February 2010

Analysis of Proposed Ballot Initiatives for City of Redding Retirement Benefit Reductions

Nari Rhee, Ph.D.
UC Berkeley Center for Labor Research and Education

Center for Regional Change
University of California, Davis
One Shields Ave, 152 Hunt Hall
Davis, CA 95616
530.751.8799
http://regionalchange.ucdavis.edu

2010-04

UC DAVIS
CENTER FOR REGIONAL CHANGE

Acknowledgments

This report was sponsored by the UC Davis Center for Regional Change and supported in part by IBEW Local 1245. Technical assistance was provided by Ken Jacobs, Senior Labor Specialist at the UC Berkeley Center for Labor Research and Education and Professor Chris Benner, Associate Professor of Community and Regional Development and a member of the Center for Regional Change's Executive Committee. However, the author bears sole responsibility for the contents of this brief.

About the Author

Nari Rhee is an academic and applied researcher focused on urban and regional governance, economic development, housing, and labor markets. She received a Ph.D. in Geography from UC Berkeley and an M.A. in. Urban Planning from UCLA. She is currently a Visiting Scholar at the UC Berkeley Center for Labor Research and Education.

Published By: Center for Regional Change
University of California, Davis
One Shields Ave, 152 Hunt Hall
Davis, CA 95616
530.751.8799

Citation Information:
Rhee, Nari. "Analysis of Proposed Ballot Initiatives for City of Redding Retirement Benefit Reductions." White Paper 2010-04. University of California, Davis, Center for Regional Change.

The City of Redding faces significant financial challenges in the context of the current recession, with current revenues substantially lower than in recent years. Meanwhile the City faces increasing health care costs and a temporary but significant spike in its CalPERS retirement contribution obligations because of the retirement system's stock value losses during the real estate bubble collapse in 2008.

With this fiscal reality as context, this report analyzes some of the social and economic costs related to two initiatives that the City of Redding is proposing to place on the ballot. These initiatives would make the following changes in key retirement benefits that the City currently provides to eligible employees:

- Eliminate the current system of 50/50 retirement health premium payments, in favor of a two-tier system in which new City employees would receive no health benefits at retirement.

- Require city workers to take over the "employee" share of CalPERS retirement contributions, which the City took over after it withdrew from Social Security in 1982. The rate is 7% of covered payroll for non-safety workers (MISC rate) and 9% for safety workers.

FINDINGS

- Overall, the proposed measures will likely have little impact on the short-term budget crisis, and potentially undermine future government essential services.
    - ☐ Ballot initiatives are rarely helpful for solving difficult budget problems, tending to lead to polarized debates and politicized oversimplification of complex issues. They also tend to constrain budgeting options over the long term.
    - ☐ The specific proposals being considered for the ballot are likely to have a only modest impact on the current budget crisis, or none at all, and even carry a risk of possibly *increasing* future health care costs.
    - ☐ The proposals also have the potential to undermine the long-term effectiveness of essential government services by making it more difficult to recruit and retain adequately qualified personnel. Public sector wages in Redding can be characterized as being fair, with a flat, equitable compensation structure that allows most workers—not just professionals—to be economically self-sufficient. The long-term impacts of what amount to structural reductions in this compensation system should be weighed carefully, and should not be proposed as solutions to a short-term budget crisis.

<u>Elimination of 50% Retiree Health Premium Benefit—Analysis</u>

- The measure would not affect the current budget crisis since its immediate impact is only on estimates of future liabilities, not current expenditures.
    - ☐ The measure is primarily a reaction to GASB 45, a new government accounting rule requiring state and local agencies to estimate and report *future* liabilities for retirement benefits (other than pension).
    - ☐ That liability was estimated to be \$82.6 million on 1/1/09, \$12.1 million less than the previous year because of changing assumptions.
    - ☐ The measure would apply only to new hires, so its effect on the City's health care outlays would only occur when they retire.
    - ☐ Significant impact on the budget would not be felt for at least another decade, given the average employee today has been with the City for 12 years; a minimum retirement age of 50; and an average retirement age of 58 among existing retiree health beneficiaries.

