

STATISTICAL ANALYSIS**Scheduled Pension Payments to County Retirees
Mendocino County Employees Retirement Association****April 1, 2010 - March 31, 2011****May 25, 2010**

The Mendocino County Farm Bureau (MCFB) requested several items from the Mendocino County Employees Retirement Association (MCERA) during the spring of 2010 under the "Freedom of Information" Act. One item was a list of County retirees who receive pensions from MCERA and the total amount of pensions each retiree receives.

MCERA provided that list - among several items - to MCFB. This paper provides some summary statistics derived from that list.

The payments listed by MCERA did not include payments by MCERA of retiree health insurance. Only County retirees hired before September, 1998 have been eligible for this benefit. The value of that benefit should be added to the values used for this statistical analysis to determine the total value of retirement benefits provided to each retiree.

The original list provided the names of each retiree and the yearly amount they are scheduled to receive in the year following April 1, 2010. Apparently 4/1/2010 is the date on which cost of living adjustments are made. No other information was provided.

This paper does not identify individuals.

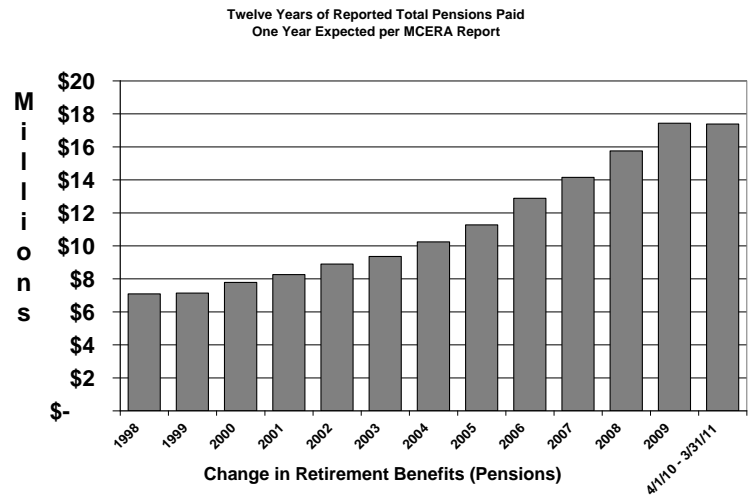
The list from MCERA was provided as a pdf document. About half the pdf document contained data that could be directly copied into an Excel spreadsheet for analysis. The other half required several steps to convert the data into a form that could be analyzed in Excel. We believe this was done without changing any of the data, but that is a (slight) possibility. We think such changes are highly unlikely.

YourPublicMoney.com produced these statistics. These statistics assume the list obtained from MCERA is accurate.

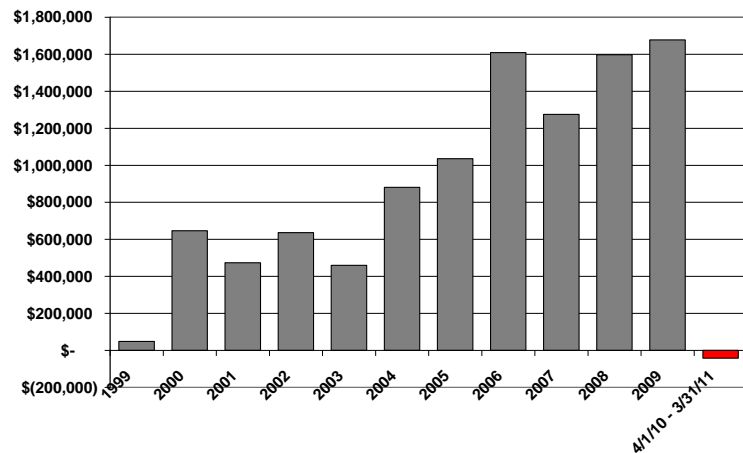
Accuracy of the Data?

The report provided by MCERA to the Farm Bureau did not provide a total for pension payments in the 12 months following April 1, 2010. After the data was copied into an Excel spreadsheet the total was determined to be \$17,385,101.

This graph shows the values reported by MCERA on its last 12 annual audited financial statements as payments of “Retirement Benefits”, which we believe are the same as Pensions. It also shows the projected value for the 12 month period as calculated from the MCERA report provided to the Farm Bureau. MCERA’s fiscal year is July through June. There is a 9 month gap between the last audited value for 2009 and the projected value for the 12 months beginning 4/1/2010.



This next graph shows the amount each year’s total Pension (Retirement Benefit) payments was more or less than the previous year’s payments over these years and the change implicit in MCERA’s report provided to the Farm Bureau.



After 1999 total Pension payments increased every year from a low of slightly over \$400,000 to the last year’s growth of over \$1.6 million.

And yet somehow the total shown on the MCERA report provided to the Farm Bureau suggests a slight decline - the only decline in the past 12 years.

This seems highly unlikely. I understand the number of retirees is growing, not diminishing. The amount a retiree receives results from an “almost iron clad” formula. I believe the only variability in the formula is the amount of any “cost of living increase” which would increase pensions, not lower them.

The data provided to the Farm Bureau is not consistent with MCERA’s audited financial statements in some way. While it’s logically possible some data was dropped in the process of conversion described on the previous page, the numbers were double checked and appear to be the same. Even if the increase was half of what it was the year before, that would still produce an \$800,000 increase.

We therefore conclude there is most likely a “disconnect” between MCERA’s audited financial statements and the data in the report it has provided to the Farm Bureau. Although we don’t know how much the difference is in reality, our “best estimate” would be that the report provided to the Farm Bureau would show a value of total 12 month payments about \$1 million to \$1.8 million less than the value that would probably be reported on its audited financial statement.

This is not insignificant - it would increase the total shown on the MCERA report provided to MCFB by around 10% or more.

