

**CONTRA COSTA COUNTY GRAND JURY REPORT NO. 1010**

**Pension Spiking: Who Really Gets Stuck?**

**FINDINGS**

- 1. Increased pension costs directly reduce funds available for services. Higher pension obligations also become a debt to taxpayers of Contra Costa County.**

***Responses:***

<b><i>Employer</i></b>	<b><i>Response</i></b>	<b><i>Employer's Comments</i></b>
<i>Contra Costa County Board of Supervisors</i>	<i>Agrees</i>	<i>Unless employers reach agreements with recognized employee organizations to pay the increased pension costs, in which case the higher pension obligation would become a debt to employees rather than taxpayers.</i>
<i>Contra Costa County Employees' Retirement Association</i>		<i>CCCERA is not an employer member. CCCERA employees are by law County employees.</i>
<i>Bethel Island Municipal Improvement District</i>	<i>Agrees</i>	
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Agrees</i>	
<i>Contra Costa Housing Authority</i>	<i>Partially disagrees</i>	<i>While this statement is generally true, if agencies require increased pension costs to be paid by employees, then these costs will not be borne by taxpayers. Also, it should be noted that the Housing Authority's programs are 100% federally funded with additional revenue generated from investment, development and contractual activities. The Authority does not receive funding from the County's general fund.</i>
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Partially disagrees</i>	<i>For our District, expenses for employee salaries and benefits are budgeted expenses. Costs for pension benefits, like all benefit costs, are annually monitored, and options to contain costs explored. Pension obligation costs are included in long range planning and when making new employment decisions to ensure revenue projections can sustain expenditures related to number of hires. The District's pension costs are well under control; we have not conducted the legal analysis necessary to reach any conclusion as to whether higher pension obligations become a debt to taxpayers of Contra Costa County.</i>
<i>Local Agency Formation</i>	<i>Agrees</i>	

<i>Commission (LAFCO)</i>		
<i>Rodeo Sanitary District</i>	<i>Agrees</i>	
<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Agrees</i>	<i>Unless employers reach agreements with recognized employee organizations to pay the increased pension costs, in which case the higher pension obligation would become a debt to employees rather than taxpayers.</i>
<i>First 5 – Children &amp; Families Commission</i>	<i>Agrees</i>	<i>With the knowledge that at least some of the increased pension cost could be assumed by employees rather than the employers or taxpayers.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Agrees</i>	<i>Unless employers reach agreements with recognized employee organizations to pay the increased pension costs, in which case the higher pension obligation would become a debt to employees rather than taxpayers.</i>
<i>East Contra Costa Fire Protection District</i>	<i>Agrees</i>	
<i>Moraga-Orinda Fire District</i>	<i>Partially disagrees</i>	<i>The District agrees that increased pension costs can reduce the funds available for services to the extent that those costs are funded by the employer. The District does not understand the language of the second sentence because an affected agency faced with higher retirement costs does not thereby become indebted to taxpayers. Rather the affected agency may have a liability to CCCERA for increased contributions. Moreover, the term “debt” has a specific definition for public agencies. Employee pension costs are ongoing financial obligations of CCCERA member agencies arising out of labor agreements negotiated between the member agencies and the recognized employee representatives. Pension costs are not “debt” anymore than salaries and other negotiated benefits.</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Agrees</i>	
<i>San Ramon Valley Fire District</i>	<i>Agrees</i>	

**2. Some CCCERA employer members are not fully knowledgeable about pension law and the financial impact of their decisions relating to the calculation of pension obligations on revenues and services.**

***Responses:***

<b><i>Employer</i></b>	<b><i>Response</i></b>	<b><i>Employer’s Comments</i></b>
<i>Contra Costa County Board of Supervisors</i>	<i>Agrees</i>	
<i>Contra Costa County Employees’ Retirement Association</i>		<i>CCCERA is not an employer member. CCCERA employees are by law County employees.</i>

