

Proposed 2010 Council Study Issue

**FIN 10-02 Pension Reform**

**Lead Department** Finance  
**Element or Sub-element** Fiscal Sub-element  
**New or Previous** New  
**Status** Pending      **History** 1 year ago None      2 years ago None

**1. What are the key elements of the issue? What precipitated it?**

In FY 2008/2009 the California Public Employees Retirement System (CalPERS) lost over 25% of its asset value. This will cause our employer contribution rates to increase significantly beginning in FY 2012/2013 and remain high for the foreseeable future. It is estimated that the new rates will result in additional cost of \$8.5 million, with \$5 million attributable to the General Fund alone. It is imperative that we begin to develop and implement a strategy to contain these costs as soon as possible if we are to ensure the financial health of the City into the future. The product of this study issue will be a strategy and an implementation plan. Also included will be discussions with the City's bargaining units as needed.

**2. How does this relate to the General Plan or existing City Policy?**

Fiscal Sub-element policies:

7.A.1.3 A balanced Twenty-Year Resource Allocation Plan shall be presented to the City Council annually.

7.G.1.5 Pension obligations will be fully funded annually and current pension contributions will not be deferred to balance current expenditures.

**3. Origin of issue**

**Council Member(s)**  
**General Plan**  
**City Staff** Staff  
**Public**  
**Board or Commission** none

**4. Multiple Year Project? No      Planned Completion Year 2010**

**5. Expected participation involved in the study issue process?**

**Does Council need to approve a work plan?** No

**Does this issue require review by a Board/Commission?** No

**If so, which?**

**Is a Council Study Session anticipated?** Yes

**What is the public participation process?**

**6. Cost of Study**

**Operating Budget Program covering costs**  
 Program 710 Financial Management and Analysis  
**Project Budget covering costs**  
**Budget modification \$ amount needed for study**

Explain below what the additional funding will be used for

7. Potential fiscal impact to implement recommendations in the Study approved by Council

Capital expenditure range	None
Operating expenditure range	None
New revenues/savings range	\$501K or more

Explain impact briefly

If the decision is made to go to a two-tier or reduced pension benefits, about \$33 million can be saved over the twenty-year planning period.

8. Staff Recommendation

Staff Recommendation For Study

If 'For Study' or 'Against Study', explain

9. Estimated consultant hours for completion of the study issue

0

Managers	Role	Manager		Hours
	Support	Corbett, Drew	Mgr CY1: 80	Mgr CY2: 0
			Staff CY1: 0	Staff CY2: 0
	Support	Leung, Grace	Mgr CY1: 40	Mgr CY2: 0
			Staff CY1: 0	Staff CY2: 0
	Support	Young, Erwin	Mgr CY1: 40	Mgr CY2: 0
			Staff CY1: 0	Staff CY2: 0

Total Hours CY1: 160

Total Hours CY2: 0

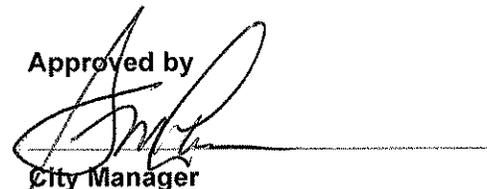
Note: If staff's recommendation is 'For Study' or 'Against Study', the Director should note the relative importance of this Study to other major projects that the Department is currently working on or that are soon to begin, and the impact on existing services/priorities.

Reviewed by

  
 Department Director

10/27/09  
 Date

Approved by

  
 City Manager

10/28/09  
 Date

**Addendum**

**A. Board / Commission Recommendation**

**Issue Created Too Late for B/C Ranking**

<b>Board or Commission</b>	<b>Rank</b>	<b>Rank</b>
	<b>1 year ago</b>	<b>2 years ago</b>
Arts Commission		
Bicycle and Pedestrian Advisory Committee		
Board of Building Code Appeals		
Board of Library Trustees		
Child Care Advisory Board		
Heritage Preservation Commission		
Housing and Human Services Commission		
Parks and Recreation Commission		
Personnel Board		
Planning Commission		

**Board or Commission ranking comments**

**B. Council**

**Council Rank** (no rank yet)  
**Start Date** (blank)  
**Work Plan Review Date** (blank)  
**Study Session Date** (blank)  
**RTC Date** (blank)  
**Actual Complete Date** (blank)  
**Staff Contact**