CITY OF GLENDALE, CALIFORNIA
REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Background on the CalPERS retirement system and seeking direction for the creation of a Pension Review Committee

1. Motion directing staff on creation of a Pension Review Committee including composition, selection and role of Committee.

2. Motion to Note and File

3. Resolution of appropriation of funds from Undesignated General Fund balance in the amount of $30,000 for the engagement of professional facilitation and subject matter expert presentations to the Pension Review Committee.

COUNCIL ACTION

Item Type: Action Item

Approved for March 30, 2021 **Calendar**

ADMINISTRATIVE ACTION

Submitted by:
John Takhtalian, Deputy City Manager

Prepared by:
John Takhtalian, Deputy City Manager
Michele Flynn, Director of Finance

Reviewed by:
Michele Flynn, Director of Finance
Michael J. Garcia, City Attorney

Approved by:
Roubik R. Golanian, P.E., City Manager

RECOMMENDATION

It is respectfully recommended that the City Council provide direction regarding the creation of a Pension Review Committee. As well as approve a Resolution of Appropriation of funds from Undesignated General Fund balance in the amount of $30,000 for the engagement of professional facilitation and subject matter expert presentations to the Pension Review Committee.

BACKGROUND/ANALYSIS

In February 2015, staff provided a comprehensive informational report to City Council regarding the genesis of pension systems in California, the structure and benefits provided through the California Public Employee Retirement System (CalPERS), pension benefits and their method of calculation, local pension reform efforts prior to the passage of the Public Employee Pension Reform Act of 2013 (PEPRA), and the general impacts/costs of terminating the City's contract with CalPERS at that time. In the interest of brevity, that complete report is attached as Exhibit 1 to provide further background and detail not presented in this current staff report.

The remainder of this report is comprised of three sections including a brief historical context, current/future pension obligations, and discussion regarding the establishment of a Pension Review Committee.

Historical Context

CalPERS is a pension agency which administers health and retirement benefits on behalf of more than 3,000 public school, local agency, and State employers with more than 1.6 million members in the retirement system and more than 1.3 million in the health plans. More specifically, it offers a "defined benefit" (DB) plan which provides benefits to all full-time salaried employees who begin paying into the CalPERS system beginning with their first full day of employment, but do not become fully vested in the system until they have completed five years of employment. Similarly, hourly employees begin paying into the system once they have completed 1,000 hours of employment.

These retirement benefits are determined by a defined formula which is calculated using a member's years of service credit, age at retirement, and final compensation, otherwise known as the benefit factor. There are a variety of retirement formulas that are determined by the member's employer (State, school, or local public agency); occupation [miscellaneous (general office and others), safety, industrial, or peace officer/firefighter]; and the specific provisions in the contract between CalPERS and the employer.

CalPERS is governed by a 13-member Board of Directors who are elected, appointed, or hold office as ex-officio members. The Board composition is mandated by law and cannot be changed unless approved by a majority of the registered voters in the State.

The specific Board composition is as follows:

Six elected members:
- Two elected by and from all CalPERS members;
- One elected by and from all active State members;
- One elected by and from all active CalPERS school members;
- One elected by and from all active CalPERS public agency members (employed by contracting public agencies); and
- One elected by and from the retired members of CalPERS.

Three appointed members:
- Two appointed by the Governor - an elected official of a local government and an official of a life insurer; and
- One public representative appointed jointly by the Speaker of the Assembly and the Senate Rules Committee.

Four ex-officio members:
- The State Treasurer;
- The State Controller;
- The Director of the California Department of Human Resources; and
- A designee of the State Personnel Board.

In light of rising pension costs across the nation, both State and local agencies have taken a variety of steps to mitigate the overall financial impact member agencies face. The most comprehensive change was implemented by the State Legislature in January 2013 through the passage of the Public Employee Pension Reform Act of 2013 ("PEPRA"). To provide perspective on the emergence of this far-reaching effort to reform public employee pensions, it's important to reflect upon the actions of the State legislature during Governor Gray Davis' leadership in the 1990's.

Under SB 400, passed by California lawmakers in 1999, the legislature in collaboration with CalPERS, paved the way for public safety employees to retire as early as age 50 with 3% of their highest annual salary. Furthermore, SB 400 retroactively placed employees in the more expensive pension system, which lowered the retirement age for all State workers. With respect to costs associated with this enhanced pension plan, public agencies were assured by CalPERS that no employer contribution increases would be required for these benefit improvements. The reason behind such statements was associated with the significant investment rates of return which CalPERS was experiencing during this time period.