<i>Bethel Island Municipal Improvement District</i>	<i>Agrees</i>	
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Agrees</i>	
<i>Contra Costa Housing Authority</i>	<i>Agrees</i>	<i>However, at HACCC all financial decisions relations to the calculation of pension obligations are reviewed by outside experts who provide HACCC with an analysis of the costs of any proposed changes to pension obligations. This information is then provided to HACCC's Board before any decisions are made concerning pension obligations.</i>
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Agrees</i>	<i>From what the media reports concerning the actions of some employers, we have to assume this finding is correct. However, our District strives to comply with all legal requirements regarding pension law and full disclosure of projected costs to the District of present and any proposed changes to benefits. We rely on CCCERA to be our main resource and have found they are knowledgeable regarding pension law.</i>
<i>Local Agency Formation Commission (LAFCO)</i>	<i>Agrees</i>	
<i>Rodeo Sanitary District</i>	<i>Partially disagrees</i>	<i>Rodeo Sanitary District has no way of knowing what other agencies know or do not know about pension law and the financial impact of their decisions.</i>
<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Agrees</i>	
<i>First 5 – Children &amp; Families Commission</i>	<i>Partially disagrees</i>	<i>First 5 Contra Costa is not fully knowledgeable pension law, but does retain counsel specifically on pension-related matters, including the Commission's future pension obligations.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Agrees</i>	
<i>East Contra Costa Fire Protection District</i>	<i>Partially disagrees</i>	<i>All of the current employees' Memorandums of Understanding were in place prior to seating the Fire District's Board of Directors on February 3, 2010.</i>
<i>Moraga-Orinda Fire District</i>	<i>Partially disagrees</i>	<i>Neither the District staff nor the Board of Directors has any ability to know or judge the level of knowledge of other CCCERA member agencies about pension law and/or the fiscal impact of decisions relative to the manner of calculating pension obligations.</i>
<i>Rodeo-Hercules Fire</i>	<i>Agrees</i>	

<i>Protection District</i>		
<i>San Ramon Valley Fire District</i>	<i>Partially disagrees</i>	<i>The District conducted public hearings /educational sessions with the Board of Directors and the public in 2009 related to pension calculations and pension law. The Board commissioned a study of retirement related compensation issues. After several public work sessions, the Board took ten (10) substantive actions addressing retirement compensation issues. The District has no information with regard to the knowledge of other employer members with respect to pension obligations.</i>

**3. Some employer board members rely heavily on input from staff. As members of the same pension system, the staff may benefit from actions recommended to their employer.**

***Responses:***

<b><i>Employer</i></b>	<b><i>Response</i></b>	<b><i>Employer's Comments</i></b>
<i>Contra Costa County Board of Supervisors</i>	<i>Agrees</i>	
<i>Contra Costa County Employees' Retirement Association</i>		<i>CCCERA is not an employer member. CCCERA employees are by law County employees.</i>
<i>Bethel Island Municipal Improvement District</i>	<i>Agrees</i>	
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Agrees</i>	
<i>Contra Costa Housing Authority</i>	<i>Agrees</i>	
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Agrees</i>	<i>From what the media reports concerning the actions of some employers, we have to assume this finding is correct. However, our District Board members rely on staff, legal counsel, auditors and hired consultants for appropriate information regarding Board responsibilities and background information on topics before the Board.</i>
<i>Local Agency Formation Commission (LAFCO)</i>	<i>Agrees</i>	
<i>Rodeo Sanitary District</i>	<i>Partially disagrees</i>	<i>The District has no way of knowing what other district or agency board members rely on in making pension decisions. It is certainly possible, and even likely that they may rely on staff input, but some agencies such as RSD may rely on input from other professionals in making those decisions.</i>