However, the rest of this analysis is based on the data in the MCERA report. But this data inconsistency should be clarified.

Mendocino County provides “Guaranteed (or “Defined”) Pension Benefits” to its employees. The amount of the pension each retiree receives is determined by a complex formula that provides a set percentage of an employee’s highest compensation (not just salary) for each year the employee works for the County. “Safety” employees (Deputy Sheriffs, etc.) receive a higher percentage for each year’s service than “General” employees. There are several other factors.

The California Constitution requires local governments who provide Defined Benefits pensions to pay the amount determined by these formulas to each retiree for the rest of their lives.

According to the list provided by MCERA, 967 Mendocino County retirees were scheduled to receive a total of \$17.4 million in pension payments in the 12 months after April 1, 2010. The highest amount any individual was scheduled to receive was \$119,643. The average to be received was \$17,978. The median to be received (that is, half the people would receive more - half less) was \$13,809.

This table shows the data organized by ranges of total yearly pensions to be received. Each group (row) shows the number of retirees, the total pension payments received by all retirees in each group, and the percentages that group represents of the total number of retirees and the total amount of pensions to be paid. The groups are defined by increments of \$10,000.

That is, the bottom group receives between \$0 and \$10,000, the next group between \$10,000 and \$20,000, and so on. In other words, the people in each group receive more than the value in the first column but less than the value for the row shown immediately above each row. Those “at the top” are those who receive more than \$100,000 a year.

	Pensioners		Pensions Paid	
	Count	Percent	Total	Percent
\$100,000+	3	0.3%	\$329,267	2%
90,000's	3	0.3%	279,972	2%
80,000's	5	0.5%	435,310	3%
70,000's	5	0.5%	371,139	2%
60,000's	12	1.2%	779,575	4%
50,000's	18	1.9%	979,646	6%
40,000's	28	2.9%	1,229,950	7%
30,000's	73	7.5%	2,499,027	14%
20,000's	168	17.4%	4,143,587	24%
10,000's	292	30.2%	4,276,085	25%
0	360	37.2%	2,061,543	12%
Total	967		\$17,385,101	

Five percent of the retirees are scheduled to receive \$50,000 or more during this 12 month period. They will receive 18% of the total amount of pensions to be paid.

Ninety five percent will receive less than \$50,000 - and 82% of the total pensions to be paid.

The list received from MCERA provided no detail about how many years each retiree worked for the County, what employee classification they held (“safety”, “general”, etc.), or any of the other factors that determine what each individual’s pension payment will be.

We assume that probably most people in the lower group or two didn’t work many years for the County. The amounts they receive do not reflect what a person who worked for the County for 30 years receive.

This table groups retirees into 7 groups each with 138 individuals in rank order according to the pensions they are individually scheduled to receive. The table above was based on ranges of annual pensions paid to individuals, this is based on equal numbers of people.

High	\$119,643	\$30,659	\$22,057	\$16,199	\$11,521	\$8,233	\$4,865
Low	30,687	22,093	16,209	11,610	8,256	4,880	438
Mean	48,045	26,057	18,852	13,754	9,748	6,524	2,900
Median	41,425	26,094	18,843	13,809	9,614	6,460	3,093
Total	6,630,212	3,595,899	2,601,587	1,911,770	1,345,174	900,315	400,145
Percent Total	38%	21%	15%	11%	8%	5%	2%

“Mean” = Average.

“Median” = half the group is above this value, the other half is below.

Again - each group contains 138 retirees (except the middle group contains 139).

The “top” group of 138 retirees receives from \$30,687 to \$119,643 in pensions a year. The average of that group is \$48,045, and half of that group receives more than \$41,425, half less. This group receives \$6.6 million which is over 1/3 of the total pensions paid.

The top group of 138 earns nearly 20 times more in total than the lowest group.

Observations

One must be very careful when describing the “meaning” of these statistics. This is a very simple data set that doesn’t support much analysis.

For example, if one says that half of the County’s retirees who receive pensions get \$13,809 a year or less, that is supported by the data. It is not supportable to say that because half only receive \$13,809 a year or less then County pensions are “not all that great”. How many retirees at the lower end of the pension spectrum receive much larger pensions from other governments, for example? We don’t know.

It would be much more meaningful in evaluating the “value” of County pensions for individuals to know years of service, age at retirement, number of years since retirement, job category, disability claims if any, highest compensation on which pensions is based v. history of compensation, amount received from other government and similar pensions, and so on.

We can say that the distribution of the annual amount received by individual retirees shows the typical pattern that a relatively small number of people at the top receive a large share of total pension payments, and a large number of retirees at the bottom don’t receive very large pension payments.

One occasionally hears the suggestion that significant savings would occur if a “maximum” pension were set - an upper limit on the pension that any retiree can receive. This table shows the “savings” that would occur given four hypothetical upper limits ranging from \$70,000 down to \$40,000 a year:

Maximum Pension/Yr	\$70,000	\$ 60,000	\$50000	\$40000
Amount “Saved”	\$295,688	\$515,263	\$874,909	\$1,444,859
Percent of Total “Saved”	1.7%	3.0%	5.0%	8%

If pensions were “capped” at \$50,000 a year an annual “savings” of 5% would occur.

I am not advocating anything one way or another; I’m simply providing what the numbers show for others to consider when they evaluate options. But it doesn’t seem to me that caps would “save” a lot - not that those amounts are irrelevant.

In terms of the overall financial impact on the County, what matters is the total, not what any individual gets. 75% of the total pensions paid are to retirees who receive \$40,000 a year or less.

In contrast, the top 10% of retirees receive over 30% of the total pensions.

Please contact John Dickerson at YourPublicMoney.Com for further information.