The passage of SB 400 immediately placed pressure on local agencies to provide these same new benefits to their employees. Inasmuch as CalPERS was "super-funded" at the time [where employer annual pension contributions equaled $0], agencies negotiated changes to their respective collective bargaining agreements in an effort to remain competitive in the labor market. Following the severe economic downturn that soon followed, CalPERS increased employer contribution rates to recoup their investment losses. In many cases, these increases to employer contributions resulted in significant rate implication to local agencies.

While local agencies, specifically Glendale, identified and proactively worked with their respective bargaining units to mitigate these cost increases, the State legislature, under the leadership of former Governor Jerry Brown, implemented PEPRA in 2013, changing the terms of pension plans for public sector employees, both prospectively and retroactively. The impacts and implications of this legislation are discussed in further detail within this report.

The City of Glendale has long been at the forefront of pension reform efforts at the local level. Since the 1980's, the City has worked with its bargaining groups to have employees pay the full "Employee Share" of the PERS contribution. Until most recently, many surrounding cities did not require any contribution by employees to the "Employee Contribution". Moreover, starting in 2001-2002, the City was successful in negotiating for employees to pay a portion of the "Employer Contribution" of the PERS contribution. Over the past 10 years, this "Employer Contribution" has steadily increased.

Further efforts to address its long term pension obligations include the City Council vote in June 2017 to establish the Pension Rate Stabilization Trust Fund to mitigate the impacts of rising CalPERS contributions on the City's General Fund. An IRS Section 115 Trust as it is technically referred to, is a tax-exempt investment tool used to prefund essential government expenses, where assets held in the Trust can be utilized to mitigate impacts to the General Fund at a time when CalPERS rates are expected to be at their highest point. Since the establishment of the trust, the City has deposited a total of $32.0 million. As of February 28, 2021, the total balance of the trust was $38.3 million, equating to an average annual return of approximately 6.5%.

Additionally, the City has proactively adopted a strategic approach to addressing the unfunded actuarial liability by making disciplined annual additional lump sum payments to the fund. These supplemental payments are derived from annual salary savings remaining at the end of the fiscal year. More specifically, since the City is required to fully fund all authorized employee positions as part of each year's budget approval process, the City must account for the fully burdened cost of each position. In the instance that a vacancy exists as a result of staff attrition, that position's funding remains unexpended (i.e. "frozen") until the position is filled, resulting in some level of salary savings at the end of the fiscal year. Since the associated overhead expense of each position includes the PERS component, the City has committed to directing all year-end PERS savings towards the Unfunded Actuarial Liability in the form of a lump sum payment, as a means of further reducing the pension plan's long term debt obligation.

Finally, prior to the passage of PEPRA, the City of Glendale had already established "second tier" retirement formulas, a "three-year final compensation" provision for new hires rather than the "single-highest year" plan, as well as extensive employee cost-sharing for existing employees. This included movement from the "2.5% at 55" plan to the "2% at 55" formula for Miscellaneous employees hired by the City after 1/1/11, and the shift from "3% at 50" to "3% at 55" for newly hired Police and Fire employees effective 1/1/12 and 1/1/11, respectively regardless of whether they were in PERS prior to their hire date. These past efforts by the City had made the transition to the State-mandated PEPRA provisions less sweeping than in other jurisdictions.

Upon the passage of PEPRA, all new Miscellaneous Members hired into the pension system after 1/1/13 are only eligible for the defined benefit formula rate of 2% @ 62, with an early retirement benefit factor of 1% @ 52 and a maximum benefit factor of 2.5% @ 67. With respect to Safety Members onboarding the system after 1/1/13, the new defined benefit formula is 2.7% @ 57, with an early retirement benefit factor of 2% @ 50 and a maximum benefit factor of 2.7% @ 57.

The chart below illustrates the retirement plans available for agencies to choose from, both pre and post implementation of PEPRA:

Pre-PEPRA ("Classic") Miscellaneous Formula (hired before 1/1/2011)	**Glendale's 2nd Tier Miscellaneous Formula (new hires 1/1/2011-12/31/12)**	**Post-PEPRA Miscellaneous Formula (new hires after 1/1/2013)**
2.0% @ 60	2.0% @ 55*	2.0% @ 62*
2.0% @ 55		
2.5% @ 55*		
2.7% @ 55		
3.0% @ 60		

Pre-PEPRA ("Classic") Safety Formula (hired before 1/1/2011)	**Glendale's 2nd Tier Safety Formula (new hires 1/1/2011-12/31/12)**	**Post-PEPRA Safety Formula (new hires after 1/1/2013)**
2.0% @ 55	3.0% @ 55*	2.0% @ 57
2.0% @ 50		2.5% @ 57
3.0% @ 55		2.7% @ 57*
3.0% @ 50*		

* Denotes Glendale's selected retirement formula based on time of hire.