- The measure would risk "adverse selection" in the City's health insurance risk pool when new hires eventually retire, which could actually *increase* the City's current unfunded liability for future retiree health benefits.
    - ☐ As new hires retire, there is a strong chance that the sickest will participate disproportionately in the City's health plan, provided such an option is offered. This is known as "adverse selection." Average (per-person) claim costs are likely to increase as a result.
    - ☐ This could increase premiums for everyone in the health plan, including retirees for whom the City is obligated to pay half the cost.
    - ☐ The City's own actuarial consultant has demonstrated that a similar policy change (elimination of premium cost benefit at age 65, applied to new hires) risks creating this type of adverse selection problem and thereby increasing current unfunded liability for retiree health care.

- The measure would jeopardize the health and financial security of future retirees.
    - ☐ Provided the City allows retirees from the new hire cohort to participate in its group health plan at full cost, the monthly premium would equal or exceed monthly City-sponsored CalPERS benefits for a majority of retirees.
    - ☐ If the City denies coverage to retirees, they will face even higher costs in the individual insurance market and risk being denied coverage due to age and health status.
    - ☐ Lack of affordable coverage leads to lack of necessary medical care, with potentially serious health consequences.

- Ballot measures are poor mechanisms for addressing City budgeting processes, especially one as complex as GASB 45 unfunded liabilities.
    - ☐ In contrast, experts recommend an incremental approach and evaluation of multiple options in order to reduce future health care liabilities for retirees.
    - ☐ An up or down vote via ballot initiative on the single most drastic option—eliminating retiree health benefits entirely for new hires—is likely to polarize public debate and is unlikely to yield optimal outcomes for the City, its workers, and the community.

Reduction of City Retirement Contributions to CalPERS

- Unlike private sector employees, Redding employees do not accumulate Social Security benefits through City employment. This is because they agreed to forgo those benefits in return for the City paying for the employee share of CalPERS retirement contributions.
  - ☐ The City stopped paying into Social Security in January 1982.
  - ☐ The City fully assumed the employee share of CalPERS by FY 1984 for non-safety employees and by FY 1990 for public safety workers.
  - ☐ The employer rates for CalPERS during the early 1980s exceeded 16%, higher than they have been since, including the current fiscal year.

- The City's employer share of CalPERS retirement contributions for non-safety workers has been reasonably low over the long term, with opportunities to save funds towards cyclical rate hikes.
  - ☐ The rate averaged just below 6.4% over the past 15 years (including FY 2010), close to the 6.2% employer share of Social Security.
  - ☐ Putting away a modest 5% of payroll for non-safety workers during the six fiscal years (FY 1999 to FY 2004)—when the employer share was at or near 0% for this group—would have generated at least $10 million to shield the budget against current rate increases.

- Because City of Redding employees are not entitled to Social Security benefits through their jobs, City-funded retirement makes up the most important means of retirement security for City employees.
  - ☐ CalPERS benefits for City retirees averaged approximately $1,200 in 2007. Because of modest city-funded retirement benefits, City employees need to accumulate personal savings just as private sector workers do in order to supplement Social Security income in old age.

- The City proposal to stop paying the employee share essentially translates to a permanent pay cut—6.5% for non-safety employees.
  - ☐ However the total cost of the employee share for all employees covered by CalPERS makes up approximately 1.5% of the total City budget.

- This will impose the greatest hardship on the lowest paid workers, who currently earn just enough to make ends meet.
  - ☐ Example: A worker earning $14/hour would see a reduction in take-home pay of approximately $135/month.

The City of Redding faces significant financial challenges in the context of the current recession. In Fiscal Year (FY) 2009, the City was forced to amend its budget several times due to lower-than-expected revenues.[i] With revenues still declining, the budget for the current fiscal year (ending June 30, 2010) is about $307 million, down from expenditures in FY 2008 of $344 million. The coming year provides no relief, with the FY 2011 budget expected to be 7.2% less, based on a further projected 7.9% decline in revenues. With sales tax and building permit revenues still declining, the City has been having difficulty balancing its budget.

