benefit formulas, SDCTA has ranked these formulas from most conservative to most generous. See Figure 3.

Figure 3: SDCTA's Sliding Scale of Pension Benefits



Due to the vested nature of pension benefit formulas, some municipalities have begun the establishment of a second, lower tier retirement formula for new employees. SDCTA issued pension reform recommendations in June 2009 that encouraged cities to adopt a second, reduced tier for new hires. Specifically, SDCTA recommended that this new tier should consist of the following:

- 1.5% @ 65 for nonsafety employees (enrolled in Social Security)
- 2% @ 60 for nonsafety employees (not enrolled in Social Security)
- 2% @ 55 for safety employees
- An average of the highest 36 consecutive months of salary for the final compensation method

Since our October 2009 report, many cities in the San Diego region have made progress in reducing pension benefit formulas for new hires. However, no city in the region has yet met all of SDCTA's recommendations.

Table 3 shows these formulas and final compensation methods for each of the CalPERS-contracted cities in San Diego.

Key Findings for Benefit Formulas:

- Five cities in the region have established a second, lower retirement formula for new employees: Carlsbad, El Cajon, La Mesa, National City, and Solana Beach. Of these, the City of Solana Beach is the only city that has established a second tier for **all** employees. Solana Beach is also the only city that met SDCTA's recommendation for a second, lower tier for nonsafety employees through the establishment of a 2% @ 60 formula with the highest average 36 consecutive months of salary used for the final average compensation.
- For nonsafety plans, 3% @ 60 is still the most common formula; two cities that were enrolled in this plan (La Mesa and National City) have adopted second, lower tiers for new employees.

- For safety plans, 3% @ 50 is still the most common formula; four cities that were enrolled in this plan (Carlsbad, El Cajon, National City, and Solana Beach) have adopted second, lower tiers for new employees.
- Three tiers have been created that use the average highest 36 months for purposes of calculating retirement benefits, rather than the highest year. The cities that have done this include: Carlsbad (safety), El Cajon (police management), and Solana Beach (all). The cities of Del Mar (all) and Poway (safety) had been using the 36 month calculation prior to the issuance of the first pension report.

Table 3: Retirement Formulas and Final Compensation Method for San Diego's CalPERS-Contracted Municipalities

City	Miscellaneous Workers		Safety Workers	
	Retirement Formula	Final Compensation	Retirement Formula	Final Compensation
Carlsbad Tier 1	3% @ 60	12-month	3% @ 50	12-month
Carlsbad Tier 2			2% @ 50	36-month
Chula Vista	3% @ 60	12-month	3% @ 50	12-month
Coronado	3% @ 60	12-month	3% @ 50	12-month
Del Mar	3% @ 60	36-month	3% @ 50 (fire)	36-month
			2% @ 50 (lifeguard)	36-month
El Cajon Tier 1	3% @ 60	12-month	3% @ 50	12-month
El Cajon Tier 2			3%@55 (police mgt)	36-month
Encinitas	2.7% @ 55	12-month	3% @ 55	12-month
Escondido	3% @ 60	12-month	3% @ 50	12-month
Imperial Beach	2.7% @ 55	12-month	3% @ 50 (fire)	12-month
			2% @ 50 (lifeguard)	12-month
La Mesa Tier 1	3% @ 60	12-month	3% @ 50	12-month
La Mesa Tier 2	2.5% @ 55	12-month		
Lemon Grove	2.5% @ 55	12-month	3% @ 55	12-month
National City Tier 1	3% @ 60	12-month	3% @ 50	12-month
National City Tier 2	2% @ 60 (MEA & Confidential)	12-month	3% @ 55 (police)	12-month
Oceanside	2.7% @ 55	12-month	3% @ 50	12-month
Poway	2% @ 55	12-month	3% @ 50	36-month
San Marcos	2.7% @ 55	12-month	3% @ 50	12-month
Santee	2.7% @ 55	12-month	3% @ 50	12-month
Solana Beach Tier 1	2.5% @ 55	12-month	3% @ 50	12-month
Solana Beach Tier 2	2% @ 60	36-month	2% @ 50	36-month
Vista	3% @ 60	12-month	3% @ 50	12-month

Employer Pension Costs

Personnel costs, including public pensions, consume an increasing portion of public agencies' **General Fund** budgets. This is for many reasons, including but not limited to: increasing costs of benefits, excessive unfunded liability payments, underfunding of pension obligations, and less-than-expected investment returns. To capture how much taxpayer money is directed to public pensions, we have provided an overview of each city's employer contribution rate, normal cost, and payment on unfunded liability. In addition, we have illustrated these costs as a ratio of pension costs to General Fund.

CalPERS actuaries analyze and assess assets and liabilities of a municipality's pension plan to determine the level of contribution needed to achieve a specified benefit level. One important component of pension obligations is the employer contribution. The **employer contribution rate** for most cities is the **normal cost** plus a payment on the amortization of the **unfunded liability**, expressed as a percentage of payroll. Unfunded liability is created when actual experience does not match the assumptions used—requiring the city to participate in a payment plan to make up the difference. Some of the circumstances that can create unfunded liabilities include: less-than-assumed investment returns, benefit improvements with retroactive applicability for all prior years of service, demographic changes, low employee turnover, or overly generous pay increases. This unfunded liability is amortized, and cities pay the interest on it each year in their employer contribution rate.

To determine how much each city owes in pension obligations, the employer contribution rate is multiplied by the payroll of those enrolled in the system (**annual covered payroll**). This obligation is known as the **annual required contribution (ARC)**. There are separate employer contribution rates for each plan a city is enrolled in. For most city plans, the total employer contribution rate is a combination of the normal cost and an amortized payment of unfunded liability. However, some cities and plans are **risk pooled**, so their employer contribution rates are made up of a variety of factors, including: normal cost, payment on the pool's unfunded liability, a phase out of the normal cost difference, surcharges on certain classes of benefits, and amortization of their side fund.[viii] It is also important to remember that some cities may have lower payments on their identified unfunded liability due to issuing **pension obligation bonds** (POBs) in prior years.

General Fund: a government fund that typically serves as the main operating fund for governments.

Employer contribution rate: required contribution of employers into the pension system. It is based on a percentage of payroll. It is typically made up of the normal cost of a system and the payment on the amortization of unfunded liability.

Normal cost: the cost of service for all active employees in the fiscal year.

Unfunded liability: shortfall due to demographic changes, actuarial assumptions not equaling actual experience, higher or lower than expected investment returns, etc. This is amortized and included as a payment within the employer contribution rate.

Annual covered payroll: payroll eligible for pension benefits; the employer contribution rate is shown as a percentage of the annual covered payroll.

Annual required contribution (ARC): contribution required to the pension system based upon payroll and actuarial assumptions. It is determined by multiplying the employer contribution rate by the annual covered payroll.

Risk pooled: CalPERS risk pools are multiple plans that share the risk of investment returns. All of the assets and liabilities are pooled together so there is less rate volatility.

Pension obligation bonds (POBs): bonds issued to fund all or a portion of unfunded liability.

CalPERS: Required Employer Costs

CalPERS pension plans have two major components of cost associated with them: the normal cost and the payment on the amortization of unfunded liability. Table 4 provides additional detailed information regarding the cities that have an unfunded liability associated with their pension plans. As shown, all cities in San Diego County have some amount of unfunded pension liability. Unfunded liability is typically higher for larger cities and those with more generous pension benefit plans. Unfortunately, the information regarding cities enrolled in a risk pool cannot be estimated as the unfunded liability for risk pools is for the entire pool of cities and not just a specific city enrolled in it.

Table 4: Unfunded Liabilities for San Diego's CalPERS-Contracted Cities

City	Plan	Unfunded Liability as of June 30, 2008
Carlsbad	Miscellaneous	$37.95 million
	Safety	$25.96 million
Chula Vista	Miscellaneous	$62.59 million
	Safety	$28.76 million
Coronado	Miscellaneous	$6.37 million
	Safety	risk pooled
Del Mar	All	risk pooled
El Cajon	Miscellaneous	$26.14 million
	Safety	$39.29 million
Encinitas	Miscellaneous	$11.23 million
	Safety	risk pooled
Escondido	Miscellaneous	$52.75 million
	Safety	$42.89 million
Imperial Beach	All	risk pooled
La Mesa	Miscellaneous	$10.46 million
	Safety	$13.55 million
Lemon Grove	All	risk pooled
National City	Miscellaneous	$8.74 million
	Safety	$21.08 million
Oceanside	Miscellaneous	$25.16 million
	Safety	$22.03 million
Poway	Miscellaneous	$7.15 million
	Safety	risk pooled
San Marcos	Miscellaneous	$20.76 million
	Safety	risk pooled
Santee	All	risk pooled
Solana Beach	All	risk pooled
Vista	Miscellaneous	$11.40 million
	Safety	risk pooled

Source: CalPERS 2009 Annual Valuation Reports for each city

The employer contribution rate (normal cost plus the payment on unfunded liability) determines how much the city needs to pay each year, dependent upon the payroll covered in CalPERS. See Table 5 as well as Figures 4 and 5 regarding the various contribution rates throughout the region for the cities' miscellaneous and safety plans.

Key Findings for Required Employer Pension Costs:

- Miscellaneous employer contribution rates (as a percent of annual covered payroll) range from 11.42% (Poway) to 21.19% (El Cajon). The average employer contribution rate for nonsafety employees in the region is 17.06% of annual covered payroll.
- Safety employer contribution rates range from 11.55% of annual covered payroll (Del Mar lifeguards) to 49.15% (Del Mar fire safety). For safety employees, the region's average employer contribution rate is 25.56%.

