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April 5, 2011

Board of Supervisors
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009

SUBJECT: Recommendations of Supervisor Bennett and Supervisor Long to Make Reductions to the Vacation Buy-Back/Annual Leave Redemption Policy for Newly-Hired, Unrepresented Employees and for the CEO to Begin Long-term Discussions About Vacation Policies and Other Pension Related Issues.

RECOMMENDATION:
We recommend that this Board direct the CEO's office as follows:

1. Amend Section 1206 of the Management Resolution to provide a moratorium on the grant of annual leave redemption benefits for new hires to Ventura County government with non-represented status, and direct that the CEO's office, effective, immediately, inform new hires to Ventura County government with non-represented status, that the current annual leave redemption policy will be modified.

2. Begin discussions to create an appropriate replacement vacation policy for new hires that meets legal requirements, is fair to the employees and meets the intent of the Board to change our vacation policies for new hires to make total compensation transparent and avoid retirement income that exceeds base salary by double digits based solely on vacation buy-back and gross up calculations.

   The above discussions should include both short-term and longer-term conversations amongst county managers, between the CEO's office and union representatives, and between the CEO's office and the public about this particular issue and pension issues in general.

DISCUSSION:

Overall, public pension reform is needed in California. It would be most appropriate if that reform comes from the state so that there is more consistency in retirement programs and local governments do not face issues of local competition for government employees when considering pension benefits.

Ventura County's pension program could benefit from some improvements. However, Ventura County's pension system has a solid foundation and is much stronger than most other systems. Moreover, Ventura County's non-safety pension formula is the second lowest of all "37 Act" counties.

Major reasons for the strength of the Ventura County retirement system are the following actions of the Board of Supervisors in the last decade. In 2001, the Board stopped a policy of granting vacation buy-back benefits to future elected department heads. In 2003 the Board committed to making pension contributions even during periods when the pension fund is deemed to be more than 100% funded, as it was ten years ago.

In 2004 the Board reduced benefits for managers hired since 2004. The Board resisted public pressure and repeatedly refused to implement the unsustainable 3 at 50 pension benefit that most jurisdictions in Southern California granted. The benefit would have cost the county millions of dollars annually.

The Board was the first local government to be joined by its unions in negotiating increased pension contribution pick-ups by employees after the stock market crash of 2008. In addition, the Board has negotiated contracts through 2012 with all of its unions that call for no increases in salary or benefits while the pension actuarial calculates an average 5% annual increase.

The above actions, combined with the important 1979 decision of the Board to implement a Tier 2 pension program that created modest pension benefits for the vast majority of county employees, have greatly reduced benefits paid out of the pension fund relative to other systems. In addition, the fact that the pension fund has earned 8.1%, since its inception in 1994, means the fund is not in the extreme crisis mode that some claim.

Because we have no union contracts expiring in the near future, the county has an extended period of time to evaluate any changes in state legislation regarding pensions and to consider our own local improvements.

Since it is not certain that there will be appropriate state pension reform, we should take this time to review, discuss and consider pension reforms that would be appropriate for us to negotiate with our unions in collective bargaining and to include in our management resolutions for our unrepresented employees.

The public's confidence in government pension systems is being eroded by a variety of factors. Those factors include concerns about the amount of pension benefits paid out and the perception that the calculation of pension benefits is not straight-forward and transparent.

One major event that dramatically increased the amount of pension payouts for Ventura County in particular is a court ruling that required Ventura County to calculate virtually all benefits, not just salary, paid to an employee, when determining the amount of income the retirement would be based on.

When Ventura County lost that case, it appealed all the way to the California Supreme Court but lost that decision in 1997. That ruling applies only to the ten "37 Act" counties not to all pension systems in California.

Our County Counsel has determined that we cannot unilaterally take away pension benefits that have been granted to employees, and for a variety of other reasons that would not be an appropriate action today. However, we should immediately modify one of these benefits to new hires to Ventura County not covered by collective bargaining contracts.

We recommend that the Board direct the CEO's office, effective immediately, to inform new hires to Ventura County government with non-represented status, that they will not get the full current vacation buy-back plan that includes the gross-up calculation of benefits.

We recommend that the CEO's office begin discussions to create an appropriate replacement vacation policy for new hires that meets legal requirements, is fair to the employees and meets the intent of the Board to change our vacation policies for new hires to make total compensation transparent and avoid retirement income that exceeds base salary by double digits based solely on vacation buy-back and gross up calculations.

Those discussions should include both short-term and longer-term conversations amongst county managers, between the CEO's office and union representatives, and between the CEO's office and the public about this particular issue and pension issues in general.

Those discussions should include the impacts of various changes in our pension policies on the county's long term fiscal health, the county's ability to recruit and retain a quality workforce, our ability to deliver county services, the legal constraints placed on the county by court rulings and the public's need to see our pension policies as sustainable, transparent and as straight-forward as possible.

Finally, we should note two important points.

1. The vast majority of county employees retire with very modest pensions. The Tier 2 program created in 1979 provides pensions for county employees that attempts to provide economic security and not lavish retirement incomes for them. Public support for this economic security should be maintained.

   Ventura County's Tier 2 retirement formula is 1.9% @ age 60. For the SEIU employees, the bulk of the workforce, the current average salary is $49,400, and their retirement after 30 years of service would be $32,580.

2. For the most part we are restricted from making unilateral changes to the pension benefits of existing employees. In the near future there will continue to be retirements of employees that will have retirement calculations that will frustrate both the Board and the public.

Respectfully,

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Kathy I. Long
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Supervisor, Third District