



R-20

Date: October 5, 2010
To: Honorable Mayor and Members of the City Council
From: Councilmember James Johnson, Seventh District 
Councilmember Gary DeLong, Third District 
Subject: Banning Retroactive Pension Spiking

RECOMMENDATION

Request that the City Attorney draft a resolution stating that the City of Long Beach opposes granting retroactive pension benefits and revise the City's legislative agenda to adopt this as our official position to be communicated to our representatives in Sacramento for statewide implementation.

DISCUSSION

When pay and benefits are negotiated with employees, it is common sense that only future pay and benefits should be affected. Retroactive changes in compensation or benefits should generally be prohibited.

Under current state law, vested pension benefits cannot be decreased, but can be increased. In other words, an employee cannot have his or her pension reduced for time already served, but can have such pension benefits increased.

In 2001 and 2002, Long Beach retroactively increased its benefit formulas for city employees and reduced the retirement ages; the benefits increased from 2% at 55 to 3% at 50 for public safety employees (a benefit increase of over 50%) and from 2% at 60 to 2.7% at 55 for miscellaneous employees (a benefit increase of over 35%). These increases were retroactive; for example, an employee who already served 25 years before the change and then retired one year later would receive the increased benefit for the entire 26 years. The retroactive nature effectively resulted in a pension increase of hundreds of thousands of dollars over the lifetime of some individual employees and will ultimately cost the city tens of millions of dollars.

The issue of whether this retroactive pension increase is legal or if it is an impermissible gift of public funds is currently before a state appellate court, and will likely be ultimately determined by the California Supreme Court. Even if this practice is held to be legal, however, it is unjust and should be changed through legislation. Therefore, the City should resolve that it is opposed to retroactive "pension spiking" and work with the legislature to ban this practice.