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County of Orange

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California

August 14, 2012

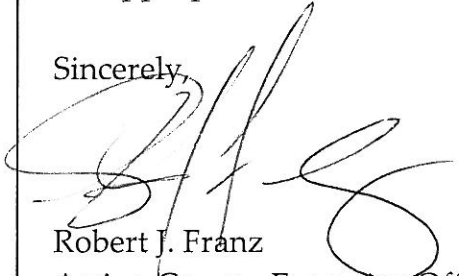
Honorable Thomas J. Borris  
Presiding Judge of the Superior Court of California  
700 Civic Center Drive West  
Santa Ana, CA 92701

Subject: Transparency Breaking Up Compensation Fog - Why Hide  
Pension Costs

Dear Judge Borris:

Per your request, and in accordance with Penal Code 933, please find the County of Orange status update to the subject report as approved by the Board of Supervisors. The respondent is the County of Orange. If you have any questions, please contact Michelle Zink at (714) 834-7487 in the County Executive Office who will assist you or direct you to the appropriate individual.

Sincerely,



Robert J. Franz  
Acting County Executive Officer

Enclosure

cc: 2012-13 Orange County Grand Jury

*County Executive Office*  
333 W. Santa Ana Blvd.  
Third Floor  
Santa Ana, California  
92701-4062

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**ORANGE COUNTY BOARD OF SUPERVISORS**  
**MINUTE ORDER**  
**August 14, 2012**

Submitting Agency/Department: County Executive Office

Approve proposed response to FY 2011-12 Grand Jury Report "Transparency Breaking Up Compensation Fog - But Why Hide Pension Costs?" - All Districts

**The following is action taken by the Board of Supervisors:**

APPROVED AS RECOMMENDED  OTHER

**Unanimous**  (1) NGUYEN: Y (2) MOORLACH: Y (3) CAMPBELL: Y (4) NELSON: Y (5) BATES: Y  
*Vote Key: Y=Yes; N=No; A=Abstain; X=Excused; B.O.=Board Order*

**Documents accompanying this matter:**

- Resolution(s)
- Ordinances(s)
- Contract(s)

Item No. 24

Special Notes:

Copies sent to:

*CEO/Budget*  
*Superior Court*  
*Grand Jury*

8/17/12



I certify that the foregoing is a true and correct copy of the Minute Order adopted by the Board of Supervisors, Orange County, State of California.  
Susan Novak, Clerk of the Board

By:   
Deputy



AGENDA STAFF REPORT

Agenda Item

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ASR Control 12-000915

MEETING DATE: 08/14/12
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: County Executive Office (Approved)
DEPARTMENT CONTACT PERSON(S): Michelle Zink (714) 834-7487
Margaret Cady (714) 834-3646

SUBJECT: Transparency Breaking Up Compensation Fog - But Why Hide Pension Costs

Table with 3 columns: CEO CONCUR (Concur), COUNTY COUNSEL REVIEW (N/A), CLERK OF THE BOARD (Discussion, 3 Votes Board Majority)

Budgeted: N/A Current Year Cost: N/A Annual Cost: N/A

Staffing Impact: No # of Positions: Sole Source: N/A

Current Fiscal Year Revenue: N/A

Funding Source: N/A

Prior Board Action: N/A

RECOMMENDED ACTION(S):

- 1. Approve proposed response to FY 2011-12 Grand Jury Report entitled "Transparency Breaking Up Compensation Fog - But Why Hide Pension Costs?".
2. Direct the Clerk of the Board to forward this ASR with exhibits to the Presiding Judge of the Superior Court and the FY 2012-13 Orange County Grand Jury no later than September 12, 2012.

SUMMARY:

Approve proposed response to the FY 2011-12 Grand Jury Report entitled "Transparency Breaking Up Compensation Fog - But Why Hide Pension Costs?".

BACKGROUND INFORMATION:

In June 2012 the Grand Jury released a report titled "Transparency Breaking Up Compensation Fog - But Why Hide Pension Costs?". This report directed Findings and Recommendations to the County of Orange. Enclosed as Exhibit 2 is the response to these Findings and Recommendations.

