

EDC grappling with CalPERS, worker obligations

By Kathryn Reed

The financial situation in El Dorado County continues to deteriorate.

The obligation to retirees via CalPERS keeps growing and contract negotiations with employees could be going better.

The county's unfunded obligation to the California Public Employees Retirement System is more than \$346 million. This is \$64 million more than when the last actuarial report was done.

"Further, CalPERS has informed the county that seven years from now the required annual payments to CalPERS will be \$22 million per year higher than they are now. Balancing the county's budget and providing critical public safety and road maintenance services will become much tougher in the future because of our unfunded obligation to CalPERS," Auditor-Controller Joe Harn told *Lake Tahoe News*.

If the county were to withdraw from CalPERS, it would cost more than \$1 billion to do so.

The county is not alone in its debt to the retirement agency. The problem is there is no plan to deal with it. It's like the county's leaders – elected and otherwise – are wishing the problem would go away.

Carla Hass, spokeswoman for the county, merely said staff is concerned and looking at options. The only option she pointed to is if there is any extra money at the end of the fiscal year, it will go to offset PERS increases.

Supervisor Shiva Frentzen, who is chair of the board, did not respond to *Lake Tahoe News'* questions.

Harn this week sent the entire board a letter outlining the gravity of the situation, as he has done year-in-and-year-out. But the actions by the powers that be make it appear his words are falling on deaf ears.

“The county needs more tools and options that are not currently available to reduce these unaffordable and insurmountable unfunded obligations,” Harn said. “The Board of Supervisors should seek the assistance of California State Association of Counties, CalPERS and our representatives in the Legislature so that changes in state law and CalPERS policies will provide better options to enable us to reduce these unaffordable obligations. What we can do locally now is work to set aside significantly more funds in our reserves to help cover these costs in the future.”

For some reason, when CalPERS told member agencies in 1999 that it was overfunded, everyone believed this to be true. Now, though, when CalPERS is issuing forecasts for further indebtedness for the next five years, many of these same agencies are not taking the threat seriously.

In 1999, in order to pay back public employee unions for massive campaign contributions then-Gov. Gray Davis and a super majority of the Legislature passed Senate Bill 400. This allowed the state, counties, cities and special districts in California to offer employees drastically enhanced retirement benefits retroactively.

“CalPERS gave the county ridiculously low cost estimates in 1999. CalPERS projected that the retroactive application of dramatically enhanced retirement benefits would not increase the cost to the county for the next 11 years,” Harn said.

That projection could not have been further from reality.

El Dorado County supervisors ignored warnings from Harn at that time and instead offered employees dramatically enhanced retirement benefits on a retroactive basis.

The county has continued to add fuel to this financial catastrophe by giving exorbitant raises. It wasn't that long ago employees received 15 percent raises. This in turn increases the county's PERS obligation.

The county and Local 1 are in negotiations now. The union represents more than 900 employees.

"The county did a class and comp study last year that they want to base their proposals on, but they feel it will take them another year to 18 months to be ready. We want to negotiate a contract now, so it's more of a process issue than an amount issue," union rep Jere Copeland told *Lake Tahoe News*. "The only real issue is wages. Any decisions on job actions would be made after we declare impasse."

The union is tired of waiting for the county to talk numbers. While a strike would be a ways off, impasse could be reached this fall.

The county spokeswoman had this to say: "The negotiations are not public and are addressed in closed session with the Board of Supervisors. We continue to meet with Local No. 1 representatives in good faith and work toward an agreement that is satisfactory to both parties."