



# WHAT DO YOU KNOW ABOUT PENSIONS?

## Q: WHAT IS A PENSION?

**A:** A pension is a regular payment made during a person's retirement from an investment fund that the person and their employer contributed to during the time he or she was working. Sonoma County's pension system is a defined benefit plan, which means each employee gets a fixed, pre-determined benefit upon retirement based on factors such as years of service, retirement age, and salary.

## Q: WHO MANAGES SONOMA COUNTY PENSIONS?

**A:** Like one-third of other counties in California, Sonoma County Employees' Retirement Association (SCERA) operates a local pension system, and is governed by a nine-member Board that includes members of the public, active and retired Sonoma County employees who are plan members, and the publicly elected County Treasurer. SCERA is not a part of CalPERS, which is the state's retirement system

## Q: HOW DO EMPLOYEE PENSIONS GET FUNDED?

**A:** Public pension systems like SCERA have three main funding sources: employee contributions, employer contributions, and investment returns. It is a common misunderstanding that the County pays the bulk of pension expenses. In fact, the largest funding source consistently is investment returns.

contributions + investments = benefits + expenses



EVERY PENSION DOLLAR IS:

61¢ INVESTMENT INCOME

25¢ EMPLOYER CONTRIBUTIONS

14¢ EMPLOYEE CONTRIBUTIONS

AVERAGE 30 YEAR INVESTMENT RETURN FOR SCERA IS **8.7%**

THE AVERAGE EMPLOYEE CONTRIBUTES **OVER 22%** OF THEIR SALARY TOWARDS THEIR RETIREMENT\*

More than 75% of retirement benefits are received by Sonoma County residents, with every \$1 of pension benefit leading to \$2.36 in economic impact. That is a **\$20M BOOST TO THE LOCAL ECONOMY** each month.

\*Including retirement, social security, and deferred compensation contributions

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**Q: HOW MUCH DOES THE COUNTY PAY FOR PENSIONS ANNUALLY?**

**A:** In Fiscal Year 2015-16, the county's annual pension costs totaled \$107.6M, which included \$61.8M to fund the pension system, \$42.2M for pension bond payments, and a \$3.5M additional payment towards unfunded liability.

**Q: HOW CAN THE PENSION SYSTEM BE CHANGED?**

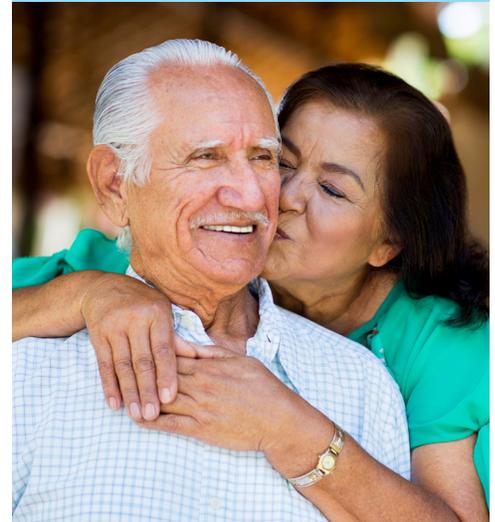
**A:** It is commonly assumed that the Board of Supervisors has the ability to reform the pension system on their own. The reality is that there are a number of federal, state, and local laws and rules that restrict the Board's options. Lowering benefits or adjusting how risk is shared between employer and employee, can only be achieved through changes to state legislation.

**ITEMS THAT DO NOT INCREASE PENSION BENEFITS:**

- ✓ Overtime
- ✓ Bonuses or any one-time payments
- ✓ Unused vacation
- ✓ County Paid Deferred Compensation
- ✓ On-Call or Standby Premiums

**PENSION SYSTEM QUICK FACTS**

# of retirees	4,812
Average retirement benefit (Average of 17 years of service)	\$32,961 per year
Average % employees contribute	11.67% of wages
Average employee contribution	\$10,107 per year
% of retirees receiving less than \$50K/year	over 80%



**Achievements to reduce pension liability over the past five years include:**

- ▶ **DECREASED TOTAL UNFUNDED PENSION LIABILITY BY NEARLY \$180M, OR ROUGHLY 20%, OVER THE PAST 5 YEARS**
- ▶ **ELIMINATED PENSION "SPIKING" PRACTICES TO PREVENT INFLATED RETIREMENT BENEFITS**
- ▶ **INCREASED EMPLOYEE CONTRIBUTIONS TOWARD PENSIONS AND OTHER RETIREMENT SAVINGS PROGRAMS**
- ▶ **INCREASED ACCOUNTABILITY AND TRANSPARENCY WITH MORE REPORTING AND A PERMANENT INDEPENDENT CITIZENS PENSION COMMITTEE**



Learn more: [sonomacounty.ca.gov/pensions](http://sonomacounty.ca.gov/pensions) or (707) 565-2231