**FINANCIAL IMPACT:**

N/A

**STAFFING IMPACT:**

N/A

**EXHIBIT(S):**

1. Grand Jury Report
2. Response to Grand Jury Report
3. Transmittal Letter

**2011-2012 Grand Jury Report**  
**Transparency Breaking Up Compensation Fog-But Why Hide Pension Costs**  
**County of Orange**  
**Responses to Findings and Recommendations**

**Responses to Findings F.3, F.4, F.5**

- F.3 Content & Clarity for EMPLOYEE Compensation Cost Ratings-**There is the most opportunity for more transparent reporting in the Content and Clarity of Employee Compensation Cost reporting on local government websites.
- County: The County of Orange was rated **excellent** above for their Executive Compensation Page Content and Clarity.
    - **However, the County of Orange was only rated average for Employee Compensation Cost Content and Clarity and could improve to achieve an excellent rating.**

*Response: Agrees with finding.*

- F.4 Transparency of Employer Pension Contribution Rates-** Many Orange County local government web sites do not generally post their employer pension annual contribution rates prominently to their web sites as part of their compensation cost disclosure for public disclosure.

Specifically, these employer contribution percentages refer to the annual percentages of employee salary that CalPERS (California Public Employees Retirement System) or OCERS (Orange County Employee Retirement System) requires of Orange County local governments to fund their employee guaranteed pension plans.

**OCERS has the employer pension contribution rates buried in detailed actuarial reports and presentations on the OCERS website or requires member passwords to access these annual governmental funding rates.** Thus, there is limited transparency for the public of these governmental pension contribution rates.

*Response: Agrees with finding.*

- F.5 Inclusion of Overtime and On-Call Pay in Employee Compensation Costs-** The Orange County “de facto” standard for CCT in the county, cities, districts and JPA now contains all employees, including a page for executives and all elected officials. Two key categories are missing from compensation cost reporting. They are overtime pay and on-call pay. They have become important as the new “de facto” compensation cost reporting standard which now includes all employees.

These two cost categories can be significant for public safety employees. However, it is recognized that these cost categories generally do not apply to elected officials. On the other hand, if overtime does not occur for various employee positions, it is important for citizens to be aware of that in the annual reporting.

*Response: Disagrees wholly with the finding*

The employee compensation data posted to the County website covering fiscal year 2010-11 included overtime pay in a separate category and on-call pay as one of the elements included in the “Premium Pay” category.

### **Responses to Recommendation R.3, R.4, R.5**

**R.3 Content & Clarity of EMPLOYEE Compensation Costs** - The Grand Jury recommends that the County of Orange and all Orange County cities, districts and joint power authority that were rated less than Excellent for Content and Clarity for their Employee compensation costs pages *upgrade their Employee pages*. See Appendix D for a suggested full disclosure model which is the same as 2011 with the addition of overtime pay, on-call pay and expanded descriptions, with particular emphasis on pension costs.

**Response:** *The recommendation has been implemented.*

The employee compensation data posted to the County website covering calendar year 2011 was updated August 7, 2012 to include position, salary, overtime pay, other pay (includes fees, deferred compensation, bonuses, pay in lieu of time off, automobile allowance and on-call pay), insurance premiums, pension costs and total compensation costs. The link on the County website to the employee compensation data is <http://egov.ocgov.com/ocgov/>.

**R.4 Transparency of Employer Pension Contribution Rates** - The Grand Jury recommends that all Orange County cities, districts and joint power authority, as well as the County of Orange, *post their employer pension annual contribution rates* prominently and transparently on their web sites. Current and recent rates would be instructive and informative. It is recognized that some already do.

The Grand Jury recommends that OCERS display their member organizations annual contribution rates in a transparent way to the general public without password access on their web site. For a suggested model, see <http://calpers.ca.gov> and enter “public agency employer contribution search.”

**Response:** *The recommendation has been implemented.*

The County website was updated August 7, 2012 to include the employer pension annual contribution rate information for Fiscal Year 2012-13. The link on the County website to the employer pension annual contribution rate information is <http://egov.ocgov.com/ocgov/>.

**R.5 Transparency of Overtime Pay and On-Call Pay in Employee Compensation Cost Reporting** – The Grand Jury recommends that all Orange County cities, districts and joint power authority, as well as the County of Orange, *include overtime pay and on-call pay in compensation cost reporting* on their employees’ compensation pages. See Appendix D for a suggested full disclosure model for these new compensation cost reporting categories.

**Response:** *The recommendation has been implemented.*

In the updated employee compensation data covering calendar year 2011, overtime pay is listed in a separate category and on-call pay is one of the elements included in the “Other Taxable Pay” category (see related response at R3).