



**R-17**

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

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**Date:** April 3, 2012

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

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

**Subject:** Impact of Change in CalPERS' Expected Rate of Return on Future Long Beach Budgets

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**RECOMMENDATION:**

Request City Management present a short report on the estimated costs to the City, overall and specifically to the General Fund, of both the recent change by the CalPERS board in its expected rate of return to 7.5% and the approximate costs to the City if CalPERS were to adopt its actuary's recommendation of a 7.25% rate.

**DISCUSSION:**

On March 13<sup>th</sup>, the board of directors at California Public Employee Retirement System ("CalPERS") voted to change the expected rate of return from 7.75% to 7.5%. Prior to the action by the board, CalPERS' actuary had recommended that CalPERS change its expected rate of return to 7.25%. Because Long Beach is a member of CalPERS, this change in policy will have major impacts on the budget in Long Beach, and thus affect our ability to provide adequate police protection, library services, sidewalk repairs, and all the other municipal services that our residents rely on.

City Management has communicated to City Council that this CalPERS change will not immediately affect our budget, but that the impact will be phased in over time. It is requested that management present a short report on the estimated costs to the City of this policy change, overall and specifically to the General Fund. Additionally, since the CalPERS board reserves the right in future years to revise its expected rate of return to the 7.25% recommended by its actuary, it is also recommended that the additional approximate cost of such a policy change on the City were it to be enacted be provided.

**FISCAL IMPACT:**

This item discusses the material impacts of recent change in CalPERS policy on the City of Long Beach's budget; the item itself has no significant fiscal impact.