Since the passage of PEPRA, all new employees hired by the City of Glendale have been employed at either the reduced 2nd tier or the lower PEPRA retirement formula available to the City, depending on the date of their original hire into the pension system. As of June 30, 2019, the retirement formula mix amongst Glendale employees across the entire organization is represented as 38% PEPRA, 6% "Second Tier", and 56% "Classic". As time progresses and the City continues to experience employee attrition, new employees entering the pension system following the passage of PEPRA will be placed within the lower PEPRA formula rather than the more expensive "classic" or “2nd tier” formulas, thus further reducing pension expense in the long term.

Further Pension Reform Impacts vis-a-vis PEPRA
To date, PEPRA has been the most far-reaching effort to reform public employee pensions that has ever been proposed at the State level. The signing of this Bill came after extensive negotiations between then-Governor Brown and State legislative leaders.

The primary emphasis of PEPRA was to reduce long-term costs and liabilities associated with traditional defined benefit pension plans available to state and local government employees. While many of the provisions of PEPRA affect current “Classic” employees, the more far-reaching elements primarily impact new employees hired after January 1, 2013 as defined in the statute.

Major provisions of PEPRA include:

- *Reduced Benefit Formulas & Increased Retirement Ages for New Employees*
  New Miscellaneous employees are hired under a “2% at 62” formula. Members can retire as early as age 52 with a 1% formula, or as late as 67, where the formula will increase to 2.5%.

  New Safety employees are hired into one of three Safety retirement formulas as follows:
    - Basic Formula: “1.426% at 50” which increases to 1.836% at age 55 or a maximum of 2% at age 57.
    - Option 1 Plan: “2% at 50” which increases to 2.357% at age 55 or a maximum of 2.5% at age 57.
    - Option 2 Plan: “2% at 50” which increases to 2.5% at age 55 or a maximum of 2.7 at age 57.

  For the new Safety formulas, PEPRA required local agencies to select the formula that was closest to what was previously offered, without going over. Because the pre-PEPRA second tier plan for Glendale’s Safety Plan was “3% at 55,” the City was required to adopt Option 2 as set forth above.

- *Three Year Final Compensation*
  Requires final compensation for all new employees be defined as the highest average annual final compensation during a consecutive 3-year period instead of a one-year period.

- *Employee Cost-Sharing*
  Required new employees to pay at least 50% of the “normal costs” and prohibits employers from paying this contribution on the employees’ behalf. Employers may bargain to have employees pay a greater portion of the cost; however, the employer was prohibited from using impasse procedures to impose a contribution higher than

50% of the normal cost until January 1, 2018, assuming they had collectively bargained in good faith, declared impasse, and participated in mediation and fact finding.

- *Compensation Cap*
  Established a cap on the amount of compensation used to calculate a retirement benefit equal to the Social Security wage index limit. The cap is subject to adjustment based on changes in the consumer price index (CPI). This is applicable only to new employees hired on or after January 1, 2013.

- *Base Pension on Regularly, Recurring Pay*
  As a means of reducing potential “spiking” of pensions, PEPRA required that pensionable compensation for new employees be defined as the normal, regularly recurring monthly rate of pay or base pay of the employees, excluding all bonuses, overtime, pay for additional services outside normal working hours and cash payouts for unused leaves. This is applicable only to new employees hired on or after January 1, 2013.

- *Elimination of Replacement Benefit Plans*
  Prohibited public employers from offering a benefit replacement plan for any employee who is subject to the federal limit on benefits established by Section 415 (b) of the Internal Revenue Code for a new employee, or to any group of employees that was not offered a benefits replacement plan prior to January 1, 2013.

- *Restrictions on Post-Retirement Employment*
  Required a 180-day “sit-out” period before a retiree could return to work without reinstating from retirement, unless the City certifies to its governing board in an open meeting that the appointment is necessary to fulfill a “critically-needed” position. This is applicable to all existing employees and retirees.

- *Elimination of Air Time*
  Prohibited a public retirement system from allowing the purchase of unqualified service credit, more commonly known as “air time.” This is applicable to all existing employees.