<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Agrees</i>	
<i>First 5 – Children &amp; Families Commission</i>	<i>Agrees</i>	<i>First 5 Contra Costa Commission rely on staff for sufficient information to make informed, reasonable decisions.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Agrees</i>	
<i>East Contra Costa Fire Protection District</i>	<i>Agrees</i>	
<i>Moraga-Orinda Fire District</i>	<i>Partially disagrees</i>	<i>Neither the District staff nor the Board of Directors has any knowledge of the extent to which other CCCERA member agency board members rely heavily on recommendations from their respective staff. MOFD acknowledges and agrees that a board should recognize that staff advising a board may benefit from board decisions.</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Partially disagrees</i>	<i>In many cases it is true. However, at the Rodeo-Hercules Fire Protection District, the Board of Directors not only has staff to advise them, but they also rely on outside legal counsel and a contracted human resource provider. Both of these advisers are consultants and not District employees. They are both involved in giving advice during the decision making process for pensions, salaries and other benefits that District employees receive.</i>
<i>San Ramon Valley Fire District</i>	<i>Partially disagrees</i>	<i>The District Board of Directors hires an outside negotiator with regard to negotiation of collective bargaining agreements. The negotiator reports directly to the Board of Directors. The District has no information with regard to the practices of other employer members with respect to pension system actions.</i>

**4. Many of the pay elements and policies related to calculating final compensation are at the discretion of the employer member.**

***Responses:***

<b><i>Employer</i></b>	<b><i>Response</i></b>	<b><i>Employer’s Comments</i></b>
<i>Contra Costa County Board of Supervisors</i>	<i>Partially disagrees</i>	<i>The majority of the pay elements are collectively bargained rather than discretionary and all of the policies related to calculating final compensation, by State law, are the sole discretion of the CCCERA Retirement Board. The CCCERA Board determines whether an item is includable in the calculation of Final Average Pay.</i>

<i>Contra Costa County Employees' Retirement Association</i>		<i>CCCERA is not an employer member. CCCERA employees are by law County employees.</i>
<i>Bethel Island Municipal Improvement District</i>	<i>Agrees</i>	
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Agrees</i>	
<i>Contra Costa Housing Authority</i>	<i>Partially disagrees</i>	<i>Many of the pay elements are the result of collective bargaining. By state law, all policies relating to calculating final compensation are at the sole discretion of the CCCERA Retirement Board.</i>
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Partially disagrees</i>	<i>While we understand that employers have some discretion as to what cash remuneration to provide its employees and over issues such as "straddling", retirement law, court decisions (Ventura) and legal settlements (Paulson) have dictated what pay elements need to be used in determining the Final Average Salary.</i>
<i>Local Agency Formation Commission (LAFCO)</i>	<i>Partially disagrees</i>	<i>Pursuant to State law, policies related to calculating final compensation are the sole discretion of the CCERA Retirement Board. The CCCERA Board determines whether an item is includable in the calculation of Final Average Pay.</i>
<i>Rodeo Sanitary District</i>	<i>Agrees</i>	
<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Partially disagrees</i>	<i>The majority of the pay elements are collectively bargained rather than discretionary and all of the policies related to calculating final compensation, by State law, are the sole discretion of the CCCERA Retirement Board. The CCCERA Board determines whether an item is includable in the calculation of Final Average Pay.</i>
<i>First 5 – Children &amp; Families Commission</i>	<i>Disagrees</i>	<i>The First 5 Contra Costa Commission has discretion as to the setting of employee salaries and certain additional elements of employee compensation. However, the County Employee's Retirement Law of 1937 and CCCERA establish whether or not a particular pay element must be included when calculating final compensation for purposes of pension benefits. First 5 Contra Costa does not have the ability to exercise any discretion as to whether or not an item of pay should be included in final compensation calculations.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Partially disagrees</i>	<i>The majority of the pay elements are collectively bargained rather than discretionary and all of the policies related to calculating final compensation, by</i>

		<i>State law, are the sole discretion of the CCCERA Retirement Board. The CCCERA Board determines whether an item is includable in the calculation of Final Average Pay.</i>
<i>East Contra Costa Fire Protection District</i>	<i>Agrees</i>	
<i>Moraga-Orinda Fire District</i>	<i>Agrees</i>	<i>The District agrees subject to the proviso that pay elements and policies related to the calculation of final compensation are subject to the meet and confer obligations of the employer member agencies with respect to collective bargaining agreements and subject further to the policies of CCCERA and to legal principles that may limit the Districts rights to act with respect to existing employees.</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Agrees</i>	
<i>San Ramon Valley Fire District</i>	<i>Agrees</i>	<i>The District commissioned a study of pay elements and policies by an outside retirement legal firm. The report examined the calculation of final compensation. The Board of Directors enacted ten (10) recommendations to address final compensation issues.</i>

