



Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: Councilmember Donald Rocha
SUBJECT: PENSION SYSTEM STUDY SESSION
DATE: January 26, 2015

Approved

Date

1/26/15

RECOMMENDATION

That the City Council refer to the Rules Committee a request to schedule a study session regarding the current status of the City's pension system and the implementation of Measure B.

ANALYSIS

At the Council's study session last Tuesday, we heard a staff presentation that focused on the history of the City's budget deficits. In the course of discussing budget issues staff provided some overview information about the pension system (much of it dating from a 2010 audit) but didn't get into a detailed explanation as to how the City's pension system works or a comprehensive account of the current status of the plans.

In my opinion, a more detailed look at the pension system would be of great benefit, not only to our new colleagues on the Council but also to those of us who have been around for a while. Pension issues are complicated; even after four years I still have questions and learn new things. Thus, I recommend the Council ask the Rules Committee to schedule a study session on the pension system and Measure B.

Before we can solve the City's problems, we must first understand them. If we eventually enter negotiations with our bargaining unit on Measure B, the Council may need to make decisions involving the highly technical details of our pension system, such as accrual rates, smoothing periods, cost of living adjustments, actuarial and market valuations, discount rates, and much more. A study session would give staff a chance to explain these terms, as well as provide additional context regarding Measure B. Here are some suggestions as to what could be included:

- An overview of how the pension system works
- An explanation of the current pension system governance model

- An explanation of the current plan valuation and future contribution projections
- A summary of how Measure B changed the previously existing pension system
- An explanation of the current status of Measure B implementation
- A comparison of Tier 1 and Tier 2 benefits to CalPERS benefit levels provided by other public agencies
- An update on the status of recruitment and retention problems across the City organization, possibly with input from our Human Resources Director as to his experience with the City's recruitment efforts.

I appreciate the information that staff has provided about the pension system for the January 27 meeting, but would suggest that the topic is complex and important enough to merit a full study session instead of just a few slides. Measure B, in my opinion, is at the heart of the City's current difficulty with labor relations and, arguably, at the heart of our recruitment and retention problems. The City faces no greater challenge right now than recruitment and retention. Why wouldn't we want to devote our time to studying the sources of that problem? In my opinion, that's the job that we're here to do.