- *Elimination of Retroactive Pension Increases*
  Requires that any future retirement enhancements to formulas or benefits must occur prospectively.

- *Elimination of Pension “Holidays”*
  Prohibits all employers from suspending employer and/or employee contributions necessary to fund annual pension normal costs.

- *Forfeiture of Pension Benefits Upon Felony Conviction*
  Requires public officials and employees to forfeit pension benefits if they are convicted of a felony related to the performance of official duties. Only pension

benefits earned or accrued after the earliest date of the commission of the felony are subject to forfeiture. Benefits earned or accrued prior to the date are not subject to forfeiture. This is applicable to all existing employees and public officials.

Despite these legislative mandates however, pension expenses continue to be a great cause for concern amongst local public officials, residents, and employers.

The next section of this report focuses on providing some framework related to past, present and future pension obligations, Glendale's Pension Plan's "funded status", CalPERS' historical and expected rates of return, and the implications associated with withdrawing from the CalPERS system.

How much will the City pay PERS this year?

Section 20814(c) of the California Public Employees' Retirement Law requires that employer contribution rates for all public employers are determined on an annual basis by the actuary. The total amount the City pays to CalPERS is determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year (Normal Cost), with an additional amount to finance any unfunded accrued liability (Unfunded Accrued Liability or UAL). Employees contribute towards the City's annual CalPERS contribution costs thru "cost share". The rates of employee cost share vary based on employee associations.

The City's **Normal Cost** is paid to CalPERS every two weeks after payroll is processed. The amount varies with each payroll because it is based on actual employee compensation that is considered PERSable for that specific pay period. The average *employer* amount paid to CalPERS every pay period (net of employee cost share) is approximately $610,000 which will equate to approximately **$15.9 million** in PERS Normal Cost expense for FY 2020-21. The actual total Normal Cost amount will not be known until the final payroll of the fiscal year is processed.

Each year, CalPERS provides the option to prepay the fiscal year **Unfunded Accrued Liability (UAL)** payment in one lump sum payment to realize a savings. The City has opted to make this payment for several years, including FY 2020-21. The lump sum UAL contribution this year totaled **$45,272,204** and was paid in July 2020. This option provided a savings of $1,557,724 when compared to the 12 equal monthly installments for FY 2020-21 of $46,829,928. This savings does not consider interest lost. Combined with the Normal Cost previously discussed, the total projected City contribution for FY 2020-21 is approximately **$61.2 million** *(Normal Cost of $15.9 million plus UAL of $45.3 million)*.

What did the City pay to CalPERS in the past?

The table below shows the total annual required employer contribution, the amount the City paid and the amount the employees contributed towards the employer contribution through cost-sharing for the last two fiscal years. The City's contribution for FY 2018-19 and FY 2019-20 was $47.7 million and $55.6 million, respectively.

City of Glendale
Required Employer Contribution

	FY 2018-19			FY 2019-20		
Plan	**Total Annual Required Employer Contribution**	**City Contribution**	**Employees' Cost Sharing**	**Total Annual Required Employer Contribution**	**City Contribution**	**Employees' Cost Sharing**
Safety	$ 25,487,000	$ 23,637,000	$ 1,850,000	$ 28,641,000	$ 26,812,000	$ 1,829,000
Miscellaneous	$ 27,791,000	$ 24,078,000	$ 3,713,000	$ 32,629,000	$ 28,789,000	$ 3,840,000
Total	**$ 53,278,000**	**$ 47,715,000**	**$ 5,563,000**	**$ 61,270,000**	**$ 55,601,000**	**$ 5,669,000**

How well funded are the City's plans?

The Funded Status of a plan is the measure of how well funded, or how "on track" a plan is with respect to assets versus accrued liabilities. A ratio greater than 100 percent means the plan has more assets than liabilities and a ratio less than 100 percent means liabilities are greater than assets. The table below depicts the Funded Ratio for the City's plans for the designated fiscal year.

City of Glendale
CalPERS Funded Ratio by Plan

Plan	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
Safety	64.9%	66.8%	65.8%	65.7%
Miscellaneous	72.1%	73.9%	72.5%	72.5%

What is the City's total Net Pension Liability?

The City's Net Pension Liability is disclosed in the City's Comprehensive Annual Financial Report each fiscal year. The liability is calculated based on a variety of factors used by CalPERS. Some of these factors include changes of assumptions, net investment income, contributions received, and benefit payments.

For the fiscal year ending June 30, 2020, the Net Pension Liability (Plan Assets/Net Position *minus* Pension Liability) is **$598 million** and is noted in the table below for each plan and in total. All factors used in the calculation can be found in the Comprehensive Annual Financial Report on page 79.

