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County takes \$190 million pension hit

By Troy Anderson
Staff Writer

A state appeals court decision giving eight years of back pension payments to thousands of retired county workers could cost Los Angeles County \$190 million and Ventura County up to \$40 million, adding to their budget problems.

Los Angeles County officials said Monday that the ruling could lead to further cuts in spending even as they are facing a massive budget shortfall and a potential loss of state revenue.

Critics of government spending policies warned that the ruling – which will cost counties statewide \$500 million – adds to the drain on tax dollars being paid into public employee pension funds.

"It's my belief that in the next 10 years, the pension crisis will make the electricity crisis of a few years ago look like nothing," said Jon Coupal, president of the Howard Jarvis Taxpayers Association. "The pension crisis is a result of benefits going way up during good economic times with rapidly escalating high-tech stocks."

The 1st District Court of Appeal based its ruling, released late Friday, on a 1997 state Supreme Court decision requiring that extra pay should be added to public employees' regular salaries in determining their pensions and that they are entitled to the added value to their pensions back to 1995.

The court said extra pay includes bonuses, which could include motorcycle bonuses or hazardous duty pay for police, and any vacation or sick leave the employee takes out in cash for any one year.

The forms of compensation also include bilingual bonuses, shooting bonuses for sheriff's employees who are marksmen or sharpshooters, hazardous pay for engineering employees, additional pay for custodians acting as watchmen, registered nurses working weekends and employees in various departments who work swing shifts.

But the court ruled that counties don't have to use employee benefits in calculating pensions, including accrued vacation time, termination pay, insurance-related payments paid by counties into benefit plans and employer pickups, which are payments counties make into the retirement system on the employees' behalf.

County officials said they have not decided whether to appeal the decision to the state Supreme Court.

Los Angeles County Assistant Chief Administrative Officer Sharon Harper said the ruling will create a \$190 million unfunded liability.

"The money will come from a combination of Los Angeles County Employees Retirement Association and county funds," Harper said.

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"It leaves it up to the LACERA Board of Retirees whether to make retirees pay part of the \$190 million. At this point, we don't know how much the county will have to pay."

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Caught in a financial squeeze, the Los Angeles County Board of Supervisors adopted a \$16.8 billion budget for the fiscal year that began July 1, smaller than the previous year's budget and forcing spending cuts totaling hundreds of millions of dollars.

The new court ruling adds to the pressure, officials said.

"It's one more thing. It's money that will be coming out of the departments' general funds," Harper said.

LACERA Chief Counsel David Muir said the LACERA Board of Retirement could decide to ask retirees who received the additional compensation to make contributions of that compensation to pay a portion of the \$190 million price tag.

Or the expense could be amortized over 30 years, and taxpayers could pay it off like a home loan, Muir said. "There are various ways of funding the cost."

At the center of the case is the Supreme Court's 1997 decision in a lawsuit filed by the Ventura County Deputy Sheriffs' Association against the Ventura County Board of Retirement. The court ruled that compensation includes anything paid in cash, other than overtime pay, even if it's not earned by all employees in the same grade or class.

In 1983, the state appeals court issued an opinion saying the additional pay is not pensionable unless everybody in the pay class receives it, Muir said.

But in 1997, the state Supreme Court said everybody doesn't have to get the extra compensation, such as a bilingual bonus, for it to be pensionable, Muir said.

In 1997, all the county retirement systems in the state agreed to use the additional compensation amounts to calculate pensions.

The latest judicial ruling comes after the county pension fund lost \$5.1 billion of value in the past three years. As a result of that loss, taxpayers will have to kick an extra \$300 million into the retirement system in the next few years to pay the pensions of more than 46,000 retired county employees.

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