



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Final Report and Recommendations of the Glendale Blue Ribbon Pension Review Committee

1. Motion to accept the Final Report of the Glendale Blue Ribbon Pension Review Committee.
2. Motion providing further direction to staff.

COUNCIL ACTION

Item Type: Action Item

Approved for July 19, 2022 **calendar**

EXECUTIVE SUMMARY

On March 30, 2021, the Glendale City Council established the Glendale Blue Ribbon Pension Review Committee which was tasked with gaining an understanding of the overall pension system's 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 (UAL).

Over the course of many months of research and discussion, the Committee was presented a series of different topics to evaluate through robust conversations with a diverse range of subject matter experts. Following a months-long series of meetings and hours of presentations from and discussions with pension experts, and a review of hundreds of pages of material, the Committee agreed to offer the following recommendations to City Council:

- a) Create a Policy to Accelerate Pay Down of UAL;
- b) Consider the Issuance of Pension Obligation Bonds (POBs) bonds When Favorable Interest Rates Would Justify Issuance and File a Validation Action for Issuing Said POBs;
- c) Establish Greater Transparency and Focus on Pension Liability in Bargaining;
- d) Restructure Glendale's Collective Bargaining Program; and
- e) Pursue Increases to Employee Cost Sharing.

COUNCIL PRIORITIES

Fiscal Responsibility: The City Council's direction to establish the Glendale Blue Ribbon Pension Review Committee has at its core the intent to proactively identify and address long term pension costs in order to mitigate both mid and long term impacts to City services.

RECOMMENDATION

Staff respectfully recommends that City Council accept the Blue Ribbon Pension Review Committee's Final Report and provide further direction as deemed appropriate.

BACKGROUND

On March 30, 2021, the Glendale City Council ("Council") established the Glendale Blue Ribbon Pension Review Committee ("Committee"). The Committee was comprised of 15 members with the purpose of representing the interests of both the community and employees, and reflecting a variety of backgrounds and perspectives. Specifically, the Committee was tasked with gaining an understanding of the overall pension system's structure, discover future anticipated costs, and ultimately advise the City Council on options and priorities for addressing pension costs and reducing the (UAL).

More specifically, the Committee focused on the following aspects in their discussions and deliberations:

- a) Review the City's pension system to offer a better understanding of its structure and future costs;
- b) Review and offer an opinion on what the City has accomplished to date with its pension reform efforts;
- c) Recommend options for reducing or eliminating the City's UAL;
- d) Review alternative financing methods potentially available to the City;
- e) Evaluate the feasibility of offering alternative retirement solutions; and
- f) Produce a final report and recommendations to the City Council regarding a prudent approach to addressing pension expenses.

To assist in undertaking this task, the Council also authorized the engagement of a qualified facilitator to competently guide the necessary discussions in a methodical fashion. To that end, the City engaged Mr. Jon Holtzman from the Renne Public Law Group with the intent of establishing purpose and clarity to the Committee's efforts by actively engaging members in productive conversations, preventing and resolving conflict, and ensuring all voices were heard.

Over the course of many months of research and discussion, the Committee was presented a series of different topics to evaluate through robust conversations with a diverse range of subject matter experts as outlined below:

Pension Review Committee Meetings and Presentations

<u>Meeting Date</u>	<u>Name of Presenter</u>	<u>Title/Subject of Presentation</u>
October 4, 2021	John Takhtalian, Michelle Flynn et al	Background on Glendale's Pension Obligations
October 18, 2021	Linda M. Ross, Esq.	Vesting Rights for Public Employees
November 1, 2021	Mary Beth Redding (Bartel)	CalPERS Actuarial Issues Part I
November 1, 2021	Michael Garcia	Brown Act presentation
November 15, 2021	Mary Beth Redding (Bartel)	CalPERS Actuarial Issues Part II
December 6, 2021	Michael Cohen (CFO, CalPERS)	Review of ALM Decisions and the Path Forward
January 3, 2022	Committee Member Bain	Actuarial Concepts
January 3, 2022	Committee Member Kedikian	Options Available and Parameters to Consider
January 3, 2022	Committee Member Molano	Glendale's Public Pension
January 17, 2022	Isabel Safie	Legal Consideration in Terminating CalPERS Pension Contract
January 17, 2022	Jason Bradford	Pension Obligation Bonds Debt Service for Hypothetical Termination Liability
February 7, 2022	Mitch Barker, Jennifer Meza & Keith Stribling (PARS)	PARS 115 Trust – Pension Rate Stabilization Program Review
February 22, 2022	Ted Siedle	Forensic Audits of Pension Fund
February 22, 2022	Marcia Fritz	Strategies to Reduce Pension Costs
February 22, 2022	Suzanne Harrell (Harrell & Company Advisors, LLC)	Pension Funding Strategies
March 7, 2022	Rick Cole, Former City Manager, City of Santa Monica	General discussion of his experiences as an elected official and in City management over the past 40 years

