



R-11

Date: October 12, 2010

To: Honorable Mayor and Members of the City Council

From: Councilmember James Johnson, Seventh District
Councilmember Suja Lowenthal, Second District
Councilmember Rae Gabelich, Eight District

Subject: Request for Independent Actuarial Analysis of the City's Pension Obligations

RECOMMENDATION

Request the City Manager to arrange for an independent, outside actuary to give a presentation to the City Council in open session within 60 days to discuss the long-term sustainability of the City's pension system.

DISCUSSION

Our long-term financial sustainability—and with it, our ability to provide critical services to the community within projected revenues—is significantly impacted by the sustainability of our pension system. Improperly funding our system or offering benefit levels beyond our ability to pay will result in unconscionable cuts to police, fire, parks, libraries, and all our city services for years to come. Additionally, to the extent that future generations are saddled with the costs of providing today's services, an unsustainable pension system results in intergenerational injustice.

Financial Management has provided several excellent presentations regarding the City's pension system. However, given the significance of this issue to our long-term financial health, it is prudent to have an outside actuary come to the City and discuss the long-term health of our pension system. Issues to be discussed should include the current funded status of the pension system, CalPERS assumptions, prudent funding practices, and the impact of potential reforms. Additionally, the City's obligations related to post-employment health benefits should be discussed.

Both taxpayers and employees deserve to further understand the actuarial soundness of our pension plan and its long-term future. Therefore, we should arrange for an independent actuary to discuss this issue in open session.

FISCAL IMPACT

Financial Management has indicated that there is a minor fiscal impact to arranging for the actuary to present to Council.