**5. Some employer member policies permitting pension spiking increase pension obligations, which in turn will annually increase the amount of pension funds needed.**

***Responses:***

<b>Employer</b>	<b>Response</b>	<b>Employer's Comments</b>
<i>Contra Costa County Board of Supervisors</i>	<i>Agrees</i>	<i>With clarification that the majority of "employer policies" that impact pensions are actually bargained contracts with recognized employee organizations.</i>
<i>Contra Costa County Employees' Retirement Association</i>		<i>CCCERA is not an employer member. CCCERA employees are by law County employees.</i>
<i>Bethel Island Municipal Improvement District</i>	<i>Agrees</i>	
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Agrees</i>	
<i>Contra Costa Housing Authority</i>	<i>Agrees</i>	<i>However, many of HACCC's policies are a result of collective bargaining. All policies relating to calculating final compensation are at the sole discretion of the CCCERA Retirement Board.</i>
<i>Contra Costa Mosquito</i>	<i>Agrees</i>	<i>From what the media reports concerning the actions of</i>

<i>and Vector Control District</i>		<i>some employers, we have to assume this finding is correct. However, our District has not adopted policies that include pay items that factor into computing Final Average Salary that are not collected through employer and employee contribution rates.</i>
<i>Local Agency Formation Commission (LAFCO)</i>	<i>Agrees</i>	
<i>Rodeo Sanitary District</i>	<i>Agrees</i>	
<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Agrees</i>	<i>With clarification that the majority of “employer policies” that impact pensions are actually bargained contracts with recognized employee organizations.</i>
<i>First 5 – Children &amp; Families Commission</i>	<i>Partially disagrees</i>	<i>Multiple factors in addition to employer member policies may affect the amount of funds needed to cover pension obligations.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Agrees</i>	<i>With clarification that the majority of “employer policies” that impact pensions are actually bargained contracts with recognized employee organizations.</i>
<i>East Contra Costa Fire Protection District</i>	<i>Agrees</i>	
<i>Moraga-Orinda Fire District</i>	<i>Partially disagrees</i>	<i>The District agrees that policies of employer member agencies do permit the conversion of certain benefits to pensionable compensation which has the consequence of increasing pension benefits and member obligations. The District observes that certain conversions of benefits have occurred due to the policies and practices of CCCERA over which the District had, and continues to have, no control, which policies and practices have increased pension costs. The District does not agree with the use of the pejorative term “spiking” as it suggests some sort of illegal action when in fact there is not a commonly accepted definition for the term.</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Agrees</i>	
<i>San Ramon Valley Fire District</i>		<i>See #4 above with respect to the District. The District has no information regarding other employer members.</i>

## RECOMMENDATIONS

- 1. CCCERA, as the pension fund administrator, shall develop and make training available annually on pension fund law and management to employer members.**

*Response from CCCERA*

**Response:** *The recommendation requires further analysis. CCCERA is in the process of developing a questionnaire to assess the needs and educational requirements of the various*

employer boards. After the questionnaire is completed, CCCERA may develop an annual educational seminar open to Board members of all member employers, to assist in meeting their educational needs.

**2. Employer members shall adopt procedures that require board members/directors to annually attend pension fund training provided directly or indirectly by CCCERA.**