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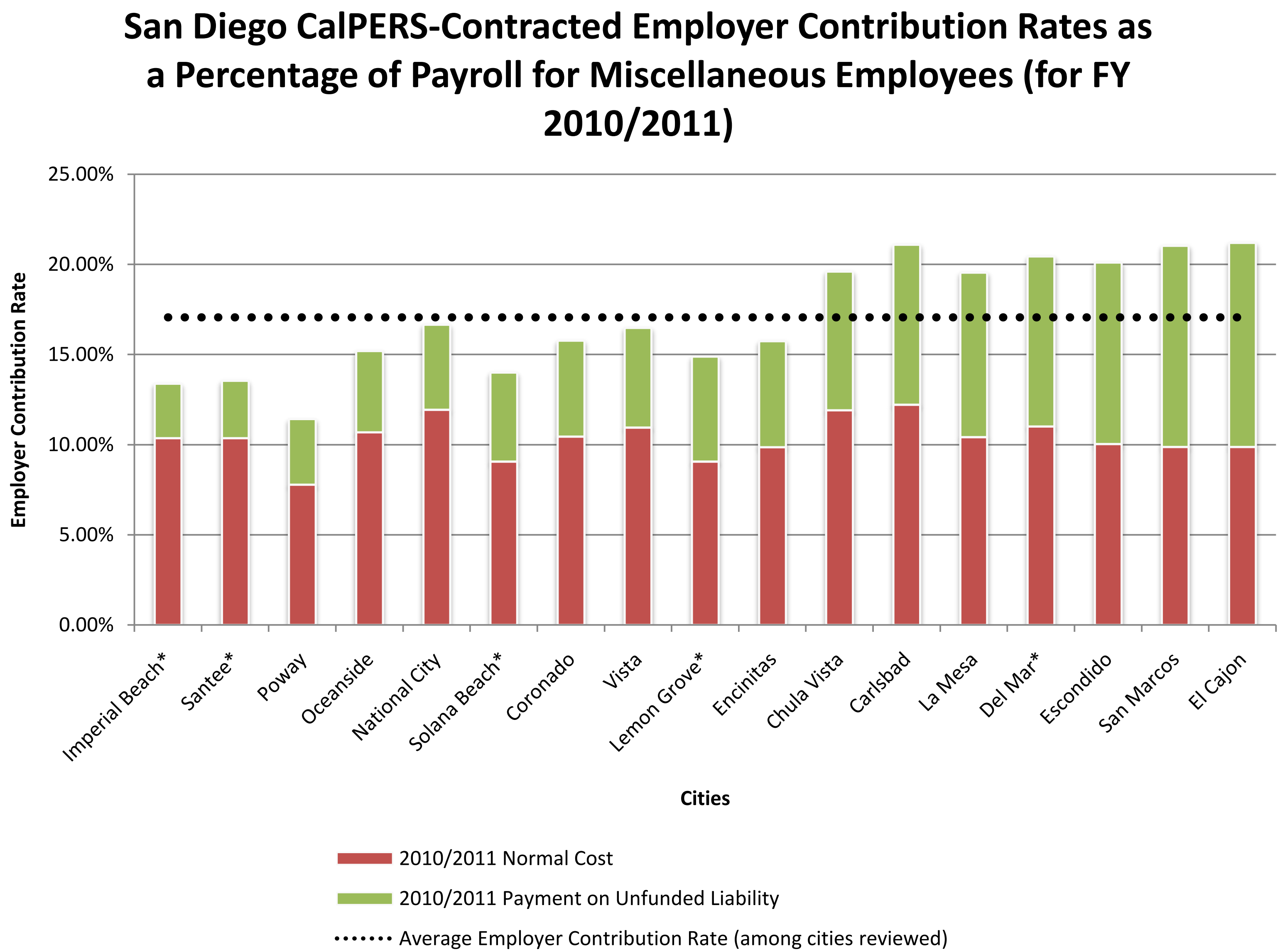
Table 5: CalPERS Required Employer Costs for FY 2010/2011[ix]

City	Plan	2010/2011 Normal Cost	2010/2011 Payment on Unfunded Liability	2010/2011 Total Employer Contribution Rate
Carlsbad	Miscellaneous	12.21%	8.88%	21.09%
	Safety	17.92%	10.08%	28.00%
Chula Vista	Miscellaneous	11.91%	7.69%	19.60%
	Safety	17.96%	4.70%	22.65%
Coronado	Miscellaneous	10.45%	5.32%	15.77%
	Safety*	16.62%	12.10%	28.73%
Del Mar	Miscellaneous*	11.01%	9.42%	20.44%
	Lifeguard*	11.46%	0.09%	11.55%
	Fire*	15.71%	33.44%	49.15%
El Cajon	Miscellaneous	9.88%	11.32%	21.19%
	Safety	16.21%	14.30%	30.51%
Encinitas	Miscellaneous	9.86%	5.88%	15.74%
	Lifeguard*	14.16%	2.25%	16.41%
	Fire*	15.92%	2.25%	18.18%
Escondido	Miscellaneous	10.04%	10.06%	20.11%
	Safety	18.80%	11.74%	30.54%
Imperial Beach	Miscellaneous*	10.36%	3.03%	13.38%
	Lifeguard*	12.20%	2.57%	14.77%
	Fire*	16.62%	9.74%	26.37%
La Mesa	Miscellaneous	10.42%	9.13%	19.55%
	Safety	16.66%	8.64%	25.30%
Lemon Grove	Miscellaneous*	9.06%	5.83%	14.89%
	Safety*	14.16%	5.21%	19.37%
National City	Miscellaneous	11.94%	4.72%	16.66%
	Safety	18.09%	11.30%	29.38%
Oceanside	Miscellaneous	10.68%	4.51%	15.19%
	Safety	18.14%	4.13%	22.27%
Poway	Miscellaneous	7.78%	3.64%	11.42%
	Safety*	15.71%	8.87%	24.58%
San Marcos	Miscellaneous	9.88%	11.15%	21.03%
	Safety*	18.41%	5.85%	24.26%
Santee	Miscellaneous*	10.36%	3.18%	13.54%
	Safety*	18.41%	7.25%	25.66%
Solana Beach	Miscellaneous*	9.06%	4.95%	14.01%
	Lifeguard*	16.62%	13.19%	29.82%
	Fire*	16.62%	16.23%	32.86%
Vista	Miscellaneous	10.96%	5.52%	16.47%
	Safety*	16.62%	9.79%	26.42%

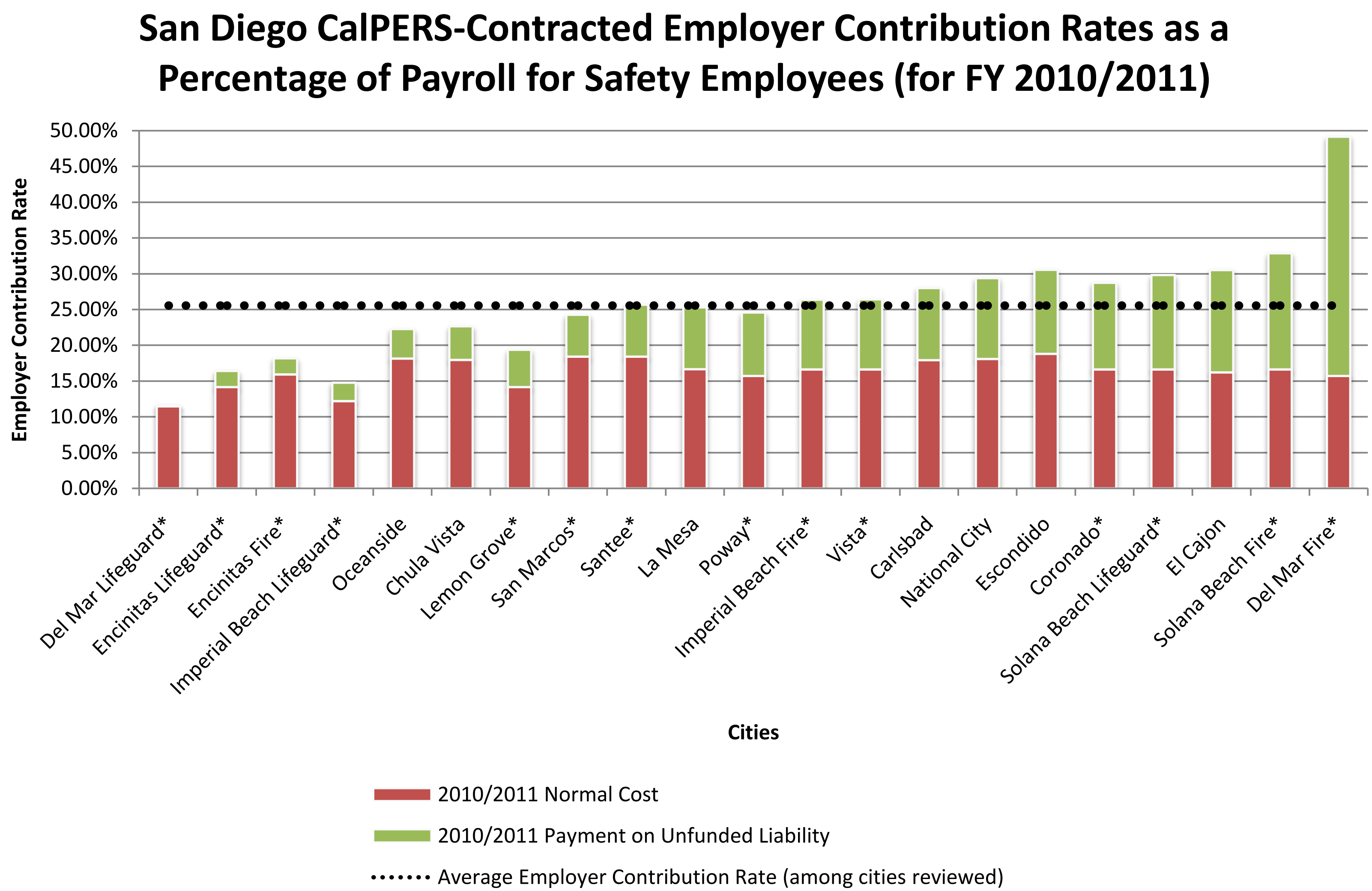
Source: CalPERS 2009 Annual Valuation Reports for each city.
*denotes risk pooled plan

