

# **PENSION REFORM STUDY UNFAIR COST ALLOCATIONS CAUSES FINANCIAL INEQUITIES**



**EL DORADO COUNTY FIRE PROTECTION DISTRICT**

21-September-2024  
Placerville

# DISCUSSION TOPICS

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- Annuitant with an Annual \$360K Pension Obligation Comparison
- Annual Pension Obligation Comparisons: Time Served vs. Total Salary Earned
- Unfair Pension Cost Imposition
- Current Classic Pension Allocation
- Equitable Pension Allocation Based on Lifetime Salary Earned
- Legislative Efforts
- Request CA Controllers Office to Investigate and Report on Pension Inequities
- Appendix A

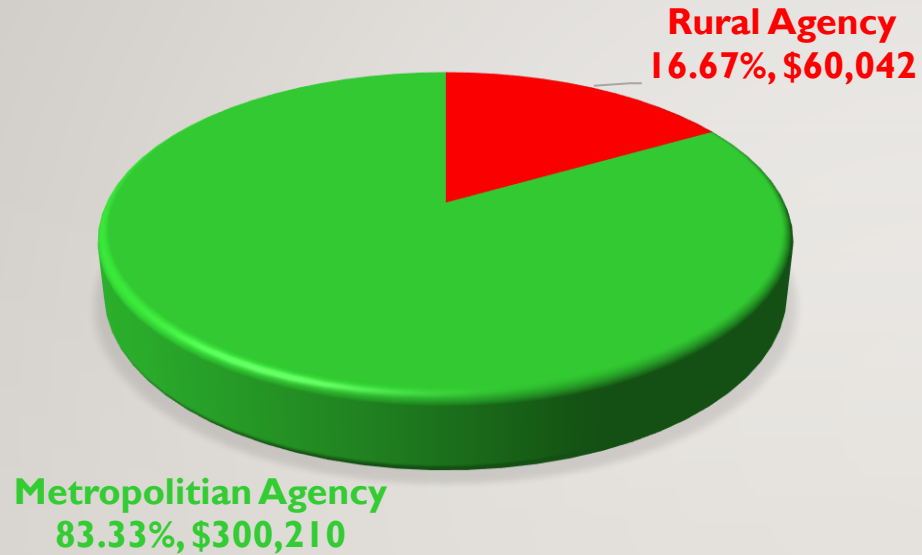
# ANNUAL PENSION OBLIGATION COMPARISONS TIME SERVED VS. TOTAL SALARY EARNED

	Time Served Model			Total Salary Earned Model		
Agencies	Yrs	Pension Obligation	%	Total Salary	Pension Obligation	%
Rural	5	\$60,000	16.7%	\$54,590	\$5,929	1.7%
Metropolitan	25	\$300,000	83.3%	\$3,259,958	\$354,071	98.3%
Totals	30	\$360,000	100%	\$3,314,548	\$360,000	100%

