

Agenda Report

May 23, 2011

TO: Honorable Mayor and City Council

FROM: Human Resources

SUBJECT: PENSION REFORM OPTIONS

RECOMMENDATION:

This report on pension reform options is submitted for information only.

EXECUTIVE SUMMARY:

Pension costs have continued to rise threatening public service levels and consuming a greater share of budget allocations. For instance, the Employer's rate for contributions to the CalPERS retirement system are anticipated to increase from \$12.3M in 2011 to \$13.2M in 2014 for non-safety employees, and from \$9.6M in 2011 to \$10.3M in 2014 for safety employees.. Causes for the increased costs include enhanced pension benefit levels, lower returns on pension fund investments, and increased life span of retired employees. Cities and the State of California have been searching for ways to implement cost-saving strategies to curtail these costly pension obligations.

Most of the California cities, including the City of Pasadena, contract with the California Public Employees Retirement System (CalPERS) which is also the retirement system for California State employees. Many cities and the State have proposed or are enacting changes to their pension practices which will save them money. Some of these changes include higher contributions to the pension fund from employees, lower pension benefits, and higher retirement ages. These changes must be negotiated with the represented employee groups in each agency.

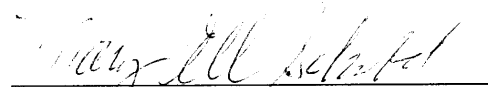
Since CalPERS is governed by State law, there are additional proposed pension changes such as PERS vesting period, caps on employee contributions, purchase of "air time", and inclusions in retirement salary which would necessitate legislative action.

The attached presentation outlines the City of Pasadena's current pension system with CalPERS and explores in more detail some of the reform options available.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Respectfully submitted,



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Human Resources Department

Approved by:



MICHAEL J. BECK
City Manager