This report analyzes some of the social and economic costs related to the two proposals to change the retirement benefits of City workers. The City of Redding is considering putting two initiatives on the ballot to eliminate key benefits that it currently provides to eligible employees. While exact language has not been released for the proposed ballot, the basic proposed changes are likely as follows[ii]:

- The City proposes to eliminate the current system of 50/50 retirement health premium payments, in favor of a two-tier system in which new City employees would receive no health benefits at retirement. Currently the City pays 50% of the cost for retirees who choose to continue in the City's health insurance program. Details of the new policy have not yet been made clear—for instance whether future retirees will be required to pay full premium cost in order to participate in the City's health plan, or whether they will be excluded from the health plan altogether.

- The City proposes to require City workers to take over the "employee" share of CalPERS retirement contributions, which the City took over after it withdrew from Social Security. The rate is 7% of covered payroll for non-safety workers (MISC rate) and 9% for public safety workers.

In proposing these measures, the City Council is responding to both reduced revenues and specific challenges related to retirement benefits. The first proposal relates to rising health care costs and to a new government accounting regulation that requires cities to report unfunded liabilities for future retiree health care. The second proposal has been prompted by a cyclical increase in the CalPERS *employer* contribution rate (paid against future retirement benefits for active employees) in the wake of stock market losses in 2008.

As a rule, ballot initiatives are rarely helpful for solving difficult budget dilemmas. This is because they tend to lead to polarized debates where complex issues are simplified for political expediency. They also constrain budgeting options in the long run.

Furthermore, the specific proposals above are likely to have minimal impact on the current budget crisis. The retiree health care proposal has no short term budget impact, while the CalPERS contribution proposal will save only a modest amount while failing to address the underlying problem of how the city manages CalPERS rate volatility. At the same time, because the measures propose drastic and permanent policy changes in wages and benefits, they risk undermining long-term effectiveness of essential government services by undermining the ability of the City to recruit and retain qualified workers.

With regard to the elimination of retiree health benefits, this report concludes that there are serious fiscal and social downsides that should be considered. The policy entails risk of adverse selection in the City's health insurance risk pool (which would tend to raise unfunded future liabilities for existing retiree obligations). City workers would be exposed to serious health and financial insecurity in retirement. It is also important to note that this proposal has no bearing on the current budget crisis because it will not have significant budget impact felt for at least a decade.

Based on an analysis of CalPERS contributions for non-safety workers (which are valuated separately from safety workers), this report suggests that CalPERS has given good value over the long term in return for modest average contribution rates. While shifting the cost of the 7% employee share will ameliorate the short-term crisis, it will also have a lasting impact on recruitment and retention while failing to address the core, ongoing problem of how the City manages cyclical fluctuations in the employer rate. By taking the money saved during the six years in the recent past when it paid very little or nothing for the employer share, the City could have prepared a substantial cushion against rate increases over the next several years.

Background: Public Worker Compensation

In addition to budgetary management and fiscal accounting challenges, these measures also reflect broader debates about public employee compensation. Thus, before analyzing the specific proposals, it is useful to put City jobs and benefits in perspective.

- Flat pay structure: Ratio of highest salary in City to lowest wages in City is approximately 10 to 1. This counts even seasonal positions filled primarily by high school students. When such positions are excluded, the ratio is less than 9 to 1. In contrast, average CEO pay in 2009 was 319 times more than average worker pay in the U.S.[iii] City wages are more equitable than private sector wages, providing better opportunities for all workers—not just professionals—to be economically self-sufficient.

- The City pays below market for many middle and high rung jobs.[iv] For instance, the City's salary schedule for Associate Civil Engineer specifies $36.60-$38.43/hour in the middle range (steps 4 & 5), compared to the median hourly pay of $41.44 among civil engineers in Shasta County according the California Employment Development Department (EDD). Similarly the city pays $23.60-$24.78/hour for Management Analyst I compared to a median pay of $28.64 for all Management Analysts in Shasta County.[v] Another example is the wage for City of Redding electrical utility linemen, which is $36.78/hour. Local wage data for this occupation is not available from the EDD; however, a comparison with over a dozen regional electrical utilities indicates the City's wage for this occupation is among the lowest in the industry, trailing far behind Pacific Gas & Electric wages of $45.78-$48.08/hour for the same job. In general, workers in the public sector trade off pay in return for stable employment, family sustaining benefits, retirement security, and a sense of mission concerning the public good.

