

MEMO

Date: March 9, 2011

To: CCCERA Board of Retirement

From: Marilyn Leedom, Retirement Chief Executive Officer

Subject: Contra Costa County Retirement Association (CCCERA) Employees' Salaries and Benefits

Recommendation: Please see options below

MEETING DATE

MAR 09 2011

AGENDA ITEM

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Background

The Board of the Contra Costa County Retirement Association has the exclusive authority for administering the retirement system. This administration includes the fiduciary responsibility for oversight of investments, along with administration of system operations, and most importantly, the timely payment of benefits. In 1990, CCCERA obtained the *Corcoran* decision, which allows CCCERA to offer its employees a different retirement tier than County employees, because the court found that CCCERA was the "governing body" of its employees. *Corcoran* has since been interpreted by our counsel and County Counsel to include the right of the CCCERA Board to set salaries and benefits for the employees of CCCERA.

It is well known that the County is facing financial difficulties and has discussed the possibility of many compensation reductions this year, including at least a 5% pay cut, the discontinuance of subvention (currently at 50% of the employee basic rate), and elimination of vacation sell back for non-represented employees. While the County is facing these difficulties, and the discussion on changes grows, the workload of CCCERA employees has increased dramatically due to an increase in retirement applications from many long time County and District employees.

While staffing for 1937 Act systems are subject to civil service regulations, the Retirement Board is required to annually adopt a budget covering the entire expense (including salaries) of the administration of the retirement system.

CCCERA has diligently worked over the last few years to bring our staffing up to an acceptable level, both in experience and training. The experience needed to successfully administer a \$5 billion pension fund is not easily gained. For example, the learning and experience track for a new Retirement Counselor is at least 3 years, and up to 5 years, depending on prior retirement benefit experience. In addition, with the anticipated retirement of two of our long term department managers, and a vacancy in our Deputy CEO position, retention of existing staff is critical in order to provide successful and smooth implementation of benefits by CCCERA. The

providing of these benefits and continued efficient operation of our pension system is a constitutional mandate.

CCCERA's Board recently approved de-pooling the cost sharing structure previously in place for all employer plan sponsors of the system. This action, along with terminal pay changes for new members, and continued developments in state and federal legislation, makes keeping up with the nuances of administering the system challenging for all employee levels at CCCERA. Additionally, an unusually large number of members are considering retirement due to the prospect of benefit and/or salary reductions in the future. Our counselors have been inundated with telephone calls, estimate requests, and complicated retirement related questions, while dealing with the traditional Spring retirement "rush."

Retirement office services touch every permanent employee, past and present, whoever worked for the County and Special District employers. This is a monumental trust, not only to financially maintain their futures, but also in providing individual service at the moment it is needed. Without appropriate, experienced staff, we are unable to perform our mandated duties.

The bottom line is this – CCCERA cannot afford to lose additional staff, other than those already retiring, if the system is to maintain its core functionality.

The Board has a long tradition of strong support for our employees. Because the County will soon be suggesting changes in new union contracts, and introducing a resolution for non-represented and exempt employees, staff requests Board direction to work closely with the County's Human Resources Department on these issues.

There are three different employee groups at CCCERA, with direction needed on each group:

1. Represented employees

The CCCERA Board may direct staff to work with the County Human Resources Department to establish a side agreement, which would:

- a. Maintain the pay of CCCERA employees at existing levels, exclusive of step levels already in the system (or, outside of contract, recognize CCCERA's authority to institute a temporary pay increase for the contract period to keep salaries at current levels).
- b. Maintain employer subvention levels. (the amount the employer currently pays for each employee's basic cost).

2. Unrepresented employees

While this area does not require additional negotiation with County Human Resources and the coalition, the Board may direct staff to take action to accomplish the following:

- a. Maintain the pay of CCCERA employees at existing levels, exclusive of step levels already in the system.
- b. Maintain employer subvention levels. (the amount the employer currently pays for each employee's basic cost).
- c. Maintain the existing vacation sell back schedule for existing employees. If the County makes a change to this benefit, implement for new employees only.

3. Exempt Employees: Chief Investment Officer, General Counsel, Deputy CEO and CEO.

While this area does not require additional negotiation with County Human Resources, the Board may direct staff to take action for the following:

- a. Maintain the pay of CCCERA employees at existing levels, exclusive of step levels already in the system.
- b. Maintain employer subvention levels. (the amount the employer currently pays for each employee's basic cost).
- c. Maintain the existing vacation sell back schedule for existing employees. If the County makes a change to this benefit, implement for new employees only.

Our administrative expenses, including salaries, are, by statute, charged against the earnings of the retirement system rather than the County's General Fund. However, if we are unable to retain our experienced, competent staff, the impact on the essential service provisions of the system will be substantial.

Historically, due to the functional and legislative separation of CCCERA and the County of Contra Costa, the retirement system has not been subject to hiring freezes and layoffs. .

I respectfully recommend that the Board direct staff to work with Human Resources to implement the options listed above.