

Status of the Recommendations
by the Civil Grand Jury
2009-10

CGJ Year	Report Title	Recommendation	Response Required	Action Plan	2011 Response Text
2009-10	Pension Tsunami: The Billion Dollar Bubble	B1. The Mayor and the Board of Supervisors should prepare a plan within the next year to fund the projected \$1 billion in pension costs.	Office of the Controller	1. Recommendation Implemented	City leadership may consider how to manage retirement costs and benefits as part of its overall financial planning, and the Mayor and Board of Supervisors may make proposals regarding retirement benefits within the current system to put before the voters. These considerations already occur through the City leadership's and managers' review of pension costs and contribution rates and their financial impacts in the budget process and in other settings. Benefits, terms and conditions of SFERS are set in the Charter, and changes to them are a matter for voter approval; the Charter also requires that each year's budget be balanced. Balancing future budgets will require some combination of expenditure reductions and/or additional revenues. The Controller is working with City leadership to enact Proposition A mandated changes (a two-year (biennial) budget and a five-year financial plan which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period) to the City's budget and financial processes, which are likely to stabilize spending through requiring multi-year budgeting and financial planning. In the winter and spring of 2011, the Controller's Office is participating in a working group analyzing and developing ballot proposals, labor proposals and budgeting proposals to address OPEB liability, current health care liability, pension liability, other benefit and pension matters. The Mayor's Office and members of the Board of Supervisors will introduce one or more proposals for the Nov. 2011 ballot on this subject, and work through other City processes as well.
2009-10	Pension Tsunami: The Billion Dollar Bubble	B2. The Department of Human Resources (DHR) should not enter into agreements with the employee unions which increase the City's future pension obligations without voter approval. DHR should engage the City's professional Actuary to investigate any increase in pensionable compensation.	Office of the Controller	4. Will Not Be Implemented	The Department of Human Resources (DHR) enters into collective bargaining with the City's labor groups using data furnished by the Retirement System and the Controller's Office to evaluate cost increases to any pensionable compensation. Requiring voter approval of employee wage increases would likely violate both the Charter and State law with regard to collective bargaining. The Civil Grand Jury recommendation fails to recognize that all changes in pension obligations are voter-approved and DHR cannot change employee retirement plans. Labor agreements legitimately address wages and benefits and are appropriately and efficiently within the City's (DHR's) authority to negotiate. A wide variety of factors including wage levels, hiring and staffing, attrition, management decisions, and many others, affect the total amount of pensionable compensation and the City's obligations. These factors do not however change the retirement elements that require voter approval such as changes to defined benefits, eligibility, and service requirements. The City, through DHR and the Controller's Office, projects the current and future costs of wage increases and of pensionable compensation as part of its negotiations and budget processes. Actuarial services are not indicated for this purpose. Actuarial analysis is done as part of the annual valuation and contribution rate-setting process at SFERS, and whenever a change to retirement conditions and requirements is proposed.
2009-10	Pension Tsunami: The Billion Dollar Bubble	D1. San Francisco should take steps to curb abuses from pension spiking by limiting the final pensionable income an employee can claim at retirement and from pension-pyramiding. The Jury suggests the following: <ul style="list-style-type: none"> • Use a three-year average to determine pensionable income, similar to Federal rules. • Limit final pensionable compensation to 120% of the rank pay rate as determined by Civil Service job classification. • The Controller should perform an independent review of pensions to determine whether the practice of pension spiking is ongoing. • Disallow employees from drawing pensions from two simultaneous City jobs. • Pensionable compensation should not include pay for two separate pay types, known as pension-pyramiding. 	Office of the Controller	1. Recommendation Implemented AND 4. Will Not be Implemented	The Controller's Office agrees that "pension spiking" and "pension-pyramiding" are unfair and costly practices and should be prevented. We note that CGJ recommendations 1. and 2. require voter approval and that recommendations 4. and 5. are addressed as part of the Controller's Office's payroll audit program (as well as other City programs), which audits controls on assignments, on pay and on retirement calculations to control the risk of "spiking" and "pyramiding" and insure that City employees are appropriately compensated and their pensions are determined in accordance with all applicable codes. In response to recommendation 3., the Controller's Office includes payroll practices as part of its annual risk assessment and considers whether to schedule internal audit(s)--these specific issues are not scheduled for an audit in the near term.

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2009-10	Pension Tsunami: The Billion Dollar Bubble	E1. Department of Human Resources and collective bargaining units should meet and confer to determine a cost-sharing arrangement to pre-fund the \$4 billion unfunded liability for retiree health care obligations.	Office of the Controller	1. Recommendation Implemented	In the winter and spring of 2011, the Controller's Office is participating in a working group analyzing and developing ballot proposals, labor proposals and budgeting proposals to address OPEB liability, current health care liability, pension liability, other benefit and pension matters. The Mayor's Office and members of the Board of Supervisors will introduce one or more proposals for the Nov. 2011 ballot on this subject, and work through other City processes as well. Meet and confer processes for these proposals are underway.