



City of Long Beach

Working Together to Serve

Memorandum
3rd Council District

R-9

Date: August 18, 2009

To: Honorable Mayor Foster and Members of the City Council

From: Robert Garcia, Councilmember, 1st District *RG*
Suja Lowenthal, Councilmember, 2nd District *SL*
Gary DeLong, Councilmember, 3rd District *GD*

Subject: City Pension Options

The budget for the City of Long Beach is heavily burdened with structural costs. Accordingly, solutions should be reviewed to alleviate fiscal strains. One such solution would be for the City of Long Beach to offer choices for public employee pension plans.

The current plan is a "defined benefit" system where the employer pays a pre-defined payment to an employee for life upon retirement. A second option could be a hybrid retirement plan that is part pension and part 401(k)-style defined contribution. An employee could pay less each month for the duration of employment and collect less for the pension, but they could decide how much to contribute to a defined contribution plan. The contribution would be matched to a maximum limit. A two-tier plan would allow incoming employees to choose between the current pension plan or the hybrid plan. Existing employees would also be given the opportunity to choose between the plans.

A hybrid system was recently proposed by Orange County. Necessary to enact such changes to Orange County's pension system is approval of legislation at the State level. Senate Bill 752, sponsored by state Sen. Lou Correa, D-Santa Ana, is an act to add Section 31678.31 to the Government Code, relating to county employees' retirement, and declaring the urgency thereof, to take effect immediately. The bill recently passed the Assembly Committee on Public Employees, Retirement and Social Security and is now referred to the Committee on Appropriations.

Suggested Action: Recommendation to request that the City Manager work with the employee unions to investigate the feasibility and benefits of implementing an additional Pension option for City employees and report to the Council within 30 days.