- While the City pays somewhat above market wages for the lowest paid employees, it is barely enough for working families to make ends meet. The lowest paid City workers, such as entry level Solid Waste Truck Drivers, Cashiers, and Clerks, earn approximately $12/hour. This is barely enough for a two-working-parent family to make ends meet in Shasta County if the employer pays the full cost of health insurance.[vi] This level meets basic monthly expenses and does not allow for significant savings or retirement security. Without sufficient income to allow for adequate savings, and excluded from Social Security as City workers, these workers would have bleak prospects for retirement but for employer-provided benefits.

- CalPERS retirement benefits for City of Redding employees are substantially below national average for state and local government employees. In the 2007 fiscal year, non-safety retirees' benefits averaged less than $14,500/year, while the national average was $21,800 for all occupations.[vii] This understates the difference in total retirement benefits because the latter includes retirees who are entitled to Social Security through their public sector jobs. It is also worth noting that public retirement benefits also have multiplier affects across the economy. In 2006, each $1 paid out of state and local government pension plans induced $2.36 in total economic output.[viii]

With this context in mind, the remainder of this paper analyzes some of the implications of the proposed ballot initiatives to the City and its workers.

The City shares the cost of participating in the City's health plan with current retirees on a 50/50 basis, and has promised many active employees the same benefits for their future retirement security. The monthly premium has increased steadily and is currently $1,356. The City Council is now considering moving forward with a ballot initiative that would eliminate retiree health insurance premium benefits for new hires. Thus, when new employees retire, they would have to decide whether to participate in the City's health plan at a very high cost (if such an option is open to them), or go without health coverage.

The City seems to be considering this proposal partly in response to Government Accounting Standards Board Bulletin No. 45 (GASB 45), issued in July 2004. GASB 45 requires public agencies to report the value of *future* retirement benefit obligations other than pensions for *current* employees, but does not require that agencies set aside funds for these benefits. Because the City pays for retiree health insurance on a pay-as-you-go system and only recently started to pre-fund a small portion of these benefits, the size of this liability is substantial.[ix]

The liability is determined through an actuarial valuation—an estimate based on a complex set of assumptions about retirees, their health care consumption, the future cost of care, and the makeup of the insurance risk pool. When assumptions about these factors change, the size of the liability changes. The City of Redding's GASB 45 liability was estimated to be $82.6 million on 1/1/09, $12.1 million less than the previous year because of changing assumptions.[x]

Implications for the City

The proposed measure would not affect the current budget crisis because its immediate impact is upon estimates of future liabilities, not current expenditures.

As described above, this measure concerns future liabilities for retiree health care and will apply only to new hires. Thus its effect on the City's actual health care *outlays* will only occur when new hires eventually retire. Significant impact on the budget will not be felt for at least another decade, given the average employee today has been with the City for 12 years; a minimum retirement age of 50; and an average retirement age of 58 among existing retiree health beneficiaries from all City departments.

The proposed measure would risk adverse selection in the City's health insurance risk pool when new hires eventually retire, which could increase the City's current unfunded liability for future retiree health care.

Assuming the City provides the option to participate at full cost, there is a real possibility that only the sickest retirees from the new hire group will participate in the City's health plan. This is known as “adverse selection,” a phenomenon well documented in research.[xi] While claim costs could be lowered, retiree premium contributions could lower even further, leading not just to increased premiums but increased total cost to the City.

