



City of Mission Viejo

Administrative Services Department

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November 16, 2012

The Honorable Thomas J. Borris
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Re: 2011-12 Grand Jury Report Entitled: “Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?”

Dear Judge Borris:

On June 14, 2012, the 2011-2012 Orange County Grand Jury issued a report entitled: *“Transparency Breaking Up Compensation Fog – But Why Hide Pension Costs?”* A response to this report was originally required by September 12, 2012; however, an extension of time for an additional three months is permitted. The City of Mission Viejo requested an extension to respond to this report in order to determine the best practice for gathering the information needed to comply with the report recommendations and to coordinate the Grand Jury response with the information requirements of the California State Controller’s office. The City of Mission Viejo would like to thank the Orange County Grand Jury for granting our extension request.

The City of Mission Viejo was required to respond to Findings F2 through F5 and Recommendations R2 through R5 in the format prescribed in the report under “Requirements and Instructions”. The responses from the City of Mission Viejo are set forth below and are limited to the Findings and Recommendations for Orange County Cities.

Finding F2 - Content & Clarity Ratings for Executive Compensation Cost

Prior to the issuance of the Grand Jury report, the City’s website did provide a link to the State Controller’s website which allowed users to see compensation for all employees, including Executive employees; however, this report was in the format of the State Controller and did not include complete pension cost information as recommended by the Orange County Grand Jury. The Orange County Grand Jury is also recommending that Executive Compensation information



be reported separately from all other employees. Previous information reported by the City of Mission Viejo on the City website combined total compensation information for all employees, including executive employees. The City of Mission Viejo is not familiar with the compensation information provided by other cities.

Finding F3 - Content & Clarity for Employee Compensation Cost Ratings

As indicted in the response to the previous finding, prior to the issuance of the Grand Jury report, the City's website did provide a link to the State Controller's website which allowed users to see compensation for all employees; however, this report was in the format of the State Controller and did not include complete pension cost information as recommended by the Orange County Grand Jury. The City of Mission Viejo is not familiar with the compensation information provided by other cities.

Finding F4 – Transparency of Employer Pension Contribution Rates

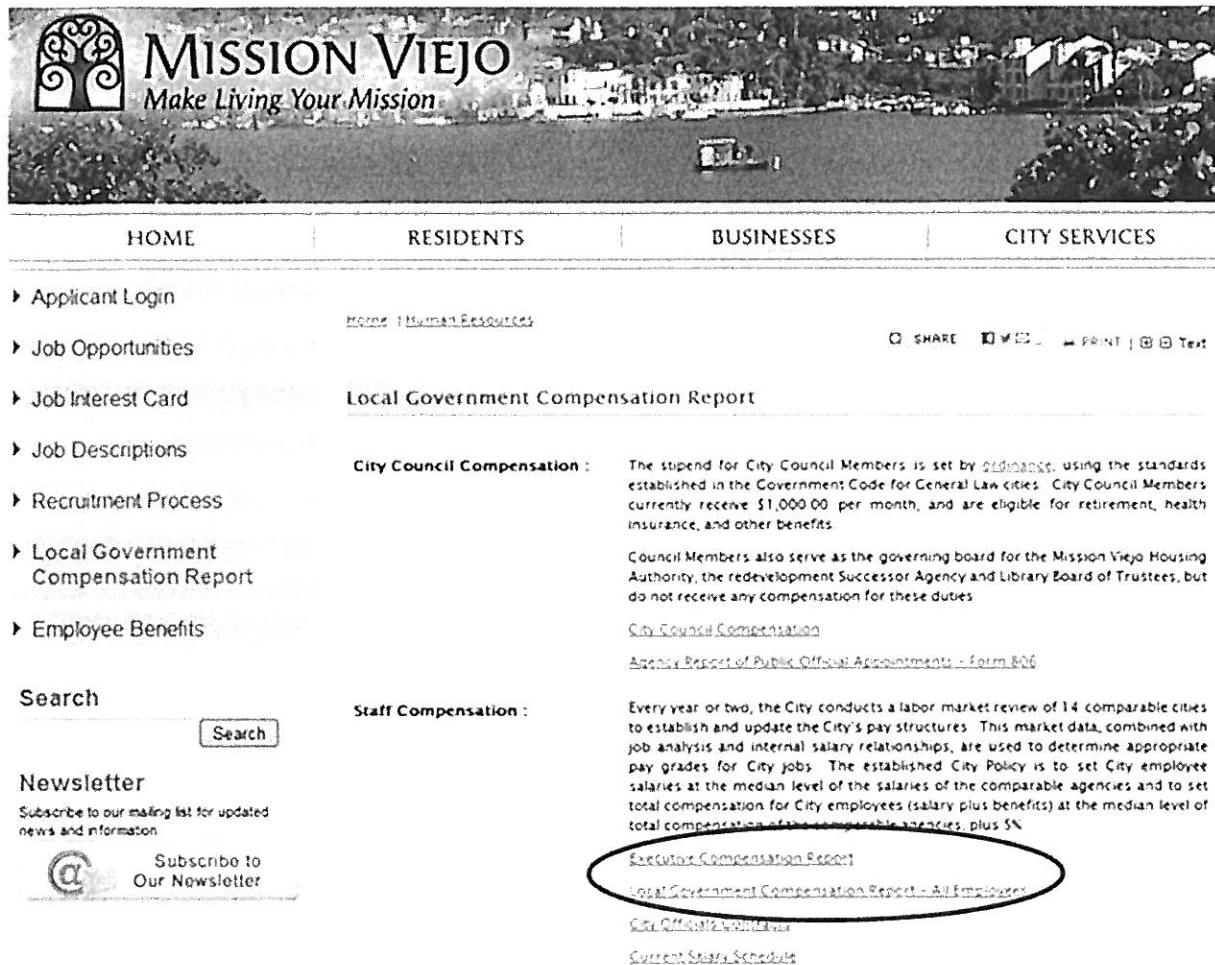
Prior to the issuance of the Grand Jury report, the City's website did provide information on the pension benefit provided to employees; however, the actual employer contribution rates were not included with this information. The City of Mission Viejo is not familiar with the disclosure of pension contribution rates provided by other cities.