City of Glendale
Net Pension Liability June 30, 2020

Plan	Pension Liability	Plan Fiduciary Net Position (Assets)	Net Pension Liability
Safety	$ 890,395,000	$ 598,955,000	$ 291,440,000
Miscellaneous	$ 1,180,522,000	$ 873,763,000	$ 306,759,000
Total	**$ 2,070,917,000**	**$ 1,472,718,000**	**$ 598,199,000**

The chart below shows the City's Net Pension Liability since FY 2015-16 for each Plan and in total.

City of Glendale
History of Net Pension Liability

	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Plan	Net Pension Liability	Net Pension Liability	Net Pension Liability	Net Pension Liability	Net Pension Liability
Safety	$ 212,476,000	$ 251,832,000	$ 283,833,000	$ 278,563,000	$ 291,440,000
Miscellaneous	$ 217,706,000	$ 263,887,000	$ 296,342,000	$ 289,195,000	$ 306,759,000
Total	**$ 430,182,000**	**$ 515,719,000**	**$ 580,175,000**	**$ 567,758,000**	**$ 598,199,000**

What did CalPERS earn on their investments?

The charts below show the historical returns of the CalPERS Public Employees' Retirement Fund (PERF) for each fiscal year ending on June 30, and the annualized investment returns for various periods of time. Fund returns for June 30, 2020 was 4.7%, which is below the target of 7.0%.

CalPERS Historical Investment Annual Returns

Total Fund Market Value &
Fund Returns by Fiscal Year**
(for FY end 6/30)

	(in billions)	(%)
2020	$392.5	4.7%
2019	$372.6	6.7%
2018	$354.0	8.6%
2017	$326.4	11.2%
2016	$302.0	0.6%
2015	$301.9	2.4%
2014	$300.3	18.4%
2013	$257.9	13.2%
2012	$233.4	0.1%
2011	$237.5	21.7%

* *Public Employees' Retirement Fund (PERF)*
** *Time-weighted rate of return net of investment expenses*

Annualized Investment Returns*
(for FY end 6/30)

1 year	4.7%
3 years	6.6%
5 years	6.3%
10 years	8.5%
20 years	5.5%
30 years	8.0%

* *Time-weighted rate of return net of investment expenses*

Source: CalPERS website https://www.calpers.ca.gov

Can the City withdraw from CalPERS?

Participation in CalPERS is governed by State law and CalPERS rules.

Upon the passage of PEPRA, the implementation of a "soft freeze", where an employer maintains the PERS retirement plan for existing employees but administers a different plan for new employees, is no longer an option. In short, a CalPERS member agency is either "all in" or "all out". It is not possible to retain the existing CalPERS retirement system for existing employees and offer a different pension plan for all new incoming employees on a moving forward basis. The only option would be to implement a "hard freeze", which would require an agency to pay the termination liability to CalPERS, where such funds would be placed into the CalPERS Termination Fund, in order to pay benefits until Glendale's last CalPERS member quits working, retires, and dies.

Because any type of withdrawal from CalPERS is treated as a plan termination, the City's liability will increase, since investments now have to be more conservative, thereby earning a lower rate of return. Additionally, the liability must be funded immediately upon termination.

How much would it cost to terminate with CalPERS?

The Hypothetical Termination Liability is an estimate of the financial position of the plan if the contract with CalPERS had been terminated as of June 30, 2019. The unfunded portion of this liability is the amount an employer would have to pay to exit CalPERS (Unfunded Termination Liability) in a lump sum amount due upon termination.

The effective termination discount rate will depend on market rates of return for risk-free securities on the date of termination. Because market discount rates can vary, CalPERS provides a range for the Hypothetical Termination Liability based on the lowest and highest interest rates observed during an approximate two-year period centered near the valuation date of June 30, 2019. The table below shows the **Unfunded Termination Liability** for each plan assuming a 1.75% and 3.25% rate of return on risk-free securities. The total amount Glendale would pay to exit CalPERS ranges between **$2.0 and $2.8 billion**.