Figure 4: San Diego CalPERS-Contracted Employer Contribution Rates for Miscellaneous Employees, FY 2011



Source: CalPERS 2009 Annual Valuation Reports for each city
***denotes risk pooled plan**

Figure 5: San Diego CalPERS-Contracted Employer Contribution Rates for Safety Employees, FY 2011



Source: CalPERS 2009 Annual Valuation Reports for each city.
***denotes risk pooled plan**

CalPERS: Optional Employer Pick-Up of the Normal Employee Contribution (EPMC)

Employers (public agencies) have the ability to pick up a portion or all of the **normal employee contribution rate** into CalPERS. This is referred to as **employer paid member contributions (EPMC)**. The amount that employees are "required" to contribute is dependent upon the retirement formula they are enrolled in. Higher benefit formulas "require" a higher contribution from employees. See Table 6.

Table 6: CalPERS Employee Formulas and Corresponding Normal Employee Contribution Rates

Employee Formula Type - Miscellaneous					
Formula	2% @ 55	2.5% @ 55	2.7% @ 55	2% @ 60	3% @ 60
Normal Employee Contribution Rate	7%	8%	8%	7%	8%
Employee Formula Type - Safety					
Formula	2% @ 50	2% @ 55	3% @ 50	3% @ 55	
Normal Employee Contribution Rate	9%	7%	9%	9%	

Source: CalPERS. Available from www.calpers.ca.gov.

The benefits, however, are not strictly limited to employers picking up the employee share. There is also the opportunity for employers to report the value of this pick up (EPMC) as additional compensation. **Reporting the value of EPMC** gives employees a pension boost of the equivalent pick up rate. See Figure 6 and Example 3.

Figure 6: Annual Pension Benefit Formula with EPMC Reported

Annual Pension Benefits

=

years of service

(the number of years an employee worked at an agency)

x

final compensation + EPMC reported + additional benefits

(final compensation is typically the highest consecutive 12 or 36 months of salary, EPMC reported is the amount the employer picks up and reports on behalf of the employee, and additional benefits are components of special compensation that can be reported as income)[x]

x

benefit factor

(A multiplier received for each year of service, usually between 2% and 3% of the final compensation)

Normal employee contribution rate: Amount "required" by CalPERS that the employee contributes into the system; it is based off of the pension benefit formula.

Employer paid member contribution (EPMC): Share of the "normal employee contribution rate" that is picked up by the employer.

Reporting the value of EPMC: CalPERS affords the opportunity for cities that choose to offer Employer-Paid Member Contributions to report those contributions as additional income. This amount is then calculated into the final compensation period, increasing the annual pension benefit of employees.

Example 3: Miscellaneous Employee Retirement Benefit with EPMC Reported

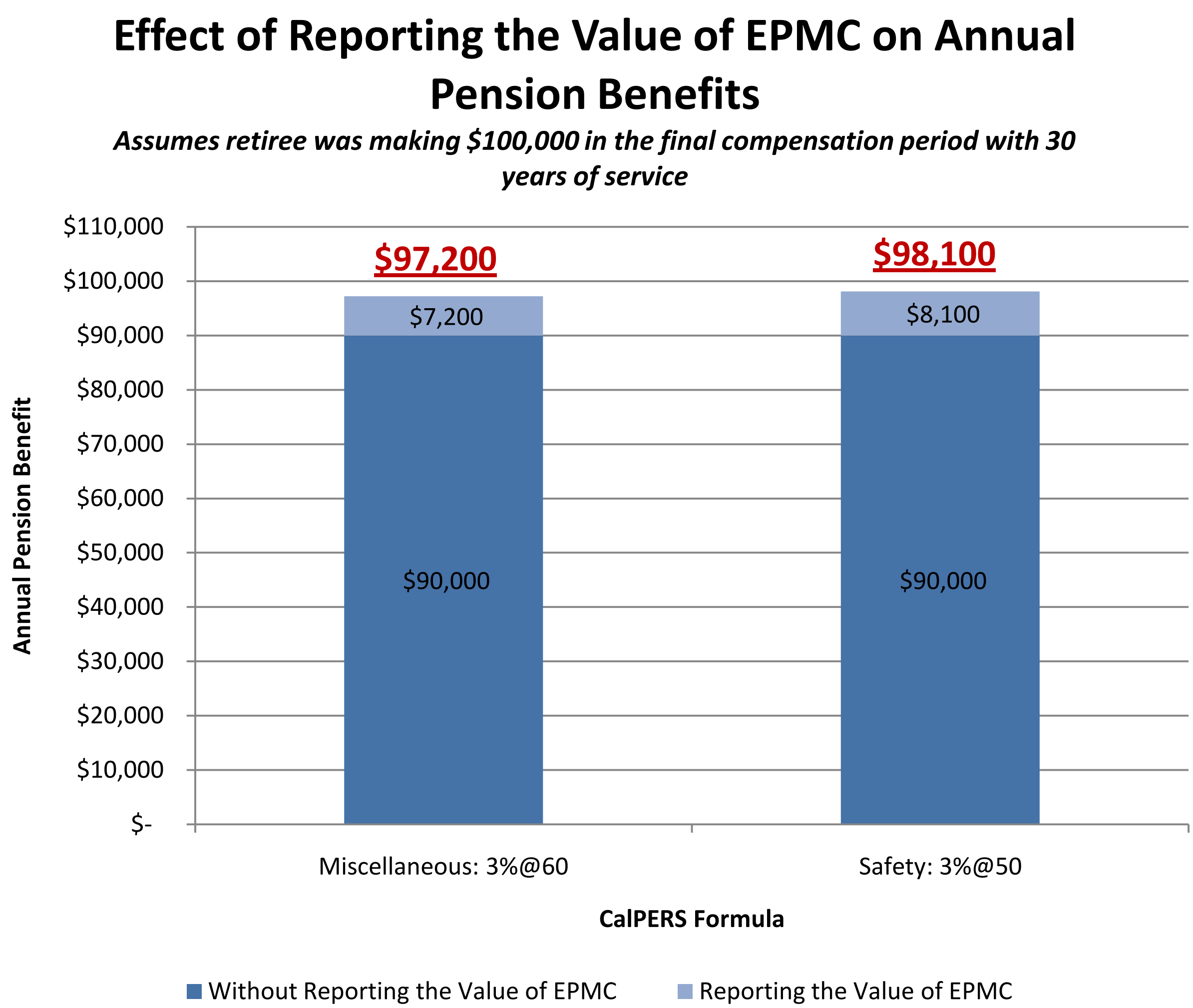
If Joe Smith, the city administrator working for the City of Happiness, has a 3% @ 60 retirement formula with a final compensation of the 12 highest consecutive months of salary, he would be "required" to contribute 8% of his salary into his pension plan.

However, if the City decides to pick up the 8% contribution on his behalf and reports the value of that contribution as additional compensation, Joe Smith would receive an 8% increase in his annual pension benefit.

Using the formula provided, if Joe worked for the City for 30 years, retired at age 60, and made $100,000 at his peak, he would receive $97,200 annually in retirement benefits (plus annual cost of living adjustments).

As explained in Example 3, Figure 7 shows the effect EPMC can have on annual retirement benefits for miscellaneous and safety employees with the most generous formulas.

Figure 7: Effect of Reporting the Value of EPMC on Annual Pension Benefits



The Annual Required Contribution (employer contribution rate multiplied by the covered payroll) is typically the largest component of a city's total pension costs. Usually following that is the amount the employer picks up on behalf of the employee.

Since the October 2009 pension report, several cities in the region have decreased the amount they pick up on behalf of employees. Table 7 shows how much employees are "required" to contribute, what they *actually* end up contributing, the amount picked up by employers on behalf of the employee (EPMC), and whether or not cities report the value of that pick up to CalPERS as additional compensation.

Key Findings for the Pick-up of the Normal Employee Contribution:

- Since our October 2009 report, the following cities have implemented change in regard to how much they contribute on behalf of employees:
    - **City of Carlsbad**: Nonsafety employees represented by the Police Officers' Association now pay 4.5% when previously they contributed 1%. Members represented by the Carlsbad Firefighters' Association now pay 9% when previously they contributed 1%. Safety employees represented by the Police Officers' Association now pay 5% when previously they contributed 1%.
    - **City of El Cajon:** Nonsafety employees and police employees now contribute 2% when previously they contributed nothing.
    - **City of Escondido:** Safety employees represented by the Firefighters' Association now contribute their full 9% share when previously they had not contributed.
    - **City of La Mesa:** Police employees are now contributing their full 9% toward their pensions when previously they had not contributed.
    - **City of Lemon Grove:** All employees are now contributing their fair and required share toward their pensions. Previously, nonsafety employees had only contributed 1% (now they contribute 8%) and safety employees had contributed nothing (now they contribute 9%).
    - **City of National City:** Previously, nonsafety employees had contributed 2% toward their retirement. Now, many miscellaneous employees are slated to pay their entire share in July of 2011 and some employees are already paying anywhere from 2% to 6% of their salary toward pensions. The City's police employees are now contributing 2% toward their pensions when previously they had not contributed.
    - **City of Oceanside:** Many nonsafety employees now contribute their full 8% share toward their pensions. Some safety members are now contributing 4.5% toward their pensions when previously they did not contribute.
    - **City of Poway:** All employees are now contributing 4% of their salary toward pensions. Previously they had contributed 3%.
    - **City of Santee:** All employees are now contributing 4% of their salary toward pensions. Previously they had not contributed.
    - **City of Solana Beach:** Nonsafety employees are contributing 3.515% toward their pensions (previously it was 1.5%). They are slated to pick up the full 8% in July of 2012. All safety employees are now contributing their full 9% toward their pensions (previously it was 1.7% for marine safety and 2% for fire safety).