In December 2008, the City’s own actuarial consultant prepared a report comparing the GASB 45 liability under the status quo versus under a policy change in which the City’s payment of retiree health premiums would be eliminated when the retiree reached age 65 (the minimum age for Medicare eligibility).[xii] The report estimated future costs without adverse selection and with adverse selection. With no adverse selection, the City would save money on retiree health costs. If, however, take-up rates fell to 20% (among retirees age 65 and older) who have 80% of the claims, total claim costs would be 20% lower, but the amount contributed by retirees would drop by 43%. Therefore the total City liability could rise from a then-estimated $94.7 million to $108.5 million under the new policy with adverse selection.[xiii]

Whether enough retirees decide to opt in or out of the health plan if they have to pay full cost depends on the elasticity of demand for health care. (Demand is relatively elastic if people’s willingness to buy something changes with the price; for instance, demand for luxury goods is more elastic than the demand for food). The demand for health insurance is much less elastic for seniors than it is for younger people. However, if insurance premiums continue to rise at the current pace, the risk of a scenario in which the City liability grows is very real because many seniors on limited incomes will simply be priced out, as discussed below.

The proposed measure would likely have a negative impact on City worker morale, recruitment and retention.

Retirement security, including access to affordable health insurance during retirement, is a significant draw in favor of public sector employment. For middle and high rung workers, including professionals and some skilled trades, such benefits offset lower wages vis-à-vis private sector employment. While the recession has reduced turnover across the economy, the measure would make it more difficult for the City to recruit and retain the best workers over the long term.

Implications for City Workers

By decreasing access to medical care, the proposed measure would jeopardize the health and financial security of future retirees.

Many City retirees simply would not be able to afford the full premium cost. For example, if an average City retiree receiving retirement benefits in 2007 had to pay the full monthly premium of $1,056, this would have absorbed 87% of pre-tax CalPERS pension benefits that year.[xiv] Premium cost is much higher today ($1,356), so its ratio in relation to retirement benefits would be even greater.

If the City chooses to entirely eliminate access to the City’s health plan to new retirees when they retire, these retirees would be hard-pressed to find other options. Individual health coverage for retirees is all too often "prohibitively expensive" and seniors are routinely denied coverage due to their age and health status.[xv]

Higher out-of-pocket costs, much less lack of health insurance, leads to the lack of medically necessary care. At the same time, seniors are the most in need of care, in particular preventive care to control chronic conditions that will worsen and require expensive medical interventions if left untreated. Research shows that people defer preventive care when uninsured, and that seniors deferring medical care even for short periods of time leads to serious health consequences and higher costs down the line.[xvi]

Seniors age 65 and older who only rely on Medicare without supplemental coverage are still at risk of losing their retirement security to medical costs.[xvii, xviii] About 60% (183) of the 298 retirees (including surviving spouses) in the City of Redding's health plan are pre-Medicare age.[xix] The most recent actuarial valuation assumes an estimated retirement age of 60 for non-public safety workers and 54 for firefighters and police for currently active employees. Thus it is probable that most retirees from the new hire cohort will be seriously at risk of lacking health coverage under the proposed policy.

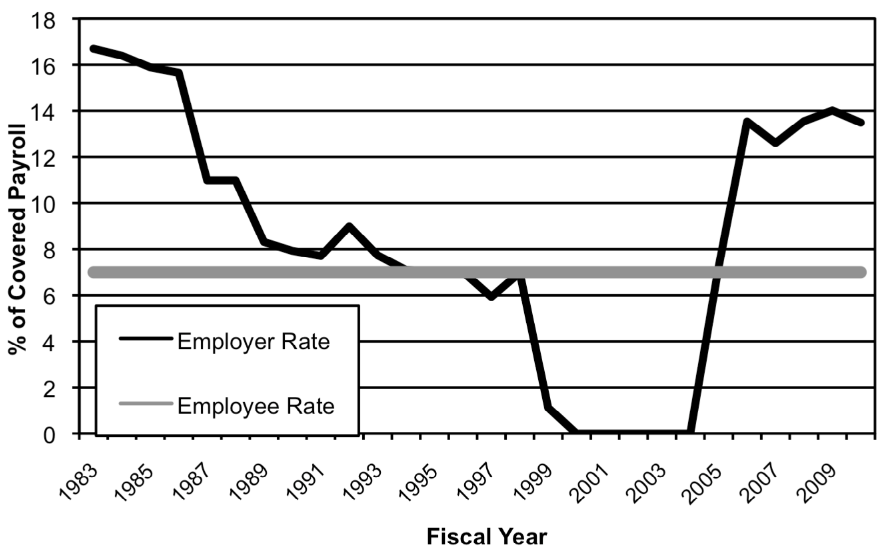
Conclusion on Heath Care Benefits Proposal

