



THE SAN JOAQUIN CITY MANAGERS GROUP

Background

The San Joaquin City Managers Group¹ is comprised of the County Administrator and the Chief Administrative Officers for the cities of Escalon, Lathrop, Lodi, Manteca, Ripon, Stockton, and Tracy. The group has closely followed the development of policies and guidelines for the creation of a second tier pension system in San Diego County. The momentum for a statewide initiative has also been noted coming from the Governor's Office. Consensus was reached in approximately one month to develop a proposal for a second tier pension offering that could be implemented by the great majority of cities in San Joaquin County.

The goal is to provide full career employees with pension benefits that maintain their standard of living into retirement. The benefit levels should be set to be fair and adequate, yet fiscally sustainable for employers and taxpayers. Any proposal for such a regional pension standard must be based on proper actuarial work.

The group assumed that the defined benefit plan has worked for decades and should be retained. It is essential that reciprocity and comparability be guaranteed between local government agencies. However, there was acknowledgement that market conditions of the late 90's led to "super funding" causing management and labor to seek increased benefits that have proven to be unsustainable and need to be rolled back to more appropriate levels.

¹ Greg Greeson; Cary Keaten; Blair King; Steve Pinkerton, Leon Compton; Manuel Lopez; Gordon Palmer; and Leon Churchill at the time this project began.

Findings

Our group recommends a new pension tier for those city employees hired after January 2010, with the following features:

- Safety employees – 2.5% at 55, offset by 50% of Social Security where it is provided;
- Miscellaneous employees – 2% at 60, offset by 50% Social Security where it is provided;
- Average of highest three years;
- Employees must contribute at least 5% of salaries to pensions;
- Employer Paid member Contributions (EPMC) prohibited as PERSable wages;
- Maximum COLA of 3% for benefits paid to retirees

These changes can be legislated at the local level. The group recommends conferring with a public sector actuary and receiving input from local labor reps before finalizing this proposal.

The committee also recommends that San Joaquin County cities seek legislative pension reform at the State level. These would include:

- Establishing a benefit cap for miscellaneous employees and safety employees at 80%;
- Create new lower benefit formulas such as:
 - 2.7% at 60 for safety employees; and
 - 2.7% at 65 for miscellaneous employees.
- Give employers flexibility to determine when part-time employees are entitled to pension benefits;
- Obtain flexibility from PERS to allow employees to move into a lower level tier in the case of two-tier plans if there is some advantage in doing so;
- Establish additional reserve funding to reduce volatility;
- Retain full disability benefits for those who are injured and cannot work in any capacity, but restrict disability benefits for those who are able to work (in same or similar job) after work-related injury;

- Change CalPERS Board membership to achieve better employee/employer balance and greater public agency representation.
- Primary focus is return on investment.

The San Joaquin managers could advocate these changes to the Central Valley Division of the League of California Cities and to the greater League Board and to our State representatives. The managers also note the work done by the League of California Cities on this subject.²

These reforms would provide adequate and sustainable pensions for long-term city employees in San Joaquin County cities. Our group also recommends communicating these ideas to other regional manager groups in the hopes of obtaining wider support for pension reform. We seek your reaction to this proposal.

² "Pension Reform in California," League of California Cities (March 2005); and "Replacement Ratio Study," League of California Cities (February 2005).