**Responses:**

<b>Employer</b>	<b>Response</b>	<b>Employer's Comments</b>
<i>Contra Costa County Board of Supervisors</i>	<i>Will not be implemented</i>	<i>CCCERA does not currently offer direct or indirect pension training. However, the Board of Supervisors recently conducted a Pension Workshop to educate the Board, employees, and the public regarding basic pension information and issues and future educational workshops will be held on a regular basis.</i>
<i>Bethel Island Municipal Improvement District</i>	<i>Requires further analysis</i>	<i>Requiring ALL board members/directors to annually attend pension fund training provided directly, or indirectly, by CCCERA may not be appropriate for small special districts. Who should attend, and how often, may depend upon the length of the training, the cost (if any), previous training by board members, the remaining length of board member terms, and the time/accessibility of the training. In small districts, sending the General Manager and Administrative Assistant/Payroll Clerk, along with selected directors, would probably be more beneficial in both the short and long run. The District will draft and adopt a board policy addressing pension fund training requirements within 120 days of the CCCERA developing a pension fund training program.</i>
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Requires further analysis</i>	<i>At the time CCCERA has not committed to develop training. If and when CCCERA commits to develop and offer training, the District Board will consider adopting procedures to require Board Members to annually attend pension fund training provided by CCCERA within a month of receipt, and inform the Grand Jury of its considerations. During 2009 and 2010, the Board of Directors discussed the various issues and information regarding spiking, final annual salary (FAS), CCCERA's direction to depool the employers, post retirement health benefits, the current and projected unfunded liability, AB 1987 and SB 1425 bills, and the financial impact to the District of future projected employer contribution rates</i>

		<i>approximately 13 times.</i>
<i>Contra Costa Housing Authority</i>	<i>Will not be implemented</i>	<i>CCCERA does not currently offer pension fund training to Employer Members. However, if CCCERA offers this training in the future, HACC will access the training to determine if it would benefit Board and/or staff members. It should be noted that every member of the County's Board of Supervisors serves on HACCC's Board. The BOS recently held a Pension Workshop designed to educate the Board, County staff and the public about basic pension issues. The BOS plans to hold regular educational workshops on the pension system in the future. HACCC is currently in the process of merging its Advisory Board with its governing Board of Commissioners. When this is complete, three community members will join the existing members on the Board of Commissioners. These new members will receive training on basic pension issues.</i>
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Will not be implemented formally</i>	<i>District Trustees welcome the opportunity to be provided such training by CCCERA. However, it would not be appropriate or fiscally prudent to make this an annual requirement for all 22 Trustees, given that our District pension costs are well under control and we have only five pay elements used in determining Final Average Salary.</i>
<i>Local Agency Formation Commission (LAFCO)</i>	<i>Will not be implemented</i>	<i>CCCERA does not currently offer direct or indirect pension fund training.</i>
<i>Rodeo Sanitary District</i>	<i>Will be implemented</i>	<i>Upon receipt of notification from CCCERA that such pension fund training classes have been created.</i>
<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Will not be implemented</i>	<i>CCCERA does not currently offer direct or indirect pension training. However, the Board of Supervisors recently conducted a Pension Workshop to educate the Board, employees, and the public regarding basic pension information and issues and future educational workshops will be held on a regular basis.</i>
<i>First 5 – Children &amp; Families Commission</i>	<i>Will be implemented in the future</i>	<i>To our knowledge, CCCERA does not provide such training for board members; however First 5 Contra Costa will invite CCCERA to provide updates and pension information at Commission meetings annually.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Will not be implemented</i>	<i>CCCERA does not currently offer direct or indirect pension training. However, the Board of Supervisors recently conducted a Pension Workshop to educate the Board, employees, and the public regarding basic pension information and issues and future educational workshops will be held on a regular basis.</i>

<i>East Contra Costa Fire Protection District</i>		<i>The District is willing to send Board Members and Staff to annual training regarding the retirement system.</i>
<i>Moraga-Orinda Fire District</i>	<i>Partially disagrees</i>	<i>The District Board agrees with a recommendation for periodic training or education of Board members on pension fund matters, and has therefore taken steps to see that ongoing education of District Board members occurs through its legal counsel, which counsel is knowledgeable in such matters. The District Board does not consider CCCERA to be the appropriate body to provide or sponsor training of District Board members because CCCERA's legal and economic interests may be adverse to those of the District and CCERA's past policies may have resulted, and may continue to result, in the imposition of greater costs upon the District than were required by law.</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Will be implemented</i>	<i>It is the intent of the District Board of Directors to develop a procedure that will include the requirement that all Directors attend annual training, when provided by CCCERA. The Board shall complete the required procedure within 6 months.</i>
<i>San Ramon Valley Fire District</i>	<i>Will be implemented</i>	<i>Implementation will be subject to the parameters of the training program offered by CCCERA. Any training opportunities would be welcomed. Implementation of procedures related to said training would depend upon the process for the delivery of training. Some options may include: training delivered at scheduled CCCERA or member agency Board meetings; training delivered at CCERA offices; training delivered on-line; group training; or individual training.</i>