City of Glendale
CalPERS Hypothetical Termination Liability

Plan	Hypothetical Termination Liability @1.75%	Funded Status	Unfunded Termination Liability@1.75%	Hypothetical Termination Liability @3.25%	Funded Status	Unfunded Termination Liability @3.25%
Safety	$ 1,920,821,164	31.2%	**$ 1,321,684,533**	$ 1,518,701,223	39.5%	**$ 919,564,592**
Miscellaneous	$ 2,388,031,665	36.6%	**$ 1,514,003,580**	$ 1,911,013,861	45.7%	**$ 1,036,985,776**
Total			**$ 2,835,688,113**			**$ 1,956,550,368**

Establishment of a Pension Review Committee

Despite all the changes that have been implemented over the last decade, short to mid-term pension expenses continues to be a concern. The City Council recently directed staff to prepare a report regarding the potential creation of a Pension Review Committee. The role of such a committee can be varied, depending on the City Council's intended outcome.

It is anticipated that a Pension Review Committee would be comprised of between 7-9 members to represent the interests of both the community and employees, and reflecting a variety of backgrounds and perspectives. Given the complexity of the subject matter, members selected to serve in this capacity should possess relevant education and experience in such fields as Finance, Law, or Accounting in order to competently and responsibly engage in the review and recommendation process.

Based upon general comments shared by Council Members at previous meetings, Glendale's Pension Review Committee could be tasked with gaining an understanding of the overall pension system structure, discover future anticipated costs, and ultimately advise the City Council on options and priorities for addressing pension costs and reducing the unfunded actuarial liability.

Should the City council desire to establish a Review Committee, staff proposes their specific roles and responsibilities to include the following tasks:

1. Review the City's pension system to offer a better understanding of its structure and future costs.
2. Conduct a review and opinion on what the City has accomplished to date with its pension reform efforts.
3. Recommend options for reducing or eliminating the City's unfunded actuarial liability.
4. Review alternative financing methods potentially available to the City.
5. Evaluate the feasibility of offering alternative retirement solutions.
6. Produce a final report and recommendations to the City Council regarding a prudent approach to addressing pension expenses.

In terms of Committee Members selection, staff suggests the City Council consider solicitation of interested parties through an application process, similar to the appointment of Board and Commission Members. The application period would remain open for a period of three weeks and all applications would be shared with the City Council for their review and selection of candidates. The final number of the Review Committee Members will be contingent upon City Council's preference. However, it is recommended that the City Manager, in consultation with employee associations, be afforded the selection of three employee association representatives representing Public Safety, Miscellaneous and Management employee groups.

Additionally, staff suggests that the Committee's meeting frequency be established by Council to meet twice a month, with an expected conclusion date by December 2021, after which a final report with recommendations will be presented to the City Council.

Finally, it is recommended the City Council approve the engagement of a qualified facilitator to competently guide the necessary discussions in a methodical fashion. Given the complexity of this subject matter, a professional group facilitator would act as a neutral third party focused on establishing purpose and clarity, engaging people in productive conversations, preventing and resolving conflict, and ensuring all voices are heard. In addition to using the services of a professional facilitator, staff anticipates the need to engage a variety of subject matter experts to address specific technical areas of interest including pension law, labor law, and actuarial accounting.

Since the overall cost of these services is dependent on the City Council's final direction, staff recommends the City Council approve a not-to-exceed threshold of $30,000 for the purposes of establishing the necessary contractual relationship to undertake this effort.

FISCAL IMPACT

The only direct costs associated with this effort would result from the engagement of a professional facilitator to lead these discussions, as well as contracting the services of a variety of subject matter experts to engage the Pension Review Committee as necessary.

If the City Council chooses to engage the serves as described by staff, it is recommended that Council authorize expenditures not-to-exceed a total of $30,000 for all such services provided. A Resolution of Appropriation in the amount of $30,000 is requested from the General Fund Undesignated Fund Balance 25300-1010-NON to the Management Services Contractual Services account 43110-1010-MSD-6504-P0000-T0000-F0000-0000-0000-

ALTERNATIVES

Alternative 1: The City Council may provide direction for the creation of a Pension Review Committee and their roles and responsibilities as proposed by staff. As well as approve a Resolution of Appropriation of funds from Undesignated General Fund balance in the amount of $30,000 for the engagement of professional facilitation and subject matter expert presentations to the Pension Review Committee.

Alternative 2: The City Council may provide direction for the creation of a Pension Review Committee with alternate roles and responsibilities.

Alternative 3: The City Council may choose to not create a Pension Review Committee by adopting a motion to note and file this staff report.

Alternative 4: The City Council may choose to provide any other direction not proposed by staff.

CAMPAIGN DISCLOSURE

Not Applicable

EXHIBITS

Exhibit 1: Informational Report Reviewing the City's Public Pension System Pre and Post Public Employee Pension Reform Act – dated February 10, 2015.