

Redding

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Council to eye two-tiered benefits system

By Scott Mobley, Record Searchlight

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Two city workers. Same job. But one was hired a month after the city cracked down on retirement costs.

So the later hire sacrifices part of her paycheck for a pension that's less generous than the benefits package the first hire enjoys at full taxpayer expense.

Redding signaled willingness to at least investigate a two-tiered benefits system for its workers earlier this week when the City Council accepted a business group-funded study of city finances and pension costs. The report underscores the need to control long-term pension costs, business leaders have said.

Representatives of Redding's police and firefighter unions said two-tiered benefits would pit employees against each other and hurt recruitment — already a problem for the police department. All of Redding's public employee unions have given up salary increases to win additional retirement benefits, union officers said.

The Shasta Builders' Exchange, the Greater Redding Chamber of Commerce and the Shasta Association of Realtors this July shelled out \$15,000 for the financial analysis, which examined city budget documents and other public reports.

Redding's pension costs have skyrocketed in recent years and will likely continue climbing into the foreseeable future, said Steven Frates, the Southern California-based consultant who conducted the study. Frates presented his 99-page report to business groups and council members late last month.

The council unanimously accepted the Frates report and most of its 10 recommendations at its regular meeting on Tuesday. All of those recommendations concern clarifying Redding's budget so the public can better understand how the city spends its tax dollars.

The report itself does not urge the city to cut its pension costs.

Even so, the council pledged to review the city's benefit packages and "identify ways to make these benefits more manageable and understandable."

The council also agreed to consider hiring an expert to help the city review its benefits packages.

Kent Dagg, who heads the Builders' Exchange, said today he's happy the report has raised the community's awareness about city finances and long-term pension costs.

But he's still not sure anyone has a grasp on what those costs truly are. He'd like the city to hire an actuary to determine whether the city can afford its relatively generous retirement benefits over the long haul.

"I think communities have to be looking at modifications of the retirement program in the future," Dagg said. "The flip side of this is, if we don't do it, what are we giving up? If retirement keeps going up, does the pool close earlier, do we make do with one less cop?"

Ed Rulman, who chairs the Chamber, believes some people in the community have misunderstood the report's intention.

"The real point is not to drive wages down but get Redding employees to pay for a portion of their health insurance

and retirement benefits, as private sector workers do," Rulman said. "We don't want to take something away from someone who already has it, but make sure future employee benefits are structured differently."

Redding contracts for its pensions with the California Public Employees' Retirement System (CalPERS), the nation's largest with nearly \$200 billion in assets.

Retirement benefits in Redding under CalPERS consume 45 cents out of every dollar spent on police and firefighter compensation and just over 20 cents of every dollar spent on compensating non-public safety workers. That's well above the 21-cent average the city has paid to CalPERS for all employees over the last 30 years.

Frates blames those high CalPERS rates, in large part, on "rapidly increasing benefit levels." Police and firefighters in 2002 won enhanced benefits that boosted their pensions by 50 percent. Redding's public safety workers were among the last in Northern California to win this benefit, which has become the norm in California.

However, these richer benefits account for just over a quarter of the recent run-up in CalPERS rates, a city document shows.

City and CalPERS officials have blamed the bulk of the increase on the severe stock market downturn of 2000-2002. CalPERS lost money during each of those years. More recently, cities, counties and others contracting with CalPERS have had to pay far more to keep their pension obligations fully funded.

Just four years ago, the city paid no money to CalPERS, which was still enjoying the fruits of the stock market boom.

The pension fund has recently made accounting changes that officials hope will dampen the future effect of market swings on contribution rates.

Redding, like most comparable Northern California cities, picks up the employee's contribution to their pensions. That works out to 9 cents for every compensation dollar for police and fire and 7 cents for all other workers.

The city could make future employees pay all or part of that share should it move toward a two-tiered benefits system.

Future employees could also see pensions that let them retire on a smaller portion of their highest salary than today's plan, where police and firefighters can take up to 90 percent of their top pay after 30 years on the job.

Councilman Mike Pohlmeier, for one, would like to see the city seek legal advice on whether it can introduce different benefits packages for employees hired after a certain date. He'd also like to see the city move away from a "defined benefit" program like CalPERS to a "defined contribution" program such as the 401(k) common in private firms.

"We don't have any local control over CalPERS," Pohlmeier said in an interview Wednesday. "People don't understand that you can be better off on a system that is not subject to market swings."

Lonnie Schreiber, International Association of Firefighters Local 1934 president, called the city's current pension plan "a great retirement for our line of work."

People are outraged that a firefighter can retire at 50 with 90 percent of their top salary, Schreiber said. But that rarely happens. Most don't join the department until they're closer to age 30 — which means they must work until they're pushing 60 to enjoy that benefit.

And firefighting is a young person's job. Injuries and serious illness — such as stroke and heart attack — soar among firefighters over 50, Schreiber said.

The story's much the same among police officers, who often face serious burnout by age 50, well before they can retire with 90 percent of their top salary, said Aaron Maready, Redding Peace Officers Association president.

Maready believes the recent spike in CalPERS rates generated the pension controversy. These rates will soon flatten

out and eventually decline, he said.

"A lot of the concern being generated about this is unfounded," Maready said. "How are we going to pay for retirement 30 years from now? How did we pay for it five years ago, 10 years ago? The same way we pay for it now."

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