

Independent Citizens' Pension Advisory Committee 2019 Report

Committee mission: *Represent the best interests of the entire community in a non-partisan manner, while acting as a bridge for communication between the County and local residents on matters pertaining to the County's pension costs and reform efforts.*

4/25/2017 Board Resolution Established New Committee

Sonoma County Board of Supervisors/Directors

July 23, 2019

Introduction

- ▶ Sonoma County's priorities include ensuring a fair, equitable and sustainable public pension system for taxpayers, employers, and employees

- ▶ Board of Supervisors 2011 Pension Reform Goals:
 1. Contain costs – Return costs to 10% of Total Compensation in 10 years
 2. Maintain Market Competitiveness and Workforce Stability
 3. Increase Accountability and Transparency

Citizens' Committees

1. Sept 2015 Limited Term Committee - Work concluded on July 12, 2016
2. Sept 2017 Ongoing - Advisory Committee

Member Name	Term	Term Appointment
Anthony Withington (2019 Chair & 2018 Vic-Chair)	2 year	09/2017 - 09/2019
Martin Jones (2019 Vice-Chair)	3 year	09/2017 - 09/2020
Jack Atkin (2018 Chair)	2 year	09/2017 - 09/2019
John Hadzess	3 year	09/2017 - 09/2020
Ron Calloway	2 year	01/2019 - 09/2019
Sandy Coyle	3 year	09/2017 - 09/2020
Peggy Betchley	2 year	02/2019 - 09/2019
Former Members		
Rebecca Jones	2 year	09/2017 - 07/2018
Lynne Woolsley	2 year	09/2017 - 12/2018

Charter Section C – Annual Presentation

#1) **Meetings conducted, presentations received, workgroups formed, and other relevant activities of the committee**

- Sixteen (16) meetings completed from January 8, 2018 thru July 12, 2019
- Presentations: Brown Act Rules; SCERA overview; Pension Reform Legal Issues; 1st Citizens' Committee Report Overview; Hybrid Plans; Principles of Communications (consultant); PEPRA vs. Legacy Differences, SCERA Reserve Policy, and Actuary Assumption Changes
- Communications workgroup and Hybrid Plans workgroup
- Committee Approved Communications Standards Recommendations submitted to the Board of Supervisors
- BOS Committee Charter presents Challenges

Independent Citizens' Pension Committee Communications Report

Communications Standards

1. Factual accuracy
2. Clarity
3. Completeness, full disclosure and transparency
4. Objective and unbiased

Independent Citizens' Pension Committee Communications Report

Constant Communication Themes

1. Track progress against Board of Supervisors 2011 goal – 10% of compensation in 10 years. Or, revised target.
2. Report pension costs as a percent of pensionable payroll and total compensation – use consistent and accessible metrics.
3. Recognize POB obligations in reporting funding levels.
4. Identify risks associated with assumptions that are likely to change – discount rate, POB lump sum payments, incremental employee contributions.

Charter Section C – Annual Presentation

#2 Independent analysis of trends and key takeaways observed in the State of the Retirement System report and other County and SCERA publications.

- ▶ Board of Supervisors 2011 Pension Cost Reduction Target of 10% of total compensation in 10 years (by FY 2020-21) is not on course to be achieved
- ▶ June 2016, County staff presented an updated forecast, based on SCERA's 2015 actuarial valuation and Pension Obligation Bond debt service payments. It showed the 10% target to be achieved on FY 2030-31.
- ▶ December 2018 State of the Retirement System update to the Board of Supervisors identified total pension costs at 20.9% of total 2017-18 actual salaries and benefits – vs. 19% in 2011.
- ▶ June 2019 the Board adopted a new financial policy geared at accelerating pay down of unfunded liability by as much as \$6.9 million over two years.

Charter Section C – Annual Presentation

#3 Innovative pension reform strategies to contain costs being pursued in other local or state jurisdictions that could be applicable to the County

- Nothing to report due to limited resources allocated to the committee
- Board of Supervisors 4/25/2017 approval to establish the ongoing committee estimated approximately \$11,000/year in existing departments' resources to support the Committee

“Committee will receive administrative meeting support from the County Administrator’s Office, with as-needed analytical support provided by subject matter experts from departments, such as: the County Administrator’s Office, Human Resources, Auditor-Controller-Treasurer-Tax Collector, County Counsel, and the Sonoma County Employees’ Retirement Association. County staff will not be allowed to direct the committee’s work in any way, because it reports directly to the Board of Supervisors in an advisory capacity. Given the committee’s scope, it is not expected to utilize services from outside consultants or contractors (i.e., analytical, actuarial, or legal).”

Charter Section C – Annual Presentation

#4 Synopsis of relevant news articles, academic studies, publications, legislative developments, or other items of interest pertaining to pension plans and reform efforts

- The Committee and its members have reviewed numerous reports on public pensions and they all focus on the same thing; sustainability
- The ability for local, state and federal governments to maintain defined benefit plans is a challenge throughout the US. The need for progressive solutions that provide fair and reasonable benefits while not compromising public services is critical

Charter Section C – Annual Presentation

#5 Additional recommendations, from a citizen's perspective, that could help the County further improve its pension reporting and ultimately the public's understanding of the pension system.

- A. Follow the recommended Communications Standards
- B. Consider revising the Board's Pension Cost Reduction Target
- C. In conjunction with the Board of Supervisors or its designee, direct the Committee to identify changes to its Charter by March 2020