

September xx, 2017

Natalie Sidarous
Chief, Bureau of Tax Administration & Government Compensation
Office of State Controller Betty T. Yee
3301 C Street
Sacramento, CA 95818

Re: State Controller's Office Government Compensation Database

Dear Ms. Sidarous:

The State Controller's Office (SCO) maintains the **Government Compensation in California** website, which provides information on employee pay and benefits for approximately 2 million positions at more than 5,000 public employers. Data is collected and published on this website because the Legislature explicitly authorized the SCO to collect compensation data and required SCO to publish the information on its website.

The dollar-related items shown on the website are

- Wages (average and/or total, depending on the specific report)
- Retirement and Health Cost (average and/or total, depending on the specific report)

At the CAAP August 18, 2017 meeting the SCO requested assistance from the CAAP regarding the defined benefit element of the item "Retirement Cost." The SCO indicated that employer reporting is not consistent, with some agencies reporting the Normal Cost only and others reporting the total agency retirement contribution. SCO would like CAAP to recommend an approach so that the reported values are reasonable and consistent.

We reviewed SCO's website and the underlying legislation, but could not find an explicit statement of purpose for the collection and publication of this data on either source. We believe there are two potential purposes:

1. Show the **value** of retirement benefits that were earned in the defined benefit plan in the reporting year. The annual value of the benefit is consistent with the concept of compensation earned during the year but is not consistent with the employer's cost of providing the benefit.
2. Show the **cost** in the reporting year of maintaining the defined benefit retirement plan for an agency's employees. This concept is consistent with what an employer paid in a specific year on behalf of its employees participating in the plan. It is most likely consistent with how taxpayers might view the cost of providing benefits. Similarly to the above, the employer's cost is not consistent with the value of the benefit to the employee.

If the purpose is to illustrate a measure of value or compensation, we suggest that employers provide the Normal Cost in dollars. The employer may need to apply a percentage to compensation in order arrive at a dollar value.

If the purpose is to show the cost to the employer of providing the benefit, we suggest that employers provide the sum of:

- Normal Cost
- Payment on the Unfunded Actuarial Liability

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- Debt service payment on any Pension Obligation Bond that the employer has issued

Please let us know if you need clarification on the above or if you have any further questions.

Sincerely

Paul Angelo, Chair

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