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Chief Retires, but Bigger Pension Sustainability Questions Remain

By Cathy Tyson

After twenty-five years on the job, Lafayette Police Chief Mike Hubbard will retire at the end of the month. Because Lafayette contracts police services through the county, Hubbard is an employee of Contra Costa County Sheriff's Department, serving a total of nine years on the job in Lafayette, with prior postings throughout the county.
Hubbard started out as a patrol officer, was promoted to Lieutenant in 2004 and in 2007 became the Police Chief for Lafayette. He's in the middle of interviewing possible replacements at the moment. With a nine-year-old and eight-year-old triplets, he's looking forward to spending time at home for a while. Hubbard described his decision to leave Lafayette as "purely financial."
At only 47-years-old, Hubbard is a relatively youthful retiree. As a member of Contra Costa County Employees' Retirement Association, CCCERA, Hubbard is entitled to their defined benefit plan. By comparison, City of Lafayette employees have a private sector inspired 401(K) style retirement plan, where the City makes a monthly contribution towards each employee's retirement fund of 10% of the employee's base salary. Retirement pay can vary significantly depending on investment returns.
While city leaders wish him well and thanked him for his years of service, Chief Hubbard is just one of many County employees who will retire in the years to come. It's no secret that Contra Costa and many other counties are facing some harsh budget realities in accommodating current workers pensions. Contra Coast County recently completed negotiations that will help address the situation.
While Lafayette's retirement plan is sustainable, Contra Costa County is struggling under the weight of $1.7 billion in unfunded pension liabilities. Part of the problem is spelled out in the CCCERA handbook, "This means your future retirement benefit is not based on how much you and your employer contribute, investment returns, or other factors that could cause your pension value to fluctuate." Perhaps that sounded like a good idea back in 1937, on the heels of the depression, with the County Employees Retirement Act - that was adopted locally in 1945, but questionable now.
At issue is employee's spiking their pensions with cash payouts in lieu of unused vacation time and bonuses. CCCERA pensions are calculated by taking the monthly base salary for the highest 12 consecutive months, plus vacation accruals, plus holiday compensation to equal total final average salary. An employee's average final monthly salary is multiplied by years of retirement service credit and multiplied again by age at retirement factor. In addition, there are regular cost of living adjustments, determined by the Association's Retirement Board, not to exceed 3% per year.
While CalPERS, the state's largest public employee retirement system banned salary spiking in 1993, Contra Costa just recently disallowed the practice for new hires. With more than four hundred former employees in Contra Costa County receiving annual pensions of $100,000 and more, it's no wonder the County itself described the pension system as "in crisis." In a May 2010 presentation produced by Contra Costa County, entitled Pension 101, administrators noted the County's pension obligation will increase dramatically in the next five to seven years, and will require an additional $59 million contribution each year after 2015, due to stock market losses. Almost two years after that presentation, financial adjustments have modified those projections.
"Contra Costa County has negotiated a number of significant changes to wages and benefits for our County employees," explained County Administrator David Twa. "For most staff members, these reductions have averaged 5% of their total compensation. While this has been painful for all the employees impacted, it has allowed the County to structurally balance our budget for the next fiscal year, which begins July 1, 2012. This means we are not expecting any additional layoffs, nor are we expecting any further cuts in services to the public for 2012/13."
Director of Public Affairs for the Office of the Sherriff, Jimmy Lee, described more changes, "Newly hired employees are not allowed to use vacation pay to spike their pensions, and instead of 3% at 50, the new formula is 3% at 55."
Locals may recall the brouhaha back in 2009 when Moraga-Orinda Fire District Pete Nowicki Chief retired with a $240,000 per year salary for life. He had been earning $186,000 prior to his retirement, but was able to substantially boost that amount by adding vacation buy-back and service credits.
Because Chief Hubbard is still working, his pension has not yet been calculated, noted Lee.

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