Note: Some cities offset the reduction or elimination of the pick-up rate with salary increases. The net impact can result in higher costs to taxpayers. Cities are cautioned against offsetting pick-up rates with salary increases and are urged to obtain actuarial analyses to determine the net impact.

Table 7: San Diego County's CalPERS-contracted Cities Pick-Up Rates

City	Plan	Normal Employee Contribution Rate	Actual Employee Contribution Rate	Pick-up	Reports the value of Pick-up
Carlsbad	Miscellaneous	8.0%	1.0%-4.5%	3.5%-7.0%	✔ *
	Safety	9.0%	1.0%-9.0%	0.0%-9.0%	✔ *
Chula Vista	Miscellaneous	8.0%	0.0%	8.0%	✔
	Safety	9.0%	0.0%	9.0%	✔
Coronado	Miscellaneous	8.0%	0.0%	8.0%	✔ *
	Safety	9.0%	0.0%	9.0%	✔
Del Mar	Miscellaneous	8.0%	8.0%	0.0%	✘
	Safety	9.0%	5.0%	4.0%	✘
El Cajon	Miscellaneous	8.0%	2.0%	6.0%	✔
	Safety	9.0%	0.0%-2.0%	7.0%-9.0%	✔
Encinitas	Miscellaneous	8.0%	4.2%	3.8%	✔
	Safety	9.0%	0.0%	9.0%	✔
Escondido	Miscellaneous	8.0%	1.0%	7.0%	✔
	Safety	0.0%-9.0%	0.0%-9.0%	0.0%-9.0%	✔ *
Imperial Beach	Miscellaneous	8.0%	6.0%	2.0%	✘
	Safety	9.0%	0.0%	9.0%	✔ *
La Mesa	Miscellaneous	8.0%	8.0%	0.0%	✘
	Safety	9.0%	9.0%	0.0%	✘
Lemon Grove	Miscellaneous	8.0%	8.0%	0.0%	✘
	Safety	9.0%	9.0%	0.0%	✘
National City	Miscellaneous	8.0%	2.0%-6.0%	2.0%-6.0%	✔ *
	Safety	9.0%	0.0%-2.0%	7.0%-9.0%	✔
Oceanside	Miscellaneous	8.0%	3.0%-8.0%	0.0%-5.0%	✔ *
	Safety	9.0%	0.0%-4.5%	4.5%-9.0%	✔ *
Poway	Miscellaneous	7.0%	4.0%	3.0%	✘
	Safety	9.0%	4.0%	5.0%	✔
San Marcos	Miscellaneous	8.0%	0.0%	8.0%	✔
	Safety	9.0%	0.0%	9.0%	✔
Santee	Miscellaneous	8.0%	4.0%	4.0%	✔
	Safety	9.0%	4.0%	5.0%	✔
Solana Beach	Miscellaneous	8.0%	3.515%	4.485%	✔
	Safety	9.0%	9.0%	0.0%	✘
Vista	Miscellaneous	8.0%	8.0%	0.0%	✘
	Safety	9.0%	8.0%	1.0%	✔
*denotes that only some members in the plan receive this benefit.					

Other Pension Costs & Programs

In addition to the costs provided through enrollment in CalPERS (annual required contributions and the pick-up of the employee's contribution), many employers incur additional costs related to pension benefits, such as debt service on pension obligation bonds. Some agencies also provide additional retirement benefits, such as Social Security, deferred compensation plans, defined contribution plans, supplemental retirement plans, and early retirement incentives.

While most cities in the region do not offer Social Security, some cities still remain enrolled in the system. There are four cities in the region that offer Social Security for nonsafety employees: Coronado, Imperial Beach, La Mesa, and San Marcos. Imperial Beach is the only city in the region that also provides Social Security benefits for its safety plans. For purposes of this report, the costs associated with Social Security have not been included.

Pension Obligation Bonds[xi]

Pension obligation bonds (POBs) are debt that is issued to pay down an agency's unfunded liability, or the difference between the balance of contributions to an agency's pension fund and the amount needed in the fund to make all necessary payouts to current and former employees in the system. POBs can be issued to cover shortfalls in traditional pension obligations or Other Post-Employment Benefits (OPEBs), such as retiree health care.

As long as POBs are issued at interest rates lower than the potential return on a pension fund's investments, they can be a good investment that can save an agency money in the long run. However, if the interest rate on the bond is above the return on the pension fund's investment, there would be no cost savings. POBs also introduce higher investment risk as a large amount is contributed at once instead of smaller amounts over a longer period of time.

For each agency that issues pension obligation bonds, there is an annual debt service on those bonds until they reach their final maturity. In the San Diego region, two CalPERS-contracted cities have issued POBs: the cities of Chula Vista and Oceanside. See Table 8.

Table 8: Pension Obligation Bonds in San Diego County's CalPERS-contracted Cities

City	Date Issued	Amount Issued	FY 2009 Debt Service	Balance at end of FY 2009	Date of Maturity
Chula Vista	1994	$16,786,532	$2,460,413	$7.0 million	2012
Oceanside	2005	$42,780,000	$2,799,691	$41.15 million	2026

Deferred Compensation Plans[xii]

A deferred compensation plan is a retirement option in which an employee can set aside a certain portion of their paycheck into an investment account before taxes are taken out. These types of plans are referred to as 457(b) plans and are available only to government and nonprofit employees. Employees are able to annually contribute a maximum of 100% of gross taxable income or $16,500, whichever is less.[xiii] Taxes are only taken when the funds from the account are withdrawn. For the employee, this results in a greater initial investment than if the deposit was made after taxes. Overall, this plan can result in higher wealth for employees and can enhance retirement packages. A further benefit is that employees enjoy a lower taxable income, and in many instances lower tax rates. Deferred compensation plans are usually moveable between positions, where other pension benefits may only be accrued by working for a specific government agency, or require a certain tenure with the agency.

Deferred Compensation plans can be attractive to employers as they are an extra incentive used in recruitment. Some agencies will make contributions to a deferred compensation plan on behalf of the employee, but many do not.[xiv]

Note: Some public agencies administer their defined contribution plan through their deferred compensation plan.

Defined Contribution Plans

Section 11332 of the Federal Omnibus Budget Reconciliation Act of 1990 mandates that all local and state government employees who are not covered as part of the normal retirement system of a government must be enrolled in Social Security or an alternative plan. Many of the region's part-time, seasonal and temporary public employees fall under this requirement. See Table 9 for an overview of the plans offered by the city. **Please note that total pension costs (as used within this report) exclude defined contribution plans that are in lieu of Social Security.**

Table 9: Defined Contribution Plans Among CalPERS-Contracted Cities

City	Eligible Employees	City Contributes	Employee Contributes	Amount Contributed by City in FY 2009
Chula Vista	Part-Time	3.75%	3.75%	$96,206
Del Mar	Management	0%	No minimum required	$0
El Cajon	Commissioners, Part-Time, Seasonal, Temporary	7.5%	Not able to contribute	$30,287
Escondido	Part-Time, Seasonal, Temporary	3.75%	3.75%	$95,702
Poway Tier 1	Part-Time employees hired before July 1, 1996	3.75%	3.75%	$527
Poway Tier 2	Part-Time employees hired after July 1, 1996	0%	7.5%	$0
San Marcos	Part-Time	1.9%	5.6%	$25,254
Santee	Part-Time, Seasonal, Temporary	3.75%	3.75%	$9,116

Source: Each respective agency's FY 2009 financial statement.

Supplemental Retirement Systems

Many agencies in the region that contract with CalPERS have additional contracts with the Public Agency Retirement Services (PARS). PARS is another retirement plan that provides different and/or additional benefits for public employers. PARS programs are typically used in conjunction with CalPERS to provide flexible retirement options.

PARS offers the following pension plans and programs:[xv]

- Retirement Enhancement Plans: These plans allow the employer to provide additional retirement options to target key groups. Unlike a CalPERS plan where the options are available to everyone, these plans can target specific employee groups. They often act as hiring incentives or can be used if benefit formulas change for some workers.
- Alternatives to Social Security for Part-time Employees: PARS offers an alternative retirement plan to social security for part-time, seasonal or temporary employees. The cost of a PARS plan to the employer can be less than a corresponding social security contribution.
- Retirement Incentives: a PARS plan can be created to provide incentives for existing employees to retire earlier by offering different payment options upon retirement or higher payment amounts. This allows cities to reduce costs by retiring employees at the top of the salary scale and replacing them with entry-level employees.

Four cities in the region contract with PARS for enhanced retirement plans or defined contribution plans: Escondido, La Mesa, Poway, and Santee. See Table 10.

