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Cash-strapped cities want workers to contribute more to pensions

As Gov. Jerry Brown calls for sweeping reforms in public-employee pensions, cities such as Santa Ana demand concessions from their employee unions.

By Catherine Saillant, Los Angeles Times

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It's business as usual at Santa Ana City Hall as residents trickle up to the counter to pay business fees, pick up a dog license or, in a newer wing next door, apply for a free solar permit.

But on the top floor of the eight-story concrete fortress, city officials in Orange County's most labor-friendly city are doing the once unthinkable: demanding big benefit concessions from their employee unions.

Getting a handle on pension costs in the county's largest city is a must, officials here say. Santa Ana is facing a $30-million deficit, has only $300,000 in reserves and is jettisoning jobs by the dozens to keep its head above water. Last year, the city paid out about $11.3 million for employee pension costs.

Now the city and scores of others around the state are getting a potential assist from Gov. Jerry Brown, who is calling for sweeping reforms in public-employee pensions. Santa Ana is among the cities that would see the most significant cost reductions if workers were required to pick up more of their retirement costs.

A Times analysis based on 2009 payrolls shows that cities and counties in California would save an estimated $1.3 billion if local government workers statewide paid what the governor's office determines to be the normal employee share of pension contributions. Brown says workers should be contributing about 8% of their paychecks to their own retirement. Police and firefighters, who have more generous pensions, should pay about 9%, Brown says.

In Santa Ana, a densely packed city of 320,000 where nearly one-fifth of the residents live at the poverty line, there would be an immediate annual savings of $4.5 million if workers paid their normal share, officials said. Santa Ana was already negotiating to get employees to pay more of their pension costs when Brown made his proposal, said Paul Walters, the city's longtime police chief who is filling in as city manager.

"Anything that helps that along is good for us, definitely," Walters said. "Every little bit helps."

Newport Beach, Fullerton, Santa Monica and Long Beach are taking a similar hard-line approach to gain concessions on retirement costs. Like Santa Ana, all have been generous in picking up pension costs in the past.

In Los Angeles, city and county employees are already required to contribute nearly all of the normal employee portion. But under Brown's plan, they could be required to kick in more.

The governor's reform package is one of several circulating the state. Democrats, backed by unions, are expected to unveil a legislative response to the governor's 12-point plan early next year. Advocates of even tougher measures, meanwhile, are building support for a voter initiative that would require workers to pick up the full normal employee share and pay for any pension debts caused by lower-than-expected investment earnings.

Public agencies pay for pensions through investment earnings and through contributions by the employer and employee.

It has been common for cities and counties to pay both parts — the normal employee share as well as the employer contributions. Unions argue that the employee share was negotiated as compensation for past raises that cities could not afford. Changing the share now would in effect be a pay cut, they say.

Public workers have been unfairly demonized as pension costs soared in recent years, labor advocates say. The state's pension costs have fallen $600 million over the last two years as a result of collective bargaining agreements and other measures, said Dave Low, chairman of Californians for Retirement Security, a coalition representing more than a million public workers.

In more than 200 cities, counties and local districts, unionized workers have agreed to wage and benefit concessions, Low said.

Most changes, which affect new workers, won't result in savings for a decade or more, said Rod Gould, Santa Monica city manager and chairman of a statewide city managers' pension reform committee.

In Santa Monica, the city's police and fire unions agreed to pay up to 3% of their pay toward their pensions, which will save Santa Monica about $1.5 million a year, he said.

Santa Ana's financial picture is more dire. The city spent $40 million — almost all its "rainy day" reserves — as it faced shrinking tax revenues and state raids on its budget over the last four years, said Walters, the city manager.

Walters, who has been with the city for 41 years, said he feels for his colleagues. But it is time to face the economic realities, he said.

"The here and now is employees will have to pay more for their retirement," he said. "And that's the future too."

catherine.saillant@latimes.com