



Contra
Costa
County

To: Board of Supervisors
From: David Twa, County Administrator
Date: July 28, 2015

Subject: Response to Civil Grand Jury Report No. 1503 "Time for a New Look at Pension Costs"

RECOMMENDATION(S):

APPROVE the response to Civil Grand Jury Report No. 1503 "Time for a New Look at Pension Costs" and DIRECT the Clerk of the Board to forward the response to the Superior Court no later than August 15, 2015.

FISCAL IMPACT:

No fiscal impact.

BACKGROUND:

On May 18, 2015 the 2014/15 Civil Grand Jury filed the above-referenced report. The attached response clearly specifies:

Whether a finding or recommendation is accepted or will be implemented; if a recommendation is accepted, a statement as to who will be responsible for implementation and by what target date; a delineation of the constraints if a recommendation is accepted but cannot be implemented within a six-month period; and the reason for not accepting a finding or recommendation.

The Board of Supervisors is required to respond to Findings 1-7 and Recommendations 1-3. The Board of Directors of the Contra Costa County Fire Protection District is required to respond to Findings 1, 2, 4, 6 and Recommendations 1-3. Please see the attached combined response to the report.

APPROVE

OTHER

RECOMMENDATION OF CNTY ADMINISTRATOR

RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **07/28/2015** APPROVED AS RECOMMENDED OTHER

Clerks Notes: See Addendum

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Mary N. Piepho, District III Supervisor
Karen Mitchoff, District IV Supervisor

ABSENT: Federal D. Glover, District V
Supervisor

Contact: Lisa Driscoll, County Finance
Director (925) 335-1023

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: July 28, 2015

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

CONSEQUENCE OF NEGATIVE ACTION:

In order to comply with statutory requirements, the Board of Supervisors/Board of Directors for the Contra Costa County Fire Protection District must provide a response to the Superior Court no later than August 15, 2015. The Board must take timely action in order to comply with the statutory deadline.

CHILDREN'S IMPACT STATEMENT:

Not Applicable.

ATTACHMENTS

Grand Jury Report No. 1503

Response to Grand Jury Report No. 1503

CLERKS ADDENDUM

Speakers: Frank Darling, resident of Orinda; Vincent Wells, President Firefighters' Local 1230; David Van Etten, resident of Lafayette.

APPROVED the response to Civil Grand Jury Report No. 1503 "Time for a New Look at Pension Costs"; REFERRED the matter in relation to legislative policy to the Legislative Committee; DIRECTED the Clerk of the Board to forward the response to the Superior Court no later than August 15, 2015; and DIRECTED the concept of a establishing a task force/committee to review options to reduce the pension obligation burden be revisited in one year.

BOARD OF SUPERVISORS AND BOARD OF DIRECTORS OF THE CCCFPD
RESPONSE TO CONTRA COSTA COUNTY GRAND JURY REPORT 1503:

Time for a new Look at Pension Costs

Findings:

- F1. The County and CCCFPD currently have unfunded accrued pension and OPEB liabilities that exceed \$2.6 Billion. The cost to the County and CCCFPD to cover these and additional annual pension and OPEB liabilities require payments in excess of \$375 Million each year.

Response: The respondents agree with the finding.

- F2. Pension costs alone now consume over 11% of the combined budgets of the County and CCCFPD. These costs have risen from a percentage slightly under 5% in 2000 and now constitute the largest financial challenge facing the County.

Response: The respondents partially disagree with the finding. Although pension costs are large, the largest financial challenge facing the County is the issue of balancing the cost of salaries and benefits as components of total compensation to attract and retain employees.

- F3. The cost of pension and OPEB obligations are debts that must be paid before the County can allocate available resources to other needs and services. This has contributed to the "crowding out" of other County services, the deferral of needed building maintenance projects, and the postponement of needed system improvements for the County.

Response: The respondent partially disagrees with the finding. Other Post Employment Benefits (OPEB) liabilities are not 'debts'. Unlike pension liabilities, OPEB liabilities can be reduced rather than paid. In 2006, the County's OPEB liability was in excess of \$2.6 billion. The liability is currently under \$1 billion and was reduced by reducing the benefit, not paying the liability.

- F4. Pension costs are difficult to manage because they vary directly with the investment results obtained by CCCERA on its pension funds. The County and CCCFPD are at risk each year of having to increase pension payments in the event CCCERA does not achieve its 7.25% assumed rate of investment return on the pension fund.

Response: The respondents agree with the finding.

- F5. The County faces competitive pressures in retaining and recruiting a skilled and professional workforce. This limits its ability to seek greater contributions from its employees to the costs of the pension and OPEB obligations because other counties and cities may not seek the same contributions from their employees.

Response: The respondent agrees with the finding.

F6. The County and CCCFPD have a severe handicap in reducing their pension obligations because of a highly inflexible rule under a long-standing California court precedent that the County believes severely limits their ability to negotiate reductions in future, unearned pension benefit rates with their current employees.