Table 10: San Diego County Cities Enrolled in CalPERS and PARS

City	Plan	Cost to City in FY 2009
Escondido	Defined-Contribution Plan	$95,702
La Mesa	Retirement Enhancement Plan	$3,200
Poway	Retirement Enhancement Plan	$1,082,561
Santee	Defined-Contribution Plan	$9,116

Source: Each respective agency's FY 2009 financial statement.

Early retirement incentives[xvi]

"Golden Handshake" is the colloquial term for the typical early retirement incentive. Under state law, an additional two years of service credit can be added to an employee's standing to increase their pension benefits and give them the incentive to retire early.[xvii] The concept is that if these employees retire early, their positions can be eliminated or reclassified, or they can be replaced with workers at a lower level of salary. When used in this way, savings may be achieved for governments. There are, however, costs associated with retirement, including early retirement incentives. These costs could include the amount needed to provide the retirement benefit, the loss of institutional memory, and the costs associated with new training and disruptions in work schedules and office efficiency as positions are cut or replaced.

In the region, several cities have resorted to using Golden Handshakes or other types of early retirement incentives over the years. For example, the City of Chula Vista offered an additional two years of service credit for eligible employees between May 5, 2010 and August 2, 2010. The increased costs for providing these benefits will be added to the City's employer contribution rate in following years. If **everyone** eligible for the early retirement incentive (171 employees) were to accept, the City's annual cost to provide these benefits would be $374,033. The City anticipated at the time of adoption that **approximately 5%** of those eligible would accept the offer, or a total of nine employees. The City expects that as a result, there can be an expected $707,784 in net annual savings.[xviii]

Total Pension Costs Over Time

For each city, SDCTA calculated total pension costs from fiscal year ending 1999 through 2009. By total pension costs, we included debt service on pension obligation bonds, supplementary retirement plans, early retirement incentives, defined contribution payments (other than those offered in lieu of Social Security), EPMC, and ARC.

Through our research, we have found that many cities have had extraordinarily high pension cost growth during this time. This is due to several factors, including: changes in annual investment growth from its 1999 height, retroactive benefits were awarded, and CalPERS changed its assumed rate of return on investments. For these reasons, we have shown pension cost growth during two specified timeframes: from FY 2005 – 2009 and from FY 1999 – 2009 (See Table 11). Also included is a comparison of pension costs and each city's General Fund revenue growth, which shows that pension costs have typically exceeded the growth in General Fund revenue.

Key Findings for Total Pension Growth:

- Over the five year period examined (FY 2005 – FY 2009), we found the following:
  - The City of Escondido had the steepest General Fund revenue decline (-9.39%), and the City of Imperial Beach had the strongest General Fund revenue increase (42.44%).
  - The City of El Cajon had the lowest pension cost growth (5.52%) and the City of San Marcos had the highest pension cost growth (136.17%).
- From FY 1999 – FY 2009, we found the following:
  - The City of Escondido had the lowest General Fund revenue growth (10.77%), and the City of San Marcos had the highest General Fund revenue growth (77.46%).
  - Similarly, the City of Escondido had the lowest pension cost growth (81.15%), and the City of San Marcos had the highest pension cost growth (578.32%).

Table 11: Growth of Pension Costs and General Fund Revenue (adjusted for inflation)

City	General Fund Revenue Growth FY 2005 - FY 2009	Total Pension Cost Growth FY 2005 - FY 2009	General Fund Revenue Growth FY 1999 - FY 2009	Total Pension Cost Growth FY 1999 - FY 2009
Carlsbad	-4.31%	43.78%	22.99%	173.94%
Chula Vista	-3.55%	17.59%	43.08%	192.43%
Coronado	21.57%	20.26%	19.19%	135.73%
Del Mar	-3.94%	36.82%	21.24%	127.76%
El Cajon	-4.57%	5.52%	13.38%	269.43%
Encinitas	0.86%	17.67%	31.06%	227.82%
Escondido	-9.39%	50.34%	10.77%	81.15%
Imperial Beach	42.44%	88.02%	76.03%	128.12%
La Mesa	10.13%	9.09%	27.04%	287.68%
Lemon Grove	-3.91%	27.94%	16.37%	172.95%
National City	-6.60%	25.66%	17.21%	135.42%
Oceanside	17.17%	39.86%	36.44%	114.28%
Poway	-6.43%	60.42%	35.24%	215.28%
San Marcos	-2.43%	136.17%	77.46%	578.32%
Santee	7.45%	53.33%	14.86%	126.61%
Solana Beach	9.25%	34.66%	14.05%	113.90%
Vista	24.53%	9.84%	61.99%	252.71%

From FY 1999 – FY 2009, pension costs have continued to consume an even greater portion of public agency funds. Table 12 shows the ratio of pension costs to city General Funds during the period studied. Figure 8 shows this ratio in graph form for FY 2009.

Key Findings for Total Pension Costs as a Ratio to General Funds:

- When all pension costs are taken into account, the following five (5) cities had the highest total pension cost to General Fund ratio (for FY 2009):
    1. Escondido (21.81%)
    2. El Cajon (20.91%)
    3. Chula Vista (18.86%)
    4. National City (17.78%)
    5. Poway (16.02%)
- When reviewing these ratios on a historical basis, the City of Chula Vista is the only city that has made the top five list of highest ratios every year reviewed. The City of National City has made the list every year but once. Other "repeat offenders" include the following:
    1. Chula Vista (11 reoccurrences)
    2. National City (10 reoccurrences)
    3. Escondido (9 reoccurrences)
    4. La Mesa (7 reoccurrences)
    5. El Cajon (7 reoccurrences)
    6. Oceanside (6 reoccurrences)
    7. Vista (2 reoccurrences)

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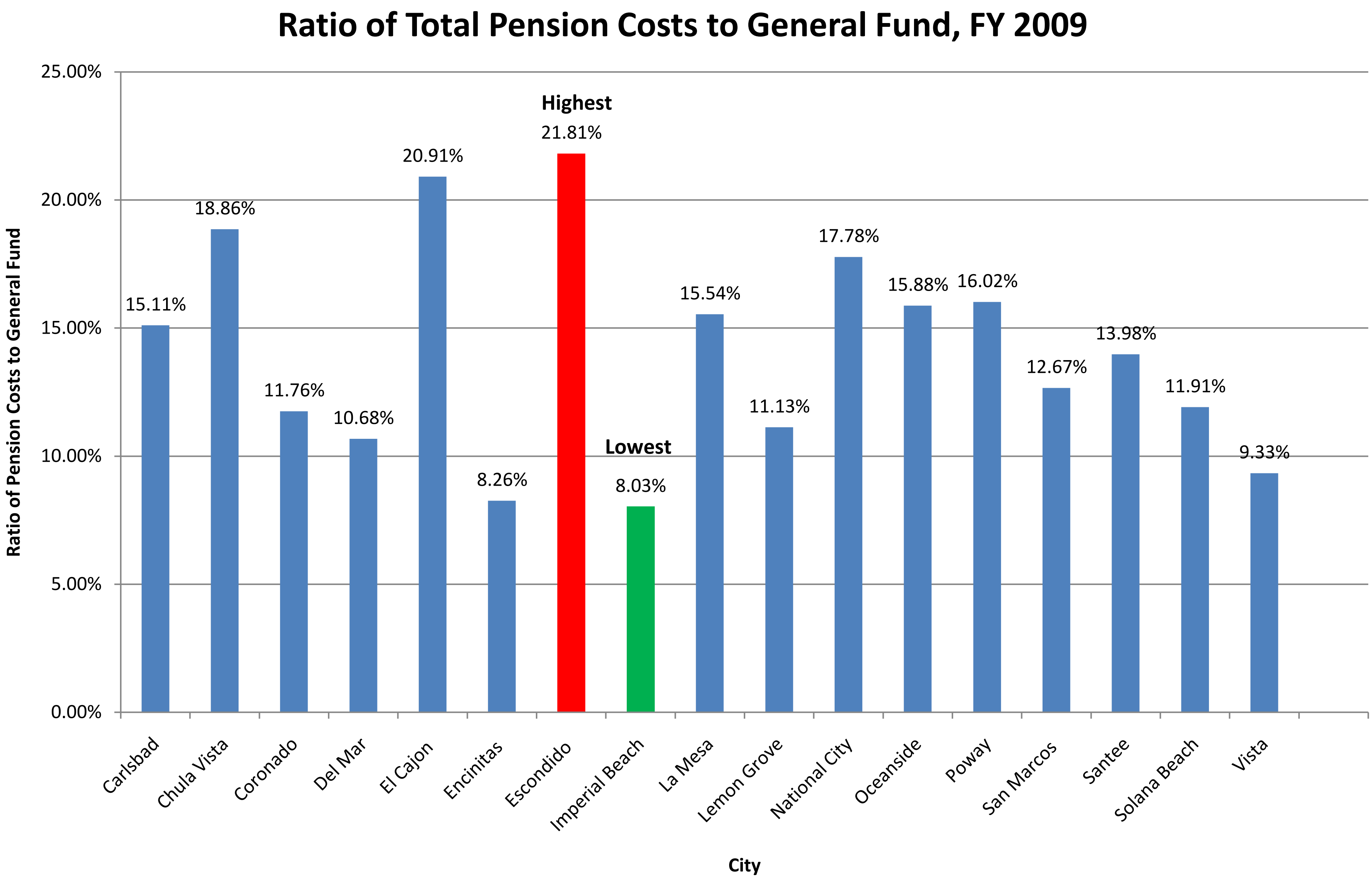
Table 12: Pension Costs as a Ratio to City General Funds

