



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: CEO
Human Resources
Department No.: 064
For Agenda Of: 4-5-11
Placement: Departmental
Estimated Tme: 30 minutes
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Chandra L. Wallar, County Executive Officer 568-3404
Jeri Muth, Interim Human Resources Director 568-2816

STAFF CONTACT: Robert MacLeod, Chief of Employee Relations 568-2805

SUBJECT: Retirement Benefit Reforms

County Counsel Concurrence

As to form: Select_Concurrence

Other Concurrence: Select_Other

As to form: Select_Concurrence

Auditor-Controller Concurrence

As to form: Select_Concurrence

Recommended Actions:

That the Board of Supervisors direct staff to initiate efforts to implement recommendations of the Advisory Commission on Retirement Program Alternatives.

Summary:

Recommended actions of the Advisory Commission on Retirement Program Alternatives for a "new tier" for a **future** workforce include:

1. A reduction in the formulas used to calculate the pension benefit - 1.62% @ 65 for future general employees and 2% @ 50 for future safety employees;
2. Eliminating the use of one year of final average salary (FAS1) to calculate the pension benefit;
3. Eliminating employer contributions to the employee's portion of the contribution toward the pension benefit – this includes any negotiated "Employer Offset" as well

as the current "half-rate" arrangement in which the County pays for approximately one-half the employee contribution for certain employees;

4. Implementing a 2% post-retirement Cost of Living Adjustment (COLA), instead of the current 3% COLA;
5. Eliminating "vacation conversions," through which annually employees can request to convert vacation hours to cash, which increases their final average salary, on which the pension benefit is calculated;
6. Eliminating all performance-based lump sum payments, as it also increases final average salary; and
7. Eliminating the retiree medical program.

In addition, for the **current** workforce:

1. Eliminating previously-negotiated "Employer Offsets;"
2. Eliminating vacation conversions as previously described; and
3. Eliminating all performance-based lump sum payments as previously described.

Background:

On March 23, 2010, the Board of Supervisors created a five-member Advisory Commission on Retirement Program Alternatives (Commission). Following the establishment of the Commission, the members, supported by County staff, began meeting in July 2010 to explore alternatives that would help the County better manage the rising cost of retirement benefits. On February 15, 2011, the Commission provided its recommendations to the Board of Supervisors for consideration.

After County staff analysis of the Commission's recommendations, including a legal review by County Counsel, it is recommended that the Board direct staff to initiate efforts to implement the recommendations of the Advisory Commission on Retirement Program Alternatives as detailed above.

Fiscal Impacts:

The County's actuary estimates the first-year savings associated with implementing a new retirement tier for **future** County employees to be approximately \$1.5 million based on a formula 1.62% @ 65 formula (with FAS3, full rates, and a 2% post-employment COLA) for all new General Member employees and a 2% @ 50 formula (with FAS3, full rates, and a 2% post-retirement COLA) for all new Safety Member employees. This estimate assumes a normal level of hiring of new employees. As the current workforce leaves County employment, and as new employees are hired, the savings would grow.

Implementing the Commission's recommended changes for the **current** workforce would result in the following estimated savings:

Change	Estimated Annual Savings
Eliminate Employer Offset	\$4,200,000
Eliminate vacation conversion	\$900,000
Eliminate lump-sum payments	\$430,000
Totals:	\$5,530,000

The combined savings in the first year from both current and future employees would be approximately \$7,030,000.

cc: Chandra L. Wallar, County Executive Officer
Department Heads