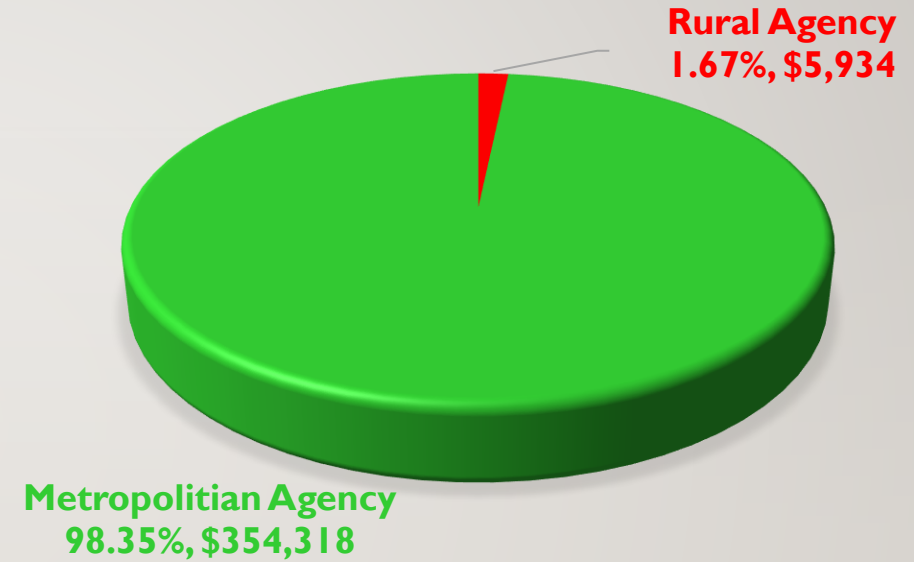
# ANNUITANT ANNUAL \$360K PENSION OBLIGATION COMPARISON

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## PENSION OBLIGATION BASED ON YEARS OF SERVICE



## PENSION OBLIGATION BASED ON WHERE SALARY IS EARNED



- Rural Agencies
  - Did not cause wages and pension obligations increases
  - Are burdened with unfair metropolitan based pension obligations
  - Do not have the tax base to fund metropolitan caused increases to pension obligations
  - Closest rural first responders are forced to operate with insufficient funding due to pension inequities

# UNFAIR PENSION COST IMPOSITION

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- **Example Classic Annuitant Pension Calculation**
  - EE career starts at rural government agency
    - Started \$9,880 / year in 1996 at an entry level with 5% pay increase per year.
    - Total salary paid over 5 years is \$54,590
  - EE transfers to metropolitan agency (CA Retirement System, ie: CalPERS...)
    - Started in 2001 at metropolitan agency with an annual salary of \$20,000 / year
    - Cumulative salary with promotions paid over 25 years total amount \$3,259,958
    - Retires with an annual salary of \$400,000 / year
    - As a Classic annuitant; Pension is (3% for 30 years) 90% final salary
    - Retirement benefit starts at \$360,000 / year

# CURRENT CLASSIC PENSION ALLOCATION

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- Years of service Pension allocated to each agency
- Rural Agency
  - 5 years of the 30 years of service
  - 16.7% of \$360,000 = \$60,000
  - \$60,000 per year contribution to pension benefit
- Metropolitan Agency
  - 25 years of the 30 years of service
  - 83.33% of \$360,000 = \$300,000
  - \$300,000 per year contribution to pension benefit

# EQUITABLE PENSION ALLOCATION BASED ON LIFETIME SALARY EARNED

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- Total Salary Earned Lifetime \$3,314,548
- Pension Obligation Salary \$360,000
- Cumulative Salary Earned per Agency
  - Rural Agency Salary Earned \$54,590
    - Percentage of Total Salary Earned Lifetime 1.647%
    - Pension liability based on Rural earnings:  $1.647\% * \$360,000 = \$5,929$
  - Metropolitan Agency Salary Earned \$3,259,958
    - Percentage of Total Salary Earned Lifetime 98.353%
    - Pension liability based on Metropolitan earnings:  $98.353\% * \$360,000 = \$354,071$

# LEGISLATION EFFORTS

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- Senate Standing Committee on Labor, Public Employment and Retirement
  - 2022 Senate Bill 1420 (State Senator Dahle)
    - Failed in Committee
  - 2023 Senate Bill 660 (State Senator Alvarado-Gil)
    - Passed Committee 5 – 0
- Senate Appropriations Committee
  - 2023 Senate Bill 660 Held in Committee

# REQUEST CA CONTROLLER'S OFFICE TO INVESTIGATE AND REPORT ON PENSION ALLOCATIONS

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- **1) Determining the overall retirement benefit costs** a public agency incurs by participating in a public retirement system.
- **2) Determining how retirement benefit costs are apportioned between public agencies** when a member of a public retirement system transfers to a different public agency within the same public retirement system.
- **3) Determining how retirement benefit costs are apportioned between reciprocal public retirement systems** when a member concurrently retires under two or more public retirement systems.
- **4) Determining how a public agency's unfunded pension liability is impacted when a member of a public retirement system transfers** to a different public agency within the same public retirement system and receives a salary increase.
- **5) Determining how a public agency's unfunded pension liability is impacted when a member of a public retirement system transfers** to a public agency that provides retirement benefits through a reciprocal public retirement system.

