SLT revamping upper management compensation

By Kathryn Reed

While the 2017-18 budget is on Tuesday's South Lake Tahoe council docket, an item tucked on the consent agenda may be the bigger news. Employees not represented by a union are voluntarily rejiggering how they get paid in an effort to save the city money and provide themselves with a cushion if CalPERS implodes.

City Manager Nancy Kerry earlier this summer was the first city employee to go down this road.

At the Sept. 5 meeting if the electeds OK the plan, the compensation changes will affect all unrepresented employees, which includes the fire chief, police chief, director of development services, finance director, public works director, airport manager, human resources manager, deputy city attorney, deputy director of development services, communications manager, unrepresented/non-management administrative employees in the city manager's office, and any other unrepresented employees who may be added.

(The city manager and city attorney have separate contracts, and negotiate terms directly with the council members. With **Tom Watson leaving** at the end of the month, it is unknown how the future city attorney's compensation package will be structured.)

The changes for the rest of the unrepresented employees would be effective Oct. 1 and go through the end of 2018.

Kerry in her report to the council wrote, "To be clear, CalPERS plans to extract approximately 25 percent of the city's revenues within the next five years, which will severely hamper the city's ability to meet current expenses as well as any new expenses."

The city is forecasting a negative cash flow by 2020 in large part because CalPERS obligations are forecasted to double in the next five years.

The California Public Employees Retirement System tells member agencies how much each must pay to cover current and projected retirees. These people get a promised amount of cash which actually on average goes up 2 percent a year. The money comes from taxpayers. It is an obligation members must pay and one they cannot negotiate. It would take an act of the Legislature to change this.

Unfunded CalPERS liabilities are growing for most organizations. Today the city's liability is $50 million, and is expected to grow to $60 million in a few years.

Kerry in the report went on to say, "Many CalPERS retirees have the incorrect belief that their pensions are 'paid for,' and thus are not at risk."

South Lake Tahoe officials are trying to get rank and file employees as well as retirees to realize the gravy train might derail.

That is why at least the non-union employees of South Lake Tahoe are hedging their bets by restructuring their compensation plan. All employees could, but it would take the will of the union to do something that in many ways is radically different.

The purpose of the changes is to stem the city's pension obligation, while at the same time providing workers with more control over their future retirement dollars and being able to give them raises. If CalPERS were to go bankrupt or cut payments, they would still have the cash in the 401(a) or 457 accounts.

The police and fire chiefs have agreed to reduce their pensionable salaries to $140,000 a year, the maximum recognized under the 2013 California Public Employees' Pension Reform Act. The remainder ($29,291) will go into an employer funded retirement account that would be similar to a private sector 401(k).

Employees other than the chiefs, city manager and city attorney will have money put into a non-pensionable retirement account.

Raises they all will receive would be one-time payments that go into the new retirement funds.

In essence their base pay has been frozen and the raise automatically goes into a retirement account instead of being disposable income.

Kerry summarized the changes by saying, "The proposed compensation plan for unrepresented employees utilizes a defined contribution approach and considers the city's current available financial resources while simultaneously not obligating the city to long-term financial obligations."

A benefit change is this group will now have paid time off instead of separate vacation and sick pay.