Look to Los Angeles County for Pension Reform Success

With Governor Brown's announcement of a 12-point overhaul of pension offerings, the debate over reforming public employee pensions has flared up again across California. For Los Angeles County, pension reform began more than three decades ago when we revised our system to reduce costs and maintain a financially stable retirement program into the future.

Despite our local reforms years ago, there is no doubt that employee pension obligations continue to impose a financial burden on State and local government alike, making a renewed discussion of reform prudent. Examining the success of Los Angeles County is a good place to start. Our own pension system, the Los Angeles County Employees Retirement Association (LACERA), is included in the Governor's proposal, and hopefully as the debate continues, LACERA and the efforts of our Board of Supervisors will be cited as model examples of proactive pension reform.

LACERA is the largest county retirement system in the United States with assets over $40 billion. It has not only been reformed four times since 1977, including four separate benefit rollbacks and increased employee contributions, but considered today to be one of the most cost-efficient plans available to local public employees in the nation. In fact, we have already achieved some of the reform objectives in the Governor's 12-point plan.

The rolled back pension plans created during that time, known as "Plans D and E," are the only options that have been available to new, non-public safety hires since 1979 and 1981, respectively. Plan D provides a benefit equal to 2% of final compensation for each year of service for individuals who have attained an age of 61. This is compared to other jurisdictions where a person could get up to 3% for each year at the same age. In addition, our employees help foot the bill – paying 50% of the cost through payroll deductions taken over their working lifetimes.

The County's costs for public safety retirees are also much lower than those of similar agencies. Most governmental entities in the State of California offer a retirement benefit for safety members of "3% at 50" which provides a retiree beginning at age 50 an annual pension of 3% of their highest annual salary multiplied by the number of years served. Los Angeles County uses a more conservative and affordable "2% at 50" formula.

Los Angeles County also withdrew from Social Security nearly 30 years ago. This means that our employees do not "double-dip" into Social Security retirement benefits by virtue of their employment with the County. Moreover, federal law may reduce the Social Security benefits a County retiree earns from other employment solely because the individual is retired from a public employer that does not participate in Social Security.

There will also be an impact from the Governor's proposal on County employees who are union members. Fortunately, the strong relationship between the County and our labor partners will be a tremendous asset as a statewide discussion of pension reform develops. The County's union partners represent nearly 90% of the approximately 100,000 County employees. In 2009, every single County union and bargaining unit agreed to a two-year, no change extension of their current contracts, extensions which included no cost-of-living increases or salary increases.

As the debate develops and the Governor's plan moves towards the Legislature, and ultimately the voters for their consideration, a roadmap for successful reforms can be found in Los Angeles County.

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