Ballot measures are poor mechanisms for addressing city budgeting processes, especially one as complex as GASB 45 unfunded liabilities. The City has a legitimate concern about future retiree health costs. However, the proposed measure has potential unintended consequences in terms of the City's budget and its ability to recruit and retain quality workers over the long term in order to provide the best services to the community. Rather than try to solve such a complex issue at the ballot box, the City would likely do better to explore a range of options in partnership with its employees. A report issued by the Center for State and Local Government Excellence—a nonpartisan research organization committed to promoting excellence in public service—concludes that "an incremental approach to managing retiree health care costs has certain advantages" and stresses the importance of examining the complex legal, accounting, and tax questions that are involved with some alternatives."[xx] Options include cost containment, cost sharing, efficiencies, future cost shedding, pre-funding mechanisms, selling assets, and wellness and preventive illness programs; several elements may be combined into a multi-pronged strategy.

A rush to decide the issue through an up-or-down vote on a ballot measure that presents only one option, and the most drastic one at that, limits public debate to finger-pointing and is unlikely to generate the best outcome. Since this is a long term problem, it is worthwhile to carefully evaluate multiple options and their consequences in order to choose the best course for the City, its workers, and the community.

Annual CalPERS contribution rates have two components, a stable "employee contribution rate" rate and a fluctuating "employer contribution rate" (see chart below). The City agreed to pay for the employee share of CalPERS when the City withdrew from Social Security in the early 1980s.[xxi] (Up to one-third of employers participating in CalPERS covers the employee share, though this is not tracked formally by CalPERS.[xxii]) The *employer* rate increased substantially after 2005 because of CalPERS asset value depreciation when the dot-com bubble collapsed in 2001, and is expected to increase again because of the effects of the housing bubble collapse in 2008. The proposed policy would shift the *employee* share back to workers--7% of covered payroll for non-safety workers ("MISC" rate group) and 9% for safety workers (SAFETY rate group).

CalPERS Contribution Rates
City of Redding/MISC Group (Non-safety)



Data source: CalPERS rate history provided by the City of Redding.
Mid-year rate changes weighted into a single annual rate.

Is CalPERS too costly?

By agreeing to pay the employee share of CalPERS, the City was able to withdraw from Social Security.

The City of Redding stopped paying into Social Security in January 1982. In exchange, the City took over the full employee share for non-safety workers by FY 1984 and safety workers by FY1990. Between 1982 and1984, the *employer* rate was above 16% for non-safety workers, higher than it has ever been since, including the current rate of 13.491% in FY 2010.

The City's employer *share of CalPERS retirement contributions for non-safety workers averaged just below 6.4% over the past 15 years, while the normal employer share of Social Security is 6.2%.*[xxiii, xxiv]

As the above chart shows, the employer rate fell precipitously after 1985 and remained low for nearly two decades. This is a relatively low cost for providing retirement security to longstanding City workers. The average rate is so low because most CalPERS retirement benefits are funded by return on market investments. The employer rate cycles in direct opposition to market performance, going down when stock values climb and going up when stock values fall. The employee rate meanwhile stays the same.

In 6 out of the past 15 fiscal years (ending FY 2010), CalPERS assets for non-safety City of Redding employees exceeded projected asset value. The surplus allowed the City to pay only 1.116% in FY 1999 and 0% in FY 2000, 2001, 2002, 2003, and 2004. If the City had put away a modest 5% of covered payroll—which is less than long-term averages—into an interest-bearing account that kept place with inflation, it would now have a $10 million cushion against current rate increases (see table below).