- 3. Within 120 days of this report CCCERA and its employer members shall review the list of current pay elements to determine which elements are required to be included by law, which are optional and which by law are to be excluded. If a pay element is not permitted by law, action shall be taken to comply with the law. Additionally, a review shall be done when employee labor contracts or agreements are negotiated.**

***Responses:***

<b>Employer</b>	<b>Response</b>	<b>Employer's Comments</b>
<i>Contra Costa County Board of Supervisors</i>	<i>Has been implemented</i>	
<i>Bethel Island Municipal</i>	<i>Will be implemented</i>	<i>This recommendation will be implemented when CCCERA organizes their review and invites employer</i>

<i>Improvement District</i>		<i>members, hopefully of similar/like groups, to participate.</i>
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>Has been implemented</i>	<i>A detailed list of all terminal pay codes and pay types has been provided to the Board. The CCCERA staff reviewed all District pay codes for retirement benefit calculation and directed CCCSD staff regarding their inclusion or exclusion for retirement benefit calculations. It is our understanding that all District pay elements included in the final compensation are allowed by law. Regarding the last sentence of this recommendation, our labor contracts run until April 17, 2012. The District plans to review the pay codes and types before the next negotiations to ensure that there have been no changes in law since the last review as conducted.</i>
<i>Contra Costa Housing Authority</i>	<i>Has been implemented</i>	<i>The recommendation is already in practice at HACCC and will continue. CCCERA has the authority and responsibility to review pay elements and determine which are to be included in the final calculation of compensation. As such, CCCERA will inform HACCC if any elements are optional or excluded. HACCC currently conducts reviews of any newly proposed pay elements to ensure the pension/budgetary costs of such are affordable. HACCC will continue conducting these reviews in the future.</i>
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Has been implemented</i>	<i>The District's list of pay items used in computing Final Average Salary are limited to five items, comply with retirement law and are factored into District contribution rates to CCCERA.</i>
<i>Local Agency Formation Commission (LAFCO)</i>	<i>Will be implemented</i>	<i>LAFCO will work with the County Auditor and CCCERA and comply with all applicable laws. LAFCO currently employs two full-time employees, and neither is subject to labor contracts or agreements. A preliminary review shows a limited number of pay elements (i.e. pay/pay adjustments, auto allowance, sale of vacation).</i>
<i>Rodeo Sanitary District</i>	<i>Will be implemented</i>	<i>Upon receipt of notification from CCCERA that it has completed an analysis of current pay elements and provides information to RSD about which such elements are optional or required by law. After that information has been received, RSD will then conduct a review of its current pension plan elements to determine compliance with law and to discuss at the Board actions which may be necessary to bring RSD Pension Plan into compliance.</i>
<i>In-Home Supportive</i>	<i>Has been</i>	

<i>Services Authority (IHSS)</i>	<i>implemented</i>	
<i>First 5 – Children &amp; Families Commission</i>	<i>Has been implemented</i>	<i>CCCERA has ultimate authority to determine how pay elements are to be considered in pension calculations.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Has been implemented</i>	
<i>East Contra Costa Fire Protection District</i>		<i>The District will review all its employee labor agreements and contracts prior to commencing negotiations. The District will comply with Local, State and Federal laws.</i>
<i>Moraga-Orinda Fire District</i>	<i>Has been implemented</i>	<i>The Moraga-Orinda Fire District has already implemented the steps included in this recommendation back in January 2010 when it mandated District Counsel to review and evaluate which pay elements are required to be included by law, which are optional and which by law are to be excluded. The findings of that study were presented at a District Board meeting on February 17, 2010. The Moraga-Orinda Fire District will instruct District Counsel to re-evaluate all pay elements and, if appropriate, provide in a written report further guidance to the District if requisite. This report, if any, will be available by August 20, 2010. The Fire District has provided CCCERA a current list of Moraga-Orinda Fire District's pay elements for their review and evaluation. The District notes that to the extent that action on this recommendation implicates matters with the scope of representation of recognized employee bargaining groups that any such action will first be subject to the obligations of the District to meet and confer with effected employee bargaining groups and subject to the existence of collective bargaining agreements and to legal principles that may limit the Districts rights to act with respect to existing employees.</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Will be implemented</i>	<i>The District is in the process of reviewing the pay elements. Currently the District utilizes 14 pay codes. The pay codes are used for base monthly salary, EMT pay, Paramedic pay, Longevity pay, Vacation sell back, Holiday pay, and Uniform allowance. In conjunction with CCCERA, a determination will be made if the pay elements are in compliance with current law. If any of the pay elements are not in compliance with the law, the District will modify the pay elements to be in compliance. The District will review all pay elements prior to the expiration on September 30, 2012 of its Memorandum of Understanding with United Professional Fire Fighters,</i>