Finding F5 – Inclusion of Overtime and On-Call Pay in Employee Compensation Costs

The total compensation information for all employees previously reported by the City of Mission Viejo did include overtime and on-call pay in the total compensation of each employee; however, this information was not specifically broken out separately from each employees base pay. The City of Mission Viejo is not familiar with the overtime and on-call pay cost information provided by other cities.

Recommendation R2 – Content and Clarity of Executive Compensation Cost

This recommendation has been implemented. The City of Mission Viejo has made available an "*Executive Compensation Report*" on the City's website under the "*Local Government Compensation Report*" tab on the Human Resources web page. See the following screen shot for a display of report location.



Recommendation R3 – Content & Clarity of Employee Compensation Costs

This recommendation has been implemented. The City of Mission Viejo has made available a "Local Government Compensation Report" for all employees on the City's website under the "Local Government Compensation Report" tab on the Human Resources web page. See the screen shot under recommendation R2 for a display of report location.

Recommendation R4 – Transparency of Employer Pension Contribution Rates

This recommendation has been implemented. The current employer pension contribution rate is located under the "Employee Benefits" tab on the Human Resources web page. See the following screen shot for a display of information location.

- ▶ Applicant Login
- ▶ Job Opportunities
- ▶ Job Interest Card
- ▶ Job Descriptions
- ▶ Recruitment Process
- ▶ Local Government Compensation Report
- ▶ Employee Benefits

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Employee Benefits

Overview

The following description is a general overview of the benefits provided to City of Mission Viejo benefit eligible employees. For specific details, please review the Human Resources Policies, Management and Budget Policies, Administrative Regulations, and official plan documents, or contact the Human Resources office.

Retirement

Employees of the City are currently covered under the California Public Employees Retirement System (CalPERS). While the City does not participate in the Social Security System, federal mandate requires new employees to contribute 1.45% of wages to Medicare insurance coverage.

Employees Hired On or Before July 8, 2011 -

Employees hired and members of CalPERS on or prior to July 8, 2011, participate in the 2.7% at 55 formula, one-year final compensation, and 1959 survivor benefit. Currently, the City pays 3.75% of the required 8% employee contribution with the employee paying 4.25%. It is the intent of the City to increase the employee's contribution to the full 8% by the end of Fiscal Year 2014-2015.

Employees Hired Between July 9, 2011 and December 31, 2012 -

Employees hired and members of CalPERS between July 9, 2012 and December 31, 2012, participate in the 2% at 60 formula, three-year final compensation, and 1959 survivor benefit. Currently, the City pays 2.75% of the required 7% employee contribution with the employee paying 4.25%. It is the intent of the City to increase the employee's contribution to the full 7% by the end of Fiscal Year 2013-2014.

Employees Hired On or After January 1, 2013 -

Employees hired and members of CalPERS on or after January 1, 2013, participate in the 2% at 62 formula, three-year final compensation, and 1959 survivor benefit. The employee pays the full member contribution.

Employer's Contribution Rate -

Beginning July 1, 2012, the employer's contribution rate is 16.821%. Of this rate, 10.06% is equal to the normal cost of service attributable for active employees. The balance of this rate of 6.760% is the cost to the employer to pay down the City's unfunded liability.

Recommendation R5 – Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting

This recommendation has been implemented. Each compensation report available on the City's website includes a separate column for overtime pay and other compensation. For the City of

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Mission Viejo, other compensation is primarily comprised of car and phone allowances; however, other compensation also includes on-call pay where applicable.

Thank you for the opportunity to comment upon the findings and recommendations of the Grand Jury. Should you have any questions or need clarification regarding the City's responses contained herein, please do not hesitate to contact my office.

Respectfully,

A handwritten signature in black ink, appearing to read "Cheryl Dyas". The signature is fluid and cursive, with the first name "Cheryl" written in a larger, more prominent script than the last name "Dyas".

Cheryl Dyas

Director of Administrative Services

cc: Orange County Grand Jury