Savings Scenario for Years with Low CalPERS Rates (2009 dollars)

Fiscal Year	Estimated Covered Payroll* ($millions)	Employer Contribution Rate	Savings from 5% Rate ($millions)
1999	313.5	1.116%	1.3
2000	319.0	0.000%	1.6
2001	325.5	0.000%	1.6
2002	356.4	0.000%	1.8
2003	375.1	0.000%	1.9
2004	401.5	0.000%	2.0
Total			10.2

*Estimated covered payroll from CalPERS annual valuation reports for City of Redding/MISC, inflation adjusted using CPI-U.

Total may not add up due to rounding.

Given the stability of the employee share, the problem is fundamentally about the volatility of the employer rate for CalPERS, which has been very low over the long term but which also requires planning due to its fluctuations with the business cycle.

Implications for City Workers

Unlike private sector employees, Redding employees are not entitled to Social Security benefits through City employment. Consequently, City-funded retirement makes up the most important means of economic security in old age for City employees.

Workers agreed in the early 1980s to forgo Social Security in exchange for the City taking over the employee share of CalPERS retirement contributions (7% for covered non-safety workers and 9% for safety workers). They understood that the City would also continue to pay the employer share as usual. The City has continued to abide by that agreement until today.

Even for seniors who receive average Social Security payments, employer-provided retirement benefits are essential to keep them out of poverty.[xxv] For workers who do not accumulate Social Security benefits through their work, employer plans are especially important—as is the ability to accumulate additional savings towards old age. As discussed in the Introduction, average CalPERS retirement benefits for City retirees was $14,500/year in 2007, significantly lower than the national average for state and local employees (some of whom receive Social Security in addition). This means personal savings is just as important for City workers as it is for private sector workers who need to build assets in addition to supplement Social Security income.

The City proposal to stop paying the employee share is essentially a permanent pay cut—6.5% from the gross for non-safety workers.

If the proposed policy were implemented in FY 2010, the City would save a modest 1.5% of the city's $306 million budget. However, the permanent impact on employees would be much more substantial. If the employee share of CalPERS historically covered by the city is counted as pay, a payroll deduction of 7% of wages towards CalPERS for non-safety workers translates into a 6.5% reduction in gross pay. Because the city seems to be proposing to stop paying the employee share indefinitely, this amounts to a 6.5% permanent pay cut.

The measure will impose the greatest hardships on the lowest paid workers, who currently earn just enough to make ends meet.

For a non-safety worker earning $14/hour, the measure translates to a permanent reduction in take-home pay of approximately $135/month after taxes. This estimate is for an individual filing as a single person with one exemption.

Conclusion on CalPERS contribution proposal

As the current statewide governance crisis demonstrates, deciding complex budget and fiscal management issues through the ballot box has not worked for the State of California. It introduces rigidity where flexibility is required to deal with complex accounting, tax, and legal issues. The City's proposal would save about 1.5% of the budget through an across-the board permanent pay cut for all workers covered by CalPERS, but measure also carries the risk of undermining the City's ability to recruit and retain quality workers over the long term in order to deliver high quality services.

