MISSED OPPORTUNITES – WHAT THE SUPERVISORS DIDN'T DO WITH THE NEW PENSION REFORM TOOLS

On Tuesday, December 18, 2012 County Administrator Matthew Hymel presented to the Board of Supervisors a memorandum entitled: Informational Update on State Pension Reform. The Board accepted and approved this report without changing a single word.

<u>Missed opportunity number one:</u>

First some background on this staff report. It stated that over the next 20 years the County will save $41,000,000 as a result of PEPRA (Public Employee Pension Reform Act). This sounds like a lot of money but in comparison to County spending of over $8,000,000,000 over the next 20 years it is a drop in the bucket. The report goes on to say that the County could save an additional $4,000,000 per year, $80,000,000 over the period, if it pursued a policy of negotiating 50/50 sharing of normal cost with *existing* employees. Yet nowhere in its recommended next steps does it suggest they do so.

<u>Missed opportunity number two:</u>

Under PEPRA the County has the legal right *to impose* 50/50 normal cost sharing on *all employees,* including *existing* employees, beginning in 2018. Such imposition was also not mentioned in the recommended next steps, nor was the threat of such imposition mentioned even as a bargaining tool.

<u>Missed opportunity number three:</u>

The memo states "PEPRA includes … authorization for counties to negotiate cost sharing agreements that include the costs of the

unfunded pension liability." This is the single most powerful tool afforded the County under PEPRA and the potential savings here dwarf everything else in the law. It is also the only part of PEPRA, or all of California pension law for that matter, that gives the County the opportunity to have current employees pick up a shovel and begin to help fill in the financial hole their own benefits have created. Properly structured, it would also allow the BOS to put in place some risk sharing between employees and taxpayers. This item was a mere bullet point in the memo with no explanation. It, too, is not part of the recommended next steps.

When discussing this last item supervisor Kinsey indicated that he thought it would "be wrong to try to negotiate for cost sharing of the unfunded liability". In essence, that he didn't want to ask the employees to give up something they had been relying on. Never did he indicate that maybe the taxpayer wasn't getting something he had been relying on all these years: a reasonable cost for the benefits provided to employees.

This gets to the crux of the entire issue. The Supervisors seems to think they represent the taxpayers and the County employees equally. This is simply not true. The Supervisors represents the taxpayers first, foremost and only. That is their fiduciary duty. That is their job. If they can have a cozy relationship with the employees while doing that job, then fine.

When the two come in conflict, the taxpayer must always come first.

It is indicative of the entire Board's mindset that they do not recognize this. That is why they disregarded so many of the opportunities made available by PEPRA. That is why they do not negotiate seriously enough.