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Carlsbad	8.28%	4.83%	4.07%	4.34%	2.84%	6.48%	11.69%	13.62%	12.91%	13.23%	15.11%
Chula Vista	10.04%	6.71%	6.16%	5.87%	7.35%	12.19%	15.16%	16.71%	16.54%	17.33%	18.86%
Coronado	6.25%	3.86%	3.44%	3.76%	6.23%	7.12%	13.02%	13.89%	13.71%	12.08%	11.76%
Del Mar	5.28%	4.29%	3.66%	5.74%	3.88%	5.16%	6.69%	7.78%	9.33%	8.36%	10.68%
El Cajon	6.48%	5.55%	3.19%	3.17%	6.00%	12.41%	18.92%	21.51%	19.43%	19.84%	20.91%
Encinitas	3.95%	3.87%	2.91%	2.45%	2.80%	4.98%	8.37%	10.93%	7.35%	7.99%	8.26%
Escondido	15.21%	5.80%	5.32%	5.56%	7.39%	6.13%	14.75%	17.81%	18.04%	19.62%	21.81%
Imperial Beach	5.02%	4.78%	2.47%	2.67%	2.54%	3.20%	5.30%	6.83%	8.86%	9.71%	8.03%
La Mesa	4.96%	5.41%	6.19%	5.85%	7.03%	9.93%	15.28%	17.24%	15.39%	15.06%	15.54%
Lemon Grove	4.95%	3.31%	3.47%	2.17%	2.23%	3.29%	8.88%	10.19%	8.94%	11.07%	11.13%
National City	9.10%	11.29%	8.93%	8.60%	9.17%	7.52%	15.22%	19.05%	20.46%	21.97%	17.78%
Oceanside	10.62%	6.72%	5.75%	6.87%	7.84%	9.02%	14.25%	13.06%	14.47%	14.03%	15.88%
Poway	5.89%	4.47%	4.05%	3.46%	3.82%	6.22%	10.51%	13.18%	14.41%	13.67%	16.02%
San Marcos	4.12%	3.10%	2.57%	3.25%	3.17%	3.89%	6.59%	10.21%	9.62%	10.74%	12.67%
Santee	6.71%	3.61%	3.94%	4.01%	4.38%	5.77%	10.30%	12.54%	11.63%	13.83%	13.98%
Solana Beach	7.34%	4.48%	4.82%	4.34%	5.20%	6.56%	9.56%	9.82%	9.85%	11.77%	11.91%
Vista	4.45%	5.08%	4.82%	5.01%	8.09%	9.25%	10.46%	10.58%	9.22%	8.02%	9.33%

Note: costs associated with contracting with the County for law enforcement have been excluded from the calculations. General Fund operating expenditures were used in this calculation.

Source: Each agency's financial statements, FY 1999 – FY 2009. Public Records Act Requests were issued for additional information.

Figure 8: Ratio of Pension Costs to General Fund (FY 2009)



Source: Each agency's financial statements, FY 1999 – FY 2009. Public Records Act Requests were issued for additional information.

Table 13: Total Pension Costs Over Time (Adjusted for Inflation, 2009 Dollars)

FY	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
City											
Carlsbad	$5,969,407	$4,124,311	$3,520,542	$3,721,013	$3,662,703	$5,927,346	$11,373,546	$14,287,682	$14,556,345	$16,267,435	$16,352,523
Chula Vista	$9,744,677	$6,760,600	$6,985,966	$7,582,867	$10,367,686	$18,155,854	$24,232,459	$29,070,964	$29,038,374	$27,509,630	$28,495,990
Coronado	$1,967,703	$1,287,904	$1,050,419	$1,096,412	$1,752,413	$2,069,960	$3,857,162	$4,353,102	$4,540,206	$4,458,600	$4,638,463
Del Mar	$404,846	$322,471	$316,373	$482,646	$327,036	$435,355	$673,932	$726,198	$858,568	$868,393	$922,068
El Cajon	$2,962,677	$2,601,410	$1,499,579	$1,559,160	$2,953,809	$6,386,171	$10,372,738	$11,884,228	$10,975,445	$11,135,530	$10,945,164
Encinitas	$1,227,895	$1,160,493	$1,131,040	$1,068,947	$1,215,286	$2,251,689	$3,420,836	$4,590,570	$4,226,898	$4,106,674	$4,025,296
Escondido	$10,032,782	$5,342,259	$4,187,653	$4,293,798	$5,934,382	$4,590,019	$12,088,627	$15,450,170	$16,136,442	$18,597,301	$18,174,453
Imperial Beach	$430,688	$333,198	$211,477	$231,246	$227,651	$293,292	$522,545	$651,823	$854,363	$885,440	$982,466
La Mesa	$1,443,130	$1,495,557	$1,758,068	$1,715,139	$2,336,074	$3,397,305	$5,128,387	$5,880,981	$5,637,806	$5,597,117	$5,594,676
Lemon Grove	$350,058	$236,337	$239,449	$166,917	$168,725	$280,768	$746,830	$809,065	$876,886	$972,562	$955,500
National City	$2,921,071	$3,340,511	$2,829,155	$2,929,322	$2,841,204	$2,318,255	$5,472,761	$7,055,516	$7,347,641	$8,191,283	$6,876,919
Oceanside	$9,227,579	$6,101,252	$5,357,079	$6,397,868	$7,322,579	$9,131,885	$14,137,233	$14,193,220	$16,649,492	$17,337,747	$19,773,018
Poway	$1,591,473	$1,045,756	$986,721	$1,300,264	$1,280,822	$1,876,486	$3,127,906	$4,427,485	$4,612,911	$4,542,117	$5,017,639
San Marcos	$831,581	$889,568	$731,522	$885,506	$947,463	$1,272,522	$2,388,420	$4,222,115	$4,921,855	$5,184,387	$5,640,779
Santee	$1,288,324	$656,527	$640,586	$665,477	$738,778	$962,739	$1,903,994	$2,343,732	$2,553,686	$2,782,707	$2,919,414
Solana Beach	$659,329	$506,057	$427,584	$392,996	$463,753	$599,196	$1,047,314	$1,083,291	$1,308,674	$1,372,189	$1,410,333
Vista	$1,276,103	$1,390,941	$1,401,631	$1,473,224	$3,119,876	$3,083,762	$4,097,560	$4,257,800	$3,788,779	$4,319,806	$4,500,883

Source: Each agency's financial statements, FY 1999 – FY 2009. Public Records Act Requests were issued for additional information.

Conclusion

In recent years, cities throughout the San Diego region have seen revenue declines. Simultaneously, many of these same cities have seen pension costs steadily increase. This situation has necessitated the discussion to reform public pensions, which are a major cost factor for these cities.

In response to rising gaps between money coming in and money going out, several cities in the region have instituted elements of significant pension reform. Each of these cities has chosen a different route for implementing these decisions. While some cities have gradually required employees to pay a modest portion of their pension costs (1% to 2%), others have imposed changes that require employees, for the first time, to contribute their entire fair and required share. Some cities have stopped at reducing or eliminating pick-up as their pension reform, while others have gone beyond this step to ensure that future pension benefits do not impose as large of a burden on the city's budget. The most common element to reduce future pension liabilities is the establishment of a second, lower tier for new employees. However, not every city has achieved a second tier for all employees; many cities are chipping away at this reform by establishing tiers for specific groups of employees only. Some cities are also paying off their unfunded liability now to save taxpayers larger debt payments later. Other cities, however, have made decisions that may only exacerbate the situation. In many instances, salary increases were offered to employees to mitigate the increased cost of paying their share of pension costs. We have concerns that if this continues to be a route that cities pursue, pension liabilities may actually worsen as a result.

Finally, there remain those cities that have not implemented any pension reform. In times of declining revenues and growing liabilities, pension reform is not something that can sit on the backburner. Until pension reform is addressed, there will continue to be a discussion of tradeoffs in light of these increasing costs. The cities that have implemented pension reform without accompanying large salary increases are better poised to deal with their FY 2012 and future budgets than those who have simply avoided the problem.

SDCTA's recommendations for pension reform are (and have been) simple:

- All employees should pay their required share of pension costs (between 7% and 9% of payroll). Much of this is subject to collective bargaining with each city's labor groups, and it should occur as soon as possible as it has the potential to yield the most significant savings.
  - The mayor, members of the city council, and unrepresented employees of each city should start paying their share **immediately.**
  - Reduction or elimination of the amount picked up on behalf of employees should happen without an accompanying salary increase. If salary increases are offered, the city should request an actuarial analysis to ensure that they are not exacerbating their future pension liability.

- Since retirement formulas cannot be lowered for active employees, a second, lower tier should be created for new hires. This tier should be created with the most conservative options available:
  a. Safety employees – 2% @ age 55 formula
  b. Miscellaneous employees:
     i. 1.5% @ age 65 if Social Security is offered

    ii. 2% @ age 60 formula if Social Security is not offered

c. The average of the highest consecutive 36 months of salary should be used as the final compensation rather than the highest consecutive 12 months of salary to ensure the most conservative pension payout.

- To reduce costs, cities should begin paying off their unfunded pension liabilities as soon as possible.

Appendices

Appendix A: City of Carlsbad CalPERS Pension Benefits

City of Carlsbad Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	No	no contract
Carlsbad City Employees Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	No	1/1/08-12/31/10
Unrepresented management	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	No	no contract
Carlsbad Firefighters' Association	Safety	3% @ 50, 12 month FAC	2% @ 50, 36 month FAC	0%	9%	No	1/1/2010-12/31/2010
Carlsbad Police Officers' Association	Safety	3% @ 50, 12 month FAC	2% @ 50, 36 month FAC	4%	5%	Yes	1/1/2010 - 12/31/2012
Carlsbad Police Officers' Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	3.5%	4.5%	Yes	1/1/2010 - 12/31/2012
Carlsbad Police Management Association	Safety	3% @ 50, 12 month FAC	2% @ 50, 36 month FAC	8%	1%	Yes	1/1/2010 - 12/31/2010
Notes: effective July 1, 2011 Carlsbad POA members (safety and nonsafety) will pay their full contribution. Second tier for safety employees becomes effective October 4, 2010.							