Response: The respondents agree with the finding.

F7. The County has not taken steps to challenge or change the California legal rule on changes to future pension benefits for existing employees, whether through the initiative process, clarifying legislation, or friend of the court legal briefs.

Response: The respondent agrees with the finding.

Recommendations:

R1. The County Board of Supervisors and the Board of Directors of CCCFPD should establish a task force to review all options available to reduce the burden of the County and CCCFPD's pension obligations, including efforts to bring about a reform in California public pension law. The task force should:

- Confirm with the County's or CCCERA's actuaries what level of potential savings in pension costs could be achieved through negotiations with employees hired before 2013 for reductions in pension benefits for future employment periods.
- Review with qualified legal counsel what strategies are available to seek a change or clarification in California law to assure changes to future pension benefits for current employees are proper subjects of collective bargaining. Such strategies might include participation in a state ballot initiative, the filing of "friend of court" legal briefs, sponsoring clarifying language for the Meyers- Miliias-Brown Act, or including changes to future pension benefits for current employees as a subject for collective bargaining negotiations.
- Recommend what limits the Boards should establish as a matter of policy on any such reductions in future pension benefits for current employees, such as a minimum benefit tied to PEPRA rates as set forth in this report.
- Recommend a policy for keeping the County's and CCCFPD's employee groups informed of the Boards' intentions on any strategies for change so as to assure employees that any changes would be subject to collective bargaining and minimums set forth in the Boards' minimum benefit policy.
- Recommend a policy for keeping County citizens fully informed of the potential costs of any changes in pension benefits negotiated with the County's and CCCFPD's employee groups.

Response: The recommendation will not be implemented at this time. Although neither the County nor the District are opposed to such a mission, the County and Fire District are

currently in negotiations with the majority of bargaining groups to restructure delivery of healthcare to employees. It is reasonable to believe that the result will impact competitive pressures in retaining and recruiting a skilled and professional workforce. Additionally, the District is in the midst of a significant restructuring of delivery of ambulance services. Neither the County nor the Fire District are currently in an administrative position to take on such an undertaking.

- R2. The task force should be formed within 90 days and be required to report back to the Boards with its recommendations within 90-120 days.

Response: The recommendation will not be implemented. See response to recommendation R1.

- R3. Establish a special web page on the County web site where citizens can easily track by means of a pension "dashboard" the costs and size of the County's and CCCFPD's pension obligations and the progress on its plans to reduce their costs.

Response: The recommendation will not be implemented at this time. The County and District's Budget and CCCERA's web sites include annual updates of pension obligation and funding process. The obligation changes are calculated annually, which does not warrant a web page "dashboard", which is more suited for launching applications quickly for items that change often such as a stock ticker or weather report. The County's current pension information page is three clicks from the main menu and CCCERA's is two clicks from the main menu. Should the County and/or District undertake an effort to reform California public pension law in the future, such a "dashboard" could be utilized to keep employees and the public apprised of the progress on its plans to reduce costs.

Mileage Reimbursement for Travel Expense Claims

Travel Between Courts

From Concord:	One Way	Round Trip
To Martinez Downtown	9	18
To Pittsburg	9	18
To Richmond	25	50
To Walnut Creek	7	14

From Martinez Downtown*:	One Way	Round Trip
To Concord	9	18
To Pittsburg	16	32
To Richmond	19	38
To Walnut Creek	12	24
To Juvenile Hall	4	8
To DCSS	2	4

From Juvenile Hall:	One Way	Round Trip
To Martinez Downtown	4	8

From DCSS:	One Way	Round Trip
To Martinez Downtown	2	4

From Pittsburg:	One Way	Round Trip
To Concord	9	18
To Martinez Downtown	16	32
To Richmond	31	62
To Walnut Creek	16	32

From Richmond:	One Way	Round Trip
To Concord	25	50
To Martinez Downtown	19	38
To Pittsburg	31	62
To Walnut Creek	24	48

From Walnut Creek:	One Way	Round Trip
To Concord	6	12
To Martinez Downtown	12	24
To Pittsburg	16	32
To Richmond	24	48

* Martinez Downtown includes Wakefield Taylor, A.F. Bray, Court Records, Peter Spinetta, and Alhambra facilities. Address Used is Wakefield Taylor, 725 Court Street.

Mileage Reimbursement for Travel Expense Claims

Travel to Judicial Council

From Concord:	One Way	Round Trip
To San Francisco	31	62
To Sacramento	68	136

From Martinez:	One Way	Round Trip
To San Francisco	35	70
To Sacramento	63	126

From Pittsburg:	One Way	Round Trip
To San Francisco	40	80
To Sacramento	75	150

From Richmond:	One Way	Round Trip
To San Francisco	17	34
To Sacramento	71	142

From Walnut Creek:	One Way	Round Trip
To San Francisco	25	50
To Sacramento	71	142

San Francisco - 455 Golden Gate Avenue
Sacramento - 2850 Gateway Oaks Drive