		<i>I.A.F.F. Local 1230.</i>
<i>San Ramon Valley Fire District</i>	<i>Will be implemented</i>	<i>The inventory of current pay elements will be concluded in the next 120 days. The District's labor agreement expires on March 31, 2011.</i>

- 4. Within 120 days CCCERA and employer members shall evaluate the current and future budget impact of pay elements. If employer and employee contributions plus projected investment income do not cover pension costs, employer members shall consider appropriate action to eliminate or modify those pay elements.**

***Responses:***

<b>Employer</b>	<b>Response</b>	<b>Employer's Comments</b>
<i>Contra Costa County Board of Supervisors</i>	<i>Has been implemented</i>	<i>It is County policy to annually review all pension costs and to adopt and budget rates reported by CCCERA to cover all projected pension costs. Additionally, the County is actively working on a strategic plan for pension reform.</i>
<i>Bethel Island Municipal Improvement District</i>	<i>Will be implemented</i>	<i>This recommendation will hopefully be implemented following the pension fund training and the review of current pay elements. CCCERA would be the lead agency to provide the current pension costs and projected investment income. Each employer member shall CONSIDER appropriate action to eliminate or modify those pay elements. However, for small special districts with only a few employees in the pension system, even eliminating all elements for district employees would have little to no effect on the overall pension shortfall and could cause financial hardship to individual employees.</i>
<i>Byron, Brentwood, Knightsen Union Cemetery District</i>	<i>No Response</i>	
<i>Central Contra Costa Sanitary District</i>	<i>First sentence has been implemented; second sentence requires further analysis.</i>	<i>Regarding first sentence: This portion of the recommendation has been implemented for the District. A Ten Year Financial Plan is submitted to the Board in January of each year for its consideration. District staff reviews the assumptions and calculations with the Board and recommends a multi-year rate structure. All revenue and expenses are projected with the corresponding rate impact over the ten years of the plan. The 2010 Ten Year Financial Plan used CCCERA's most recent rate projections as of January 2010; the District will use CCCERA's updated rate projections in next year's Financial Plan. Regarding second sentence: This portion requires</i>

		<p><i>further analysis. The District' employer contributions plus employee contributions required by CCCERA cover both our current obligation and an amortizing charge to pay for the unfunded actuarial accrued liability (UAAL), which is currently about 40% of the total rate. Thus, in the past, the contributions plus projected investment income have not covered pension costs. The CCCERA pension funds are estimated to be 80% funded. Since the District pays a portion of the UAAL in its annual contributions to CCCERA each year, the District is scheduled to pay off its UAAL within eighteen years. CCCERA is moving to de-pool the employers. This may increase the District's employer contribution and UAAL. The CCCERA's Actuary has indicated an August 2010 timeframe to develop de-pooling data and conclusions for employer review. After employers have reviewed the de-pooling information, the District anticipates CCCERA will de-pool the employers. When this is complete, the District will be able to evaluate the impact of the new rates on the District. These rates will be used in the Ten Year Financial model updated which will be reviewed by the Board of Directors in January 2011. The pay codes that can be considered to be changed are governed by the three District bargaining unit labor agreements which expire April 17, 2012. The District is required under California Labor Code to honor the terms and conditions of these current memoranda of understanding. Changes in the pay codes will be considered as appropriate when the new labor agreements are negotiated.</i></p>
<i>Contra Costa Housing Authority</i>	<i>Has been implemented</i>	<p><i>This is already in practice at HACCC and will continue. CCCERA annually provides HACCC with information concerning the cost of pay elements. This information is then used in the preparation of HACCC's yearly budget. At present, employer and employee contributions cover pension costs.</i></p>
<i>Contra Costa Mosquito and Vector Control District</i>	<i>Will not be implemented</i>	<p><i>An independent actuarial study is costly; such cost is not warranted, given that the District's pension costs are carefully budgeted and well under control as stated previously. The District already strives to comply with all legal requirements regarding pension law and full disclosure of projected costs to the District Board of present and any proposed changes to benefits. We wholly rely on CCCERA to compute and collect appropriate contributions to cover present and future obligations.</i></p>