# REQUEST CA CONTROLLER'S OFFICE TO INVESTIGATE AND REPORT ON PENSION ALLOCATIONS

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- **6) Determining how a public agency's unfunded pension liability is impacted** when a member concurrently retires under two or more public retirement systems.
- **7) Determining when an unfunded pension liability manifests** and how the number of years a member works for one or more public agencies impacts each public agency's unfunded pension liability.
- **8) Determine how to best represent pension obligation details by annuitant on the CalPERS bills to attest the obligations and payments;** much like a property tax bill contains the details making up the total tax obligation. Currently CalPERS only provides a total bill.
- **9) Address policy questions from public retirement systems and public agencies** who contract to provide their employees retirement benefits through a public retirement system.
  - For example, why does the retirement system not provide a detailed reporting of benefit costs associated with CalPERS and other California located public retirement systems.
- **10) Interview various rural public agencies' (i.e. El Dorado County Fire) chief financial and risk officers;** to ensure the impact to rural agencies is understood.

# REQUEST CA CONTROLLER'S OFFICE TO INVESTIGATE AND REPORT ON PENSION INEQUITIES

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- *The Controller's Office submit a written report of its findings and recommendations to the Senate, Assembly & Public no later than December 31, 2025, providing information regarding the financial impact a public agency assumes when an employee transfers to another public agency within the same retirement system and when an employee transfers to a public agency in a reciprocal retirement system and concurrently retires under one, two or more systems. The report shall be submitted in compliance with Section 9795.*

# APPEAL FOR YOUR SUPPORT

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- *Send Letter of support for this study to*
  - Senator Maria Alvarado-Gil
  - Assemblyman Joe Paterson
  - *See Appendix A sample letter*
- *Speak with Rural Elected Officials*
  - County Supervisors
  - Rural Government Agencies
    - Municipalities, Water Districts, Fire Districts...



# QUESTIONS

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*We are dedicated to provide professional and courteous service to our citizens and communities with Pride, Trust & Integrity.*

# APPENDIX A: SAMPLE LETTER OF SUPPORT

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Date MM/DD/YYYY

Senator Alvarado-Gil  
4364 Town Center Boulevard  
Suite 313  
El Dorado Hills, CA 95762

Re: Pension Study by the State Comptroller Office (Support)

Dear Senator Alvarado-Gil

[Agency Name] respectfully requests you to submit our letter as an endorsement to seek an agreement with the California Comptroller Office to complete a Study:

- How CalPERS and other Benefit Agencies administer Defined Pension Benefits costs.
- Allocation of pension costs to those Entities worked over the annuitant's career.

Specifically, the Study will include an investigation and report on the following pension allocations:

- 1) Determining the overall retirement benefit costs a public agency incurs by participating in a public retirement system.
- 2) Determining how retirement benefit costs are apportioned between public agencies when a member of a public retirement system transfers to a different public agency within the same public retirement system.
- 3) Determining how retirement benefit costs are apportioned between reciprocal public retirement systems when a member concurrently retires under two or more public retirement systems.
- 4) Determining how a public agency's unfunded pension liability is impacted when a member of a public retirement system transfers to a different public agency within the same public retirement system and receives a salary increase.
- 5) Determining how a public agency's unfunded pension liability is impacted when a member of a public retirement system transfers to a public agency that provides retirement benefits through a reciprocal public retirement system.
- 6) Determining how a public agency's unfunded pension liability is impacted when a member concurrently retires under two or more public retirement systems.
- 7) Determining when an unfunded pension liability manifests and how the number of years a member works for one or more public agencies impacts each public agency's unfunded pension liability.
- 8) Determine how to best represent pension obligation details by annuitant on the CalPERS bills to attest the obligations and payments, much like a property tax bill contains the details making up the total tax obligation. Currently CalPERS only provides a total bill.
- 9) Address policy questions from public retirement systems and public agencies who contract to provide their employees retirement benefits through a public retirement system. For example, why does the retirement system not provide a detailed reporting of benefit costs associated with CalPERS and other California located public retirement systems.
- 10) Interview various rural public agencies' (i.e. El Dorado County Fire) chief financial and risk officers; to ensure the impact to rural agencies is understood.

[Agency Name] was founded in YYYY as local government **fire, police, city, water...** and have NNN employees. [Agency Name] provides critical local services. Our employees are hired away by larger metropolitan agencies. Our rural [Agency Name] acts as a training ground for the larger metropolitan government agencies. We believe that this Study will show the inequities in how the pension allocation is currently performed and would like to see the results. For these above reasons we believe that this Study will be a valuable tool for potential pension reforms.

Sincerely,

Signature \_\_\_\_\_

Name:

Agency:

Title:

