County of Sonoma
2016 Pension Reform Ad Hoc Committee
Charter/Scope of Work
(Board Report - Attachment 1)

I. Background

The Board of Supervisors ("Board") formed the original Pension Ad Hoc Committee ("Ad Hoc") in February 2011. Supervisors David Rabbitt and Shirlee Zane served as Co-Chairs. The 2011 Pension Ad Hoc analyzed the County's pension issues and developed a comprehensive report to articulate the County's pension reform goals. The report highlighted several policy goals and strategies to reduce Sonoma County's pension costs and ensure a fair, equitable, and sustainable pension system. The Board received its report in November 2011 and adopted the goals and strategies therein, including: cost containment; maintaining market competitiveness and workforce stability; and improving accountability and transparency. County staff subsequently worked on implementing the strategies, and the Board received a progress report on January 27, 2015 of significant accomplishments achieved. The Board created the Independent Citizen's Advisory Committee on Pension Matters to review progress to date, help develop materials to more easily explain the pension system and process to the general public, and offer any additional recommendations for further pension reform efforts. On July 12, 2016, the Board received the committee's report, and staff began formulating a plan for the next phase of pension reform. On November 15, 2016, the Board created a new Pension Ad Hoc Committee to guide the County's strategy for implementing the next phase of reforms.

II. Committee Duration

The Pension Ad Hoc Committee will be convened for a limited term through December 31, 2017, unless extended by the Board of Supervisors.

III. Committee Members

On November 15, 2016, the Board Chair appointed two members to serve on the committee: David Rabbitt, Second District Supervisor, and Shirlee Zane, Third District Supervisor.

IV. County Department, Other Agency, and Consulting Resources

The following County staff will support the work of the Pension Ad Hoc Committee:

- Sheryl Bratton, County Administrator;
- Chris Thomas, Assistant County Administrator (Interim), and successor;
- Rebecca Wachsberg, Deputy County Administrator; and
- Nikolas Klein, Administrative Analyst.

As-needed subject matter support may also be provided by staff from Human Resources, Auditor-Controller-Treasurer-Tax Collector, County Counsel, and the Sonoma County Employees' Retirement Association. Possible support from outside consultants or contractors (i.e., analytical, actuarial, or legal services) may also be utilized.

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V. Scope of Effort and Deliverables

The Pension Ad Hoc Committee will guide the next phase of the County's pension reform efforts by accomplishing the following objectives, which will be addressed in a final report to the full Board of Supervisors with a target completion date of December 2017:

1) Pension Reform Work Plan: Create a new work plan for implementing the Board's current high priority pension reform goals and addressing the recommendations of the original Citizen's Committee. The work plan should identify: future action steps, staff resources required, contract resources required, desired outcomes, deliverables, limitations and constraints, and target completion dates.
   Deliverable: Recommended Work Plan incorporated into the Committee's final report and approved by the full Board of Supervisors.
   Target Completion Date: December 2017

   a. Recommend new approaches for paying unfunded liability costs and improving equity: Recommend approaches for reducing the County's Unfunded Actuarial Accrued Liability (UAAL) associated with pension costs, i.e., advanced payments towards UAAL and/or sharing the UAAL pension cost burden between employer and employees. Proposed employee cost sharing arrangements should also take into consideration existing inequities caused by different retirement tiers and the retirement system's current cost of living adjustments (COLA) policy.
      Deliverable: Recommendations will be incorporated into the final report.

   b. "Hybrid" Plan Feasibility Analysis: In addition to other cost containment efforts, the Pension Ad Hoc Committee's November 2011 report and the Citizen Committee's July 2016 report both recommended the County pursue a new retirement benefit tier built upon a hybrid model, which would combine defined benefit and defined contribution plans. The Pension Ad Hoc will work with staff to assess the feasibility of, and possible approaches for, creating a hybrid retirement plan model with or without enabling legislation.
      Deliverable: The Pension Ad Hoc's final report will include a feasibility analysis for implementing a hybrid plan, and a recommended strategy for the County to pursue.

   c. Develop a Communications Program for Pension Information: Develop a new communications program to help achieve the goal of improving accountability and transparency. The communications program would include three main components:
      i. An informational handout to communicate pertinent information about Sonoma County's pension system to be updated annually thereafter by County staff. The handout would use facts and figures to address common misconceptions regarding the pension system, how it works, and its impact. The document should explain concepts clearly and be easily understood by members of the public.
         Target Completion: May 2017.

ii. Improve upon past staff pension reports by developing a comprehensive annual "State of the Retirement System" report that is informative, understandable, consistent, and accessible to members of the public. This report is anticipated to be a joint effort with the Sonoma County Employees' Retirement Association.
Target Completion: September 2017.

iii. Recommended updates to the County website to communicate pertinent information and data related to pensions. The content would be geared towards members of the general public.
Target Completion: December 2017 as part of the Pension Ad Hoc's report.

d. Monitor Legal Developments: Monitor and provide recommendations on legal developments that impact local pension systems. Work may entail reviewing the status and outcomes of applicable state or federal court cases that may provide opportunities for further pension reform.
Deliverable: Recommendations and/or analysis of legal developments will be incorporated into the Committee's final report.

2) Establish a New Independent Citizen's Advisory Committee: Develop a recommended scope and charter for a new Citizen's Committee. The charter should address the scope of work, membership (number of individuals and desired skills), length of term, staff support, and resources required. Identify and appoint members to the committee.
Deliverable 1: Recommended charter approved by the full Board of Supervisors.
Target Completion Date: February 21, 2017
Deliverable 2: Board appointment of Committee members.
Target Completion Date: February 21, 2017 or thereafter as directed by the Board.

3) Cost Containment Target: The 2011 Pension Ad Hoc's report established a cost containment goal of reducing the County's annual pension costs to 10% of total compensation within 10 years. Given actual experience over the past few years, and recommendations by the Citizen's Committee to reconsider use of this target ratio, the Pension Ad Hoc will revisit the value and use of this cost containment goal. The Pension Ad Hoc will develop a recommendation to either reaffirm the original 10% in 10 years target or add new cost containment measures.
Deliverable: The recommendation will be included in the Pension Ad Hoc report.
Target Completion Date: December 2017

VI. Stakeholders

- Board of Supervisors
- All County citizens
- County employees, employee groups, and retirees participating in the pension system
- Taxpayer advocacy groups
- Sonoma County Employees' Retirement Association
- Independent Citizen's Pension Advisory Committee