Following many meetings, hours of presentations from and discussions with pension experts, and a review of hundreds of pages of material, the Committee agreed to offer the following recommendations to City Council, which are discussed in greater detail in **Section III** of the attached report (Exhibit 1):

- a. Create a Policy to Accelerate Pay Down of the UAL;
- b. File a Validation Action for Issuing Pension Obligations Bonds (POBs);
- c. Establish Greater Transparency and Focus on Pension Liability in Bargaining;
- d. Restructure Glendale's Collective Bargaining Program; and
- e. Pursue Increases to Employee Cost Sharing.

ANALYSIS

The Committee was comprised of 15 members, representing diverse backgrounds who also offered relevant education and experience in finance, law, and accounting. The

attached Final Report of the Blue Ribbon Pension Review Committee is the result of many meetings, hours of presentations from and discussions with pension experts, and a review of hundreds of pages of material. The Committee was tasked with conducting a comprehensive review of Glendale's pension system, structure, and costs and producing a final report with recommendations to the Council.

Like many California public employers, Glendale contracts with the California Public Employees' Retirement System (CalPERS) to provide retirement benefits to its workforce, both civilian employees (i.e., "Miscellaneous") and police officers and firefighters (i.e., "Safety"). As a participating local employer, Glendale does not directly control many of the aspects of CalPERS administration and operations, such as its investments, actuarial assumptions, benefit levels, or employer contribution rates.

In 2012, an act of the State Legislature, known as the Public Employee Pension Reform Act ("PEPRA"), created a new, lower benefit tier for public employees hired after January 1, 2013. PEPRA was aimed at controlling the *future* growth in pension costs for participating employers but did virtually nothing to immediately reduce the growing employer payments toward Unfunded Accrued Liabilities ("UAL"). While PEPRA has and will continue to have a positive impact on the overall pension costs for participating employers, the savings will take many years to be fully realized.

In addition to PEPRA, Glendale, like many CalPERS participating employers, has taken substantial action to help curtail the growth in pension costs, including increasing employee pension cost sharing, enacting multiple benefit tiers for both Miscellaneous and Safety employees, limiting growth in wages (i.e., cost-of-living increases), and creating a Section 115 Trust for pensions, commonly known in Glendale as the Pension Rate Stabilization Fund.

Toward these goals, and against the backdrop of the practical and legal limitations imposed on employers to modify retirement benefits, the Committee makes the following recommendations to City Council, which are discussed in greater detail in **Section III** of this report.

- a) Create a Policy to Accelerate Pay Down of UAL;
- b) Consider the Issuance of Pension Obligation Bonds (POBs) bonds When Favorable Interest Rates Would Justify Issuance and File a Validation Action for Issuing Said POBs;
- c) Establish Greater Transparency and Focus on Pension Liability in Bargaining;
- d) Restructure Glendale's Collective Bargaining Program; and
- e) Pursue Increases to Employee Cost Sharing.

Despite reasonable actions taken by the City and the State to control pension costs, Glendale's pension costs continue to grow. More needs to be done in Glendale and statewide to proactively address this issue, but California's pension problems are many years in the making and there are no "silver bullets" or quick fixes available. Any viable

solution must take a long view that balances the need to reduce pension costs with the need to maintain sufficient service levels and a productive workforce.

In that spirit, the attached Final Report provides the City Council with a framework to proactively reduce Glendale's UAL while continuing to provide retirement benefits that are affordable, sustainable, equitable and competitive in the long and short-term.

STAKEHOLDERS/OUTREACH

N/A

FISCAL IMPACT

There is no immediate fiscal impact associated with this report as presented to the City Council. If Council were to provide specific direction as a result of this report, staff would reevaluate any fiscal impacts associated with such direction.

ENVIRONMENTAL REVIEW (CEQA/NEPA)

N/A

CAMPAIGN DISCLOSURE

This item is exempt from campaign disclosure requirements.

ALTERNATIVES

Alternative 1: Council may adopt a motion to accept the Final Report of the Blue Ribbon Pension Review Committee

Alternative 2: Council may choose to provide further direction on any of the alternatives or recommendations presented in the Final Report of the Blue Ribbon Pension Review Committee.

Alternative 3: Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION

Prepared by:

John Takhtalian, Deputy City Manager

Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

Exhibit 1 – Final Report of the City of Glendale's Blue Ribbon Pension Review Committee
June 2022