[i] Nonetheless, one-time expenditures made the FY 2009 budget exceptionally large compared to previous years.
[ii] Letter from City Manager Kurt Starman to the City Council, "Subject: Discuss the Possibility of Developing a Local Ballot Measure to Modify or Eliminate Certain Employee Benefits," September 28, 2009.
[iii] Sarah Anderson et. al., 2009, "America's Bailout Barons: Taxpayers, High Finance, and the CEO Pay Bubble," Institute for Policy Studies 16th Annual Executive Compensation Survey. http://www.ips-dc.org/files/439/EE09final.pdf
[iv] There are some studies that purport to document above-market pay for public sector workers. However, in evaluating any comparison of private versus public pay, it is important to consider whether the study compares equivalents in terms of job duties and qualifications. For instance, private schools have much lower education and credentialing standards for teachers than do public systems; and public sector jobs have lower turnover, leading to greater average experience among employees.
[v] Shasta county occupational median wage data for the first quarter of 2009 are estimates provided by the California Employment Development Department based on an adjustment of the 2008BLS Occupational Employment Survey. http://www.labormarketinfo.edd.ca.gov/?pageid=152.
[vi] Author's calculation of a basic hourly wage is derived from an adjustment of data in the California Budget Project, "Making Ends Meet: How Much Does it Cost to Raise a Family in California?," October 2007. The California Budget Project basic family budget for a two-parent working family in Shasta County was $15.87/hour (per working parent) in 2007 (p. 18). When health care is removed (health care premiums and out of pocket expenses), the hourly wage is approximately $12/hour. This does not take into account changes in tax withholding rates due to a lower wage; however, that difference is likely offset by out of pocket expenses.
[vii] Author's calculations based on data from the U.S. Census Bureau's 2007 State and Local Government Public Employee Retirement System survey.
[viii] Illana Boivie and Beth Almeida, "Pensionomics: Measuring the Economic Impact of State and Local Pension Plans". National Institute on Retirement Security, February 2009.
[ix] City of Redding Biennial Budget Fiscal Years Ending June 30, 2010 & 2011, "Budget Message," p. AA7.
[x] John E. Bartel, "City of Redding Retiree Healthcare Plan GASB 45 Actuarial Valuation Final Results," January 1, 2009.
[xi] Thomas Buchmueller and Sabina Ohri, "Health Insurance Take-up by the Near-Elderly," Working Paper 11951, National Bureau of Economic Research, January 2006.
[xii] John E. Bartel, "City of Redding Retiree Healthcare Plan GASB 45 Actuarial Valuation Preliminary Results," December 22, 2008.
[xiii] Bartel 2008, op. cit., pp. 63 & 67.
[xiv] Health insurance premium data from the City of Redding. CalPERS average benefit data from annual valuation reports; 2007 was the last fiscal year for which this data was available to the author.
[xv] Lynn Karoly and Jeannette Rogowski, "Effects of Access to Post-Retirement Health Insurance on Retirement Behavior and Insurance Coverage," Rand Health: Research Highlights, 1998. http://www.rand.org/pubs/research_briefs/RB4507-1/index1.html.

[xvi] Joseph J. Sudano and David W. Baker, “Intermittent Lack of Health Insurance Coverage and Use of Preventive Services,” American Journal of Public Health, v. 20, n. 1, pp. 130-137, January 2003; David W. Baker et. al., “Loss of health insurance and the risk for a decline in self-reported health and physical functioning, 1992-2002,” Medical Care, v. 44, pp. 277-282, 2006; J. Rust et. al., “Health Status, Insurance, and Expenditures in the Transition from Work to Retirement,” Working Paper funded by Economic Research Initiative on the uninsured, July 2005.
[xvii] Richard W. Johnson and Rudolph G. Penner, “Will heath care costs erode retirement security?,” Issue Brief #23, Center for Retirement Research at Boston College, October 2004.
[xviii] For retirees who qualify for Medicare, the city plan becomes a supplemental plan, carrying lower claim costs than for pre-Medicare retirees. However the premium remains the same.
[xix] Data provided by the City of Redding.
[xx] Richard C. Kearney, “After GASB 45: Solving the Unfunded Liability Problem in Retiree Health Care,” Issue Brief, Center for State and Local Government Excellence, February. 2008.
[xxi] City of Redding, “History of CalPERS Employee Contribution Paid by City of Redding,” no date; Scott Mobley, “Paying full pension costs for Redding employees once seemed a good idea,” Redding Record Searchlight, November 22, 2009. http://www.redding.com/news/2009/nov/22/paying-full-pension-costs-for-redding-employees/
[xxii] Mobley, op. cit..
[xxiii] Author’s calculations based on CalPERS employer contribution rate data provided by the City of Re [xxiii]. The average takes into account mid-year rate changes.
[xxiv] Readers should note that CalPERS and SSI rates apply to slightly different types of base pay. The City of Redding was not able to provide sufficient data to calculate actual difference between CalPERS payments and potential SSI liability had the City not withdrawn from Social Security.
[xxv] Patrick Purcell, “Income and poverty among older Americans in 2007,” CRS Report for Congress, October 3, 2008.