<i>Local Agency Formation Commission (LAFCO)</i>	<i>Will be implemented</i>	<i>LAFCO employs two full-time employees. Contra Costa LAFCO will work with the County Auditor and CCCERA in an effort to comply with this recommendation.</i>
<i>Rodeo Sanitary District</i>	<i>Will be implemented</i>	<i>RSD contemplates asking its auditors to conduct such an investigation as part of the annual audit and to report back to the Board with its findings. If employer and employee contributions plus projected investment income do not cover the pension costs, RSD will consider appropriate action to eliminate or modify those pay elements over which it has authority to modify consistent with current labor contracts and/or agreements. Review of these elements will be undertaken at the time of renegotiation of any such labor contracts and/or agreements and appropriate action taken by the Board at a public meeting.</i>
<i>In-Home Supportive Services Authority (IHSS)</i>	<i>Has been implemented</i>	<i>It is County policy to annually review all pension costs and to adopt and budget rates reported by CCCERA to cover all projected pension costs. Additionally, the County is actively working on a strategic plan for pension reform.</i>
<i>First 5 – Children &amp; Families Commission</i>	<i>Has been implemented</i>	<i>In 2007 First 5 Contra Costa engaged legal and actuarial consultation in order to calculate its pension liability. First 5 Contra Costa’s employer and employee contribution rates are set by CCCERA based on CCCERA’s calculations for all employers combined. Because First 5 is a small employer within a significantly larger pool of employers of all sizes, changing the pay elements for First 5 Contra Costa employees would have little or no bearing on overall contribution rates.</i>
<i>Contra Costa County Fire Protection District</i>	<i>Has been implemented</i>	<i>It is County policy to annually review all pension costs and to adopt and budget rates reported by CCCERA to cover all projected pension costs. Additionally, the County is actively working on a strategic plan for pension reform.</i>
<i>East Contra Costa Fire Protection District</i>		<i>The District will review all its employee labor agreements and contracts prior to commencing negotiations.</i>
<i>Moraga-Orinda Fire District</i>	<i>Has been implemented</i>	<i>The District has implemented measures that evaluate future pension costs and obligations. Through the District’s Long Range Financial Forecast process all revenue including investment income as well as expenditures, which include pension costs, are reviewed, evaluated and if necessary, adjusted on a semi-annual</i>

		<i>basis. The District is very concerned about all employee costs including pensions. In 2005, the District began implementing measures to ensure that current and projected pension costs are within the District's financial means. (Grand Jury note: the measures are described and on file with the Court Secretary.)</i>
<i>Rodeo-Hercules Fire Protection District</i>	<i>Requires further analysis</i>	<i>The District will need to consider the impacts of the cost evaluation for the District's limited use of pay elements. The difficulties of breaking out the cost of each pay element may exceed the cost gain by the elimination of the pay element. It will be necessary for the District to look at the cost of a consultant to assist with providing the cost of each pay element. Currently the District is implementing cost containment measures in order to meet its current budget deficits. Any modification in pay elements would only have a long term impact on the District's employer rate.</i>
<i>San Ramon Valley Fire District</i>	<i>Will be implemented</i>	<i>The District will require CCCERA calculation of the cost of each element of retirement compensation. The District will need CCCERA rate projects to determine future budget impacts. Impact of the potential de-pooling initiative is unknown.</i>