



# NB-30

**James Johnson**  
City of Long Beach  
Councilmember, Seventh District

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**Date:** April 3, 2012

**To:** Honorable Members of the City Council

**From:** Mayor Bob Foster *FB*  
Councilmember Gary DeLong, Third District *GD*  
Councilmember James Johnson, Seventh District *JJ*

**Subject:** Pension Reform Options for Long Beach

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**RECOMMENDATION:**

Request City Management to retain an outside actuary to present within 45 days potential cost saving from the following three hypothetical scenarios for non-public safety employees: (1) a new CalPERS 1.5% at 65 tier with an additional defined contribution employer match of up to 2%, (2) a cost sharing arrangement in which city employees share 50% of the annual "normal" pension costs, (3) a cost sharing arrangement in which employees share 50% of the annual total pension costs, including costs incurred from the City's unfunded liability.

**DISCUSSION:**

As we approach the upcoming budget, the choices we face are clear: if we do not achieve pension reform for the remaining employee groups, we will be forced to make additional painful cuts in vital services that Long Beach residents depend on, such as police, parks, and libraries. While city employees are our organization's greatest asset and make numerous invaluable contributions to maintaining quality of life for our residents, salaries and benefits for our employees are also our greatest expense, and they must be examined during these difficult financial times. Last month, we heard about potential statewide reforms proposed by Governor Brown that could be implemented in the coming years, if the Legislature decides to pass such legislation.

While Governor Brown's proposed reforms move in the right direction, Long Beach has not waited for state action on this important issue to date. We have been a leader in pension reform, signing agreements with our police and fire associations that will minimize reductions to city services in coming years. Similarly, it is time for Long Beach to consider how we can act to enact pension reform for the remaining groups, achieving pensions that are both fair to employees as well as taxpayers.

On December 1, 2009, Management presented various pension reform options to City Council, and discussed actions taken by neighboring jurisdictions. Management discussed Orange County's new pension option for new employees: 1.62% at 65, plus a

defined contribution plan with an employer match of 100% of the employee's contribution up to 2% during the first year of implementation. (See the attached presentation.) While Orange County has its own pension system, a similar option is available to Long Beach within the current California Public Employee Retirement System ("CalPERS") system. The City could offer, subsequent to collective bargaining requirements, new employees the 1.5% at 65 tier, and provide an employer match of 100% of the employee's contribution to a defined contribution plan (a 457 plan) already offered by the City.

Additionally, Governor Brown has suggested that existing employees contribute 50% of the "normal costs" under CalPERS. While the Governor's plan would require new legislation, there may be other ways for the City to achieve similar savings absent such legislation.

Furthermore, some have suggested that city employees in future years should cover half of the actual costs incurred each year, which would cover the "normal costs" as well as additional costs to cover the unfunded liabilities of the system ("payment on the amortization bases"). Such a system would truly make employers and employees equal partners in our pension plan, as taxpayers and employees would equally share both the risks and the costs of the system.

While the City must negotiate compensation and benefits with the represented employee groups, the people through the initiative process may move forward with reforms on their own. Similarly, the Council could place a measure on the ballot to enact one of the reforms acted above, if legal mechanisms to do so were identified, and assuming that collective bargaining obligations were complied with beforehand. Therefore, in order to assist the Council in understanding its options, City Management is requested to have an outside actuary present the cost savings in future years that could be realized from the three reforms presented above. Subsequent to understanding these cost savings and deliberating on their impact to preserving city services, City Council could confer with the City Attorney about legal options to move forward and achieve such savings, given our collective bargaining responsibilities and the timeline for placing measures on the upcoming November ballot.

Nothing in this item is meant to consider obligations required by the City under current contracts. Cost savings from the options above should only be considered for future years beyond contracts currently in effect, absent public safety employees who have already reached pension reform agreements with the City.

#### FISCAL IMPACT:

There is a minor cost for the City to retain an outside actuary. Additional pension reform, if achieved by the City Council, could result in saving tens or hundreds of millions of dollars in coming years depending on the specifics of the reform, reducing cuts to vitally important city services.



**City of Long Beach Memorandum**  
*Working Together to Serve*

## REQUEST TO ADD AGENDA ITEM

**Date:** March 30, 2012  
**To:** Larry Herrera, City Clerk  
**From:** Councilmember James Johnson  
**Subject:** Request to Add Agenda Item to Council Agenda of April 3, 2012

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Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda under New Business via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

Request City Management to retain an outside actuary to present within 45 days potential cost saving from the following three hypothetical scenarios for non-public safety employees: (1) a new CalPERS 1.5% at 65 tier with an additional defined contribution employer match of up to 2%, (2) a cost sharing arrangement in which city employees share 50% of the annual "normal" pension costs, (3) a cost sharing arrangement in which employees share 50% of the annual total pension costs, including costs incurred from the City's unfunded liability.

Council District	Authorizing Councilmember	Signed by
3	Gary DeLong	<i>Gary DeLong</i>
6	Dee Andrews	<i>Dee Andrews</i>
7	James Johnson	<i>James Johnson</i>

CC: Office of the Mayor