FAC = Final Average Compensation

city verified on 8/19/2010

Appendix B: City of Chula Vista CalPERS Pension Benefits

City of Chula Vista Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	Yes	no contract
Western Council of Engineers	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	Yes	7/1/2005-6/30/2012
International Association of Firefighters	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2005-6/30/2012
Chula Vista Police Officer's Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2005-6/30/2013
Chula Vista Mid Managers/Professional Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	Yes	1/1/2010-6/30/2012
Chula Vista Employees Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	Yes	7/1/2005-6/30/2012

FAC = Final Average Compensation

city verified 8/24/2010

Appendix C: City of Coronado CalPERS Pension Benefits

City of Coronado Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	No	no contract
AFSCME, Local 127	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	Yes	6/21/2008-6/17/2011
Unrepresented Executive	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	Yes	no contract
Unrepresented-Other	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	No	no contract
Coronado Firefighters' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	6/21/2008-6/25/2011
Coronado Police Officers' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2007-6/30/2010
Coronado Police Officers' Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	8%	0%	No	7/1/2007-6/30/2010

FAC = Final Average Compensation

City verified on 8/19/2010

Appendix D: City of Del Mar CalPERS Pension Benefits

City of Del Mar Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	No retirement benefits offered.						
Del Mar Firefighters Association	Safety	3% @ 50, 36 month FAC	N/A	4%	5%	No	7/1/2008-6/30/2010
Del Mar City Employees Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	0%	8%	No	1/1/2010-12/31/2010
Del Mar Lifeguards	Safety	2% @ 50, 36 month FAC	N/A	5%	4%	No	1/1/2010-12/31/2010

FAC = Final Average Compensation

city verified
8/24/2010

Appendix E: City of El Cajon CalPERS Pension Benefits

City of El Cajon Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	6%	2%	Yes	N/A
El Cajon Firefighters' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2006-6/30/2008
El Cajon Municipal Employees Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	6%	2%	Yes	expires 6/30/2011
El Cajon Mid Management and Professional Employees Group	Miscellaneous	3% @ 60, 12 month FAC	N/A	6%	2%	Yes	expires 6/30/2011
El Cajon Police Officers' Association	Safety	3% @ 50, 12 month FAC	N/A	7%	2%	Yes	no current contract
El Cajon Police Officers' Association Management Group	Safety	3% @ 50, 12 month FAC	3% @ 55, 36 month FAC	7%	2%	Yes	7/1/2010 - 6/30/2011

FAC = Final Average Compensation

City verified on 8/19/2010

Appendix F: City of Encinitas CalPERS Pension Benefits

City of Encinitas Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4.20%	3.80%	Yes	no contract
Service Employees International Union	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4.20%	3.80%	Yes	1/1/2008-12/31/2011
Encinitas Firefighters Association	Safety	3% @ 55, 12 month FAC	N/A	9%	0%	Yes	expires 12/31/2011
Encinitas Lifeguards	Safety	3% @ 55, 12 month FAC	N/A	9%	0%	Yes	expires 12/31/2011

FAC = Final Average Compensation

city verified on 8/19/2010

Appendix G: City of Escondido CalPERS Pension Benefits

City of Escondido Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	Yes	no contract
Maintenance and Operations Bargaining Unit, Teamsters 911	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	Yes	7/1/2010 - 6/30/2011
Escondido Police Officers' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	1/1/2010 - 12/31/2011
Escondido Police Officers' Association-Non-Sworn Unit	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	Yes	7/1/2010 - 6/30/2012
Escondido Firefighters' Association	Safety	3% @ 50, 12 month FAC	N/A	0%	9%	No	1/1/2010 - 12/31/2011
Firefighters' Association Non-Safety Unit	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	Yes	1/1/2005-6/30/2009
Escondido City Employees Association-Admin, Clerical, Engineering	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	Yes	7/1/2009 - 6/30/2010
Escondido City Employees Association-Supervisory	Miscellaneous	3% @ 60, 12 month FAC	N/A	7%	1%	Yes	7/1/2009 - 6/30/2010

FAC = Final Average Compensation

city verified 8/19/2010

Appendix H: City of Imperial Beach CalPERS Pension Benefits

City of Imperial Beach Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	2%	6%	No	7/1/09 to 6/30/11
Service Employees International Union	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	2%	6%	No	7/1/2009 - 6/30/2011
Imperial Beach Firefighters' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2009 - 6/30/2011
Lifeguards	Safety	2% @ 50, 12 month FAC	N/A	9%	0%	No	7/1/2009 - 6/30/2011

FAC = Final Average Compensation

City verified 8/23/10

Appendix I: City of La Mesa CalPERS Pension Benefits

City of La Mesa Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	2.5% @ 55, 12 month FAC	0%	8%	No	no contract
La Mesa Firemen's Association	Safety	3% @ 50, 12 month FAC	N/A	0%	9%	No	7/1/2009 - 6/30/2010
La Mesa General Employees Unit	Miscellaneous	3% @ 60, 12 month FAC	2.5% @ 55, 12 month FAC	0%	8%	No	7/1/2010 - 6/30/2011
La Mesa Police Officers' Association	Safety	3% @ 50, 12 month FAC	N/A	0%	9%	No	changes imposed
La Mesa Police Officers' Association	Miscellaneous	3% @ 60, 12 month FAC	2.5% @ 55, 12 month FAC	0%	8%	No	changes imposed
Notes: Second tier for nonsafety employees becomes effective 1/1/2011.							

FAC = Final Average Compensation

Appendix J: City of Lemon Grove CalPERS Pension Benefits

City of Lemon Grove Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.5% @ 55, 12 month FAC	N/A	0%	8%	No	no contract
Lemon Grove Firefighters' Association	Safety	3% @ 55, 12 month FAC	N/A	0%	9%	No	8/1/2010 - 6/30/2012
General Employees	Miscellaneous	2.5% @ 55, 12 month FAC	N/A	0%	8%	No	no contract

FAC = Final Average Compensation

City verified 8/26/2010

Appendix K: City of National City CalPERS Pension Benefits

City of National City Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	5%	3%	Yes	no contract
Confidential Group	Miscellaneous	3% @ 60, 12 month FAC	2% @ 60, 12 month FAC	6%	2%	Yes	7/1/2010 – 12/31/2011
Executive Group	Miscellaneous	3% @ 60, 12 month FAC	N/A	2%	6%	Yes	no contract
Firefighters' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	1/1/2006-12/31/2010
Management Group	Miscellaneous	3% @ 60, 12 month FAC	N/A	3%	5%	Yes	no contract
Municipal Employees' Association	Miscellaneous	3% @ 60, 12 month FAC	2% @ 60, 12 month FAC	5%	3%	No	changes imposed
Police Officers' Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	6%	2%	Yes	7/1/2009 - 6/30/2011
Police Officers' Association	Safety	3% @ 50, 12 month FAC	3% @ 55, 12 month FAC	7%	2%	Yes	7/1/2009 - 6/30/2011
Note: Confidential employees will contribute 3% effective January 1, 2011. The Mayor, Councilmembers, Management Employees and Executive Employees will contribute their full required contribution as of July 1, 2011.							

FAC = Final Average Compensation

city verified on 8/20/2010

Appendix L: City of Oceanside CalPERS Pension Benefits

City of Oceanside Pension Benefits (1 of 2)

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	0.0%	8%	No	no contract
Western Council of Engineers	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4.5%	3.5%	Yes	9/12/2007-6/30/2011
Unrepresented Council Supervisory Aides	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	0.0%	8.0%	No	no contract
Unrepresented Employees, part time	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	0.0%	8.0%	No	no contract
Unrepresented Middle Management Employees	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4.0%	4.0%	Yes	no contract
Unrepresented Executive (Safety)	Safety	3% @ 50, 12 month FAC	N/A	4.5%	4.5%	Yes	no contract
Unrepresented Executive (Nonsafety)	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	0.0%	8.0%	No	no contract
Unrepresented Supervisory, Technical and Confidential	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4.0%	4.0%	Yes	no contract
Oceanside Police Officers' Association-nonsworn	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	5%	3%	No	6/30/2011
Oceanside Police Officers' Association-Sworn	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	1/1/2008-12/31/2009

City of Oceanside Pension Benefits (2 of 2)

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Oceanside Police Management Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2006-6/30/2008
Oceanside Harbor Police Officers' Unit	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	No	1/1/2008-12/31/2009
Oceanside Firefighters' Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	1/1/2008-12/31/2009
Oceanside Fire Management Association	Safety	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	7/1/2007-6/30/2009
Oceanside City Employees' Association	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	5%	3%	Yes	7/1/2007-6/30/2011
Management Employees of the City of Oceanside	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4%	4%	Yes	7/1/2007-6/30/2011

FAC = Final Average Compensation

Appendix M: City of Poway CalPERS Pension Benefits

City of Poway Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2% @ 55, 12 month FAC	N/A	3%	4%	No	no contract
Management/Supervisory/ Professional/Confidential	Miscellaneous	2% @ 55, 12 month FAC	N/A	3%	4%	Yes*	7/1/2010 - 6/30/2011
Nonsafety Unit	Miscellaneous	2% @ 55, 12 month FAC	N/A	3%	4%	No	7/1/2010 - 6/30/2011
Poway Firefighters Association	Safety	3% @ 50, 36 month FAC	N/A	5%	4%	Yes	tentative agreement 7/1/2010 - 6/30/2011
Note: Directors and Managers are the only ones receiving the reporting of EPMC in the management/supervisory/professional/confidential group.							

