The following opinion by Bill Fujioka, County of Los Angeles CEO, was distributed in early July 2010 to the LA News Group/Press Telegram for publication, and shared with the Board offices:

State Discussing Pension Reforms Implemented by the County Decades Ago

Public employee pensions is an issue that will continue to be hotly debated, particularly given the state of the economy and its impact on the tax revenues used to fund government operations. There is no doubt that employee pension obligations bare a financial burden on State and local government alike, making discussion of reform prudent. However, the recent Los Angeles News Group/Press Telegram editorial entitled, *County Ducks Pension Reform*, was an unfair characterization of a County pension system that has not only been reformed four times since 1977, including four separate benefit roll backs and increased employee contributions, but one that is today considered one of the most cost-efficient plans available to public employees in the State of California.

To say, as the editorial does, that Los Angeles County leaders, "for once," should look to Sacramento for leadership in this area completely ignores the fact that the State is only now beginning to discuss implementing reforms that the County Board of Supervisors implemented 30 years ago. In fact, the County rolled back retirement benefits for General Members of the retirement system four times during the period of 1977 through 1981. The rolled back pension plans created during that time, known as "Plans D and E," are the only tiers that have been open to new hires since 1979 and 1981, respectively. Plan D, the greater of the two open tiers, provides a benefit equal to 2% of final compensation for each year of service for individuals who have attained an age of 61. County employees pay half the cost of this benefit through payroll deductions taken over their working lifetimes. Today, 97% of the County workforce is now covered by our bottom tiers, Plans D and E.

The parallel benefit just recently negotiated for certain newly hired State employees provides a benefit equal to 2% at age 60. Most existing State employees will be grandfathered with the old benefit which is 2% at 55, albeit with higher employee contributions. 2% at 55 is roughly equal to a County of Los Angeles pension plan which was eliminated in 1977. The State is only now generating the type of reform implemented by the County over three decades ago. Although this is certainly commendable, it will take many years of employee attrition for the State's savings to match (in relative terms) the savings already realized by the County.

The County also withdrew from Social Security in 1982. This means that no employee receives Social Security retirement benefits by virtue 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.

The editorial also highlights a recent $200 million Board of Supervisors action to sustain pension benefits already earned by active employees and already being paid to retired employees. This action is necessary to fund an additional liability that has been created largely by the worst economic downturn since the Great Depression. This is not just prudent – it is a requirement of State law.

William Fujioka
Chief Executive Officer
County of Los Angeles