FAC = Final Average Compensation

city verified 8/23/2010

Appendix N: City of San Marcos CalPERS Pension Benefits

City of San Marcos Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	**	**	**	**
San Marcos Employees' Union	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	8%	0%	Yes	1/1/2008-12/31/2011
San Marcos Professional Firefighters' Association	Firefighters	3% @ 50, 12 month FAC	N/A	9%	0%	Yes	1/1/2008-12/31/2011
San Marcos Supervisors' Association	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	8%	0%	Yes	1/1/2008-12/31/2011

FAC = Final Average Compensation

Appendix O: City of Santee CalPERS Pension Benefits

City of Santee Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4%	4%	Yes	no contract
Santee Firefighters Association	Safety	3% @ 50, 12 month FAC	N/A	5%	4%	Yes	7/1/2009 - 6/30/2011
Miscellaneous Workers	Miscellaneous	2.7% @ 55, 12 month FAC	N/A	4%	4%	Yes	no contract

FAC = Final Average Compensation

City verified
8/25/2010

Appendix P: City of Solana Beach CalPERS Pension Benefits

City of Solana Beach Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	2.5% @ 55, 12 month FAC	2% @ 60, 36 month FAC	0%	8%	No	no contract
Unrepresented Employees	Miscellaneous	2.5% @ 55, 12 month FAC	2% @ 60, 36 month FAC	4.485%	3.515%	Yes	no contract
Solana Beach Employees' Association Miscellaneous Unit	Miscellaneous	2.5% @ 55, 12 month FAC	2% @ 60, 36 month FAC	4.485%	3.515%	Yes	7/1/2010-6/30/2013
Solana Beach Firefighters' Association	Safety	3% @ 50, 12 month FAC	2% @50, 36 month FAC	0.0%	9.0%	No	Pension provisions imposed
Solana Beach Firefighters' Association Marine Safety Unit	Safety	3% @ 50, 12 month FAC	2% @50, 36 month FAC	0.0%	9.0%	No	7/1/2010-6/30/2011
Note: Nonsafety employees will contribute an additional 2.242% in July 1, 2011 and will contribute the full 8% in July 1, 2012. Second tier for safety employees becomes effective January 1, 2011.							

FAC = Final Average Compensation

City verified 9/1/2010

Appendix Q: City of Vista CalPERS Pension Benefits

City of Vista Pension Benefits

Group	Representing	Formula Tier 1	Formula Tier 2	Pickup Rate	Employees Pay	Value of Pick-up Reported	Term of agreement
Mayor and Council	Miscellaneous	3% @ 60, 12 month FAC	N/A	0%	8%	No	varies
Vista City Employees' Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	0%	8%	No	7/1/2009 - 6/30/2010
Vista Management & Confidential Employees (nonsafety)	Miscellaneous	3% @ 60, 12 month FAC	N/A	0%	8%	No	effective 7/2/2010
Vista Management & Confidential Employees (fire)	Safety	3% @ 50, 12 month FAC	N/A	1%	8%	Yes	effective 7/2/2010
Vista Firefighters Association	Safety	3% @ 50, 12 month FAC	N/A	1%	8%	Yes	7/1/2009 - 6/30/2011
Vista Firefighters Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	0%	8%	No	7/1/2009 - 6/30/2011
Vista Maintenance Association	Miscellaneous	3% @ 60, 12 month FAC	N/A	0%	8%	No	7/1/2010 - 6/30/2012

FAC = Final Average Compensation

city verified
8/23/2010

End Notes

[i] CalPERS. "Facts at a Glance." Available from http://www.calpers.ca.gov/eip-docs/about/facts/general.pdf. Updated August 2010. Accessed on August 13, 2010.

[ii] Compensation is broadly defined in the government code (Section 20630) as follows:
20630.
(a) As used in this part, "compensation" means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours or for time during which the member is excused from work because of any of the following:

(1) Holidays.
(2) Sick leave.
(3) Industrial disability leave, during which, benefits are payable pursuant to Sections 4800 and 4850 of the Labor Code, Article 4 (commencing with Section 19869) of Chapter 2.5 of Part 2.6, or Section 44043 or 87042 of the Education Code.
(4) Vacation.
(5) Compensatory time off.
(6) Leave of absence.

(b) When compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid. Compensation shall be reported in accordance with Section 20636 and shall not exceed compensation earnable, as defined in Section 20636.

"Compensation earnable" is the key term and there are two basic components for CalPERS, payrate and special compensation. Both are defined more specifically in the Government Code (Section 20636). In brief:

- Payrate is the normal monthly rate of pay (base pay) of members. Overtime is not reported.
- Special compensation is limited to what is received by a member pursuant to a policy or agreement with labor to other similarly situatied members of employment. It is reported in addition and separate from the payrate mentioned above. California Code of Regulations, Title 2, Section 571 (a) outlines all of the items that can be considered special compensation.
    - The following is included as special compensation for reporting purposes:
        - Incentive pays, such as bonuses, longevity pay, value of EPMC
        - Educational pay, such as an educational incentive
        - Premium pay, which is offered when employees work in a classification higher than their own for a limited time
        - Special assignment pay, such as a bilingual premium and shift differentials
        - Fair Labor Standards Act premiums. "FLSA states premium pay must be paid on all hours worked above 53 hours per week up to what is considered normal for employees on a full-time basis." Anything above the normal range is not reported as it is considered overtime.
        - Holiday credit—allowing employees to "cash out" holiday time, if offered
        - Uniform allowance, which is "Compensation paid or the monetary value for the purchase, rental and/or maintenance of required clothing, including clothing made from specially designed protective fabrics, which is a ready substitute for personal attire the employee would otherwise have to acquire and maintain."

[iii] Currently, the minimum age for retirement is 50 years old, and depending upon the agency's contract (and the additional service credit options awarded), this can be a negotiated number.

[iv] Senate Rules Committee, Office of Senate Floor Analyses. "SB 400." Available from http://www.leginfo.ca.gov/pub/99-00/bill/sen/sb_0351-0400/sb_400_cfa_19990928_142123_sen_floor.html.

[v] Ibid.

[vi] Concurrence in Senate Amendments, Bill Analysis. "AB 616." Available from http://www.leginfo.ca.gov/pub/01-02/bill/asm/ab_0601-0650/ab_616_cfa_20010925_150516_asm_floor.html.

[vii] Formula obtained from Marcia Fritz, CPA and President of the California Foundation for Fiscal Responsibility. Formula also verified by several CPAs and actuaries.

[viii] Some cities are mandated to enter a risk pool if they have fewer than 100 employees in a plan, while other cities elect to enter.

[ix] Note: risk pool cities have three items considered as normal cost: net employer normal cost, surcharges for benefits, and phasing out of normal cost difference. Risk pool cities have two items considered as unfunded liability: risk pool's payment on amortization bases and amortization of side fund.

[x] See note #2.

[xi] For more information on Pension Obligation Bonds, see Roger Davis, "An Introduction to Pension Obligation Bonds and Other Post-Employment Benefits," Orrick, Herrington & Sutcliffe LLP, 3rd Edition, 2006, Accessed Aug. 18, 2010. http://www.orrick.com/fileupload/247.pdf.

[xii] For more information on deferred compensation plans, see Kathy Harm, "State and local government deferred compensation programs," Government Finance Review, Feb 1, 1993, published on allbusiness.com,. Accessed Aug. 19, 2010, http://www.allbusiness.com/human-resources/benefits-retirement-401k/376474-1.html.

[xiii] Internal Revenue Service. "IRC 457(b) Deferred Compensation Plans." Available from http://www.irs.gov/retirement/article/0,,id=172437,00.html. Accessed on August 23, 2010.

[xiv] FY 2009 Financial Statements of each respective public agency.

[xv] For more information on PARS, see "PARS Plans & Programs," PARS Website, Apr. 16, 2010, Accessed: Aug. 19, 2010, http://www.parsinfo.org/html/01-plans-products/plans_products.htm..

[xvi] For more information on early retirement incentives, see Sources: "SO50 Controlling Retirement Incentive Costs," California Performance Review, Accessed Aug. 18, 2010, http://cpr.ca.gov/CPR_Report/Issues_and_Recommendations/Chapter_7_Statewide_Operations/Personnel_Management/SO50.html. "Golden Handshake Information," CalPERS, Apr. 10, 2008, Accessed Aug. 18, 2010, http://www.calpers.ca.gov/index.jsp?bc=/member/retirement/goldhandshakeinfo.xml.

[xvii] California Government Code, Section 20903. Under State Law, the early retirement incentive must result in a reduction in staffing: "any vacancies thus created or at least one vacancy in any position in any department or other organizational unit shall remain permanently unfilled thereby resulting in an overall reduction in the workforce of the department or organizational unit." Additionally, the governing body of the public agency must have two meetings on the agenda item. The first will be for consideration once the disclosure of additional costs are released and the public has the opportunity to weigh in.

[xviii] City of Chula Vista. City Council Agenda Statement, Item 16. "Report of Intention to Offer Employees in Specified Job Classifications Who Are Members of the California Public Employees Retirement System (CalPERS) Local Miscellaneous and Local Public Safety-Fire Groups the Opportunity to Retire Within a Designated Period and Receive Two Years Additional Service Credit Pursuant to Government Code §20903." April 20, 2010.