

# Agenda Report

October 22, 2012

**TO:** Honorable Mayor and City Council

**THROUGH:** Finance Committee

**FROM:** Director of Finance

**SUBJECT: LIUNA PENSION FUND WITHDRAWAL LIABILITY**

**RECOMMENDATION:**

It is recommended that the City Council:

1. Approve the \$3,373,620 lump sum payment to Laborer's International Union of North America ("LIUNA") National Pension Fund;
2. Adopt a resolution approving and stating the terms of an internal borrowing of \$3,373,620 from the Benefits Fund for payment of the withdrawal liability.

**BACKGROUND:**

Effective January 1997 the City and the Pasadena Association of Clerical and Technical Employees ("PACTE") began participation in a supplemental pension benefit program. In April of 2010 the LIUNA Pension Fund provided the City and PACTE employees with a Notice of "Critical Status" as required by the Pension Protection Act of 2006 ("PPA"). This status requires that certain actions be taken to address an "accumulated funding deficiency". These actions include development of a Rehabilitation Plan by the LIUNA Pension Board of Trustees, possible changes in benefits, lump sum payment restrictions, and temporary employer contribution surcharges. As a result of these changes the City and PACTE employees negotiated a withdrawal from the LIUNA Pension Fund.

On June 18, 2012 the City Council approved a successor Memorandum of Understanding ("MOU") between the City of Pasadena and the PACTE for the term of October 1, 2010 through September 30, 2015. In this MOU the City agreed to withdraw from the LIUNA Pension Fund and pay the withdrawal liability fees associated with the withdrawal.

The City requested and has received the actuarial study which determines the amount of the withdrawal liability. There are two options for payment of the \$3,373,620 liability, either in lump sum by November 1, 2012 or in 26 quarterly payments beginning November 1, 2012, in the amount of \$156,443 with a final payment of \$20,539.

As the interest charged by the LIUNA Pension Fund is approximately 6.2%, staff recommends that the City select the lump sum option and fund this obligation with an internal borrowing from the City's Benefits Fund at a rate of interest to be adjusted annually to the City's average return on the pooled cash portfolio. This rate is currently in the 1 to 2 percent range. This loan would be repaid through a charge to departments and funds that have PACTE employees based on an hourly rate that will repay the City's Benefits Fund over three years with interest.

**COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal to maintain fiscal responsibility and stability will be advanced through this action.

**FISCAL IMPACT:**

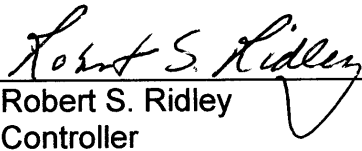
The cost of this action will be \$3,373,620 plus approximately \$80,000 in interest paid over the three year term of this loan. The entire cost will be funded from repayment from each of the Departments and funds that are currently charged with PACTE employee costs. The Benefits Fund will be made whole through the interest charged for the use of funds.

Respectfully submitted,



ANDREW GREEN  
Director of Finance

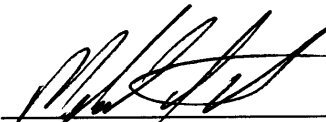
Prepared by:



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Robert S. Ridley  
Controller

Approved by:



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MICHAEL J. BECK  
City Manager

**RESOLUTION NO.**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA APPROVING AN INTERNAL BORROWING FROM THE CITY'S BENEFITS FUND FOR PAYMENT OF THE LABORER'S INTERNATIONAL UNION OF NORTH AMERICA NATIONAL PENSION FUND (LIUNA PENSION FUND)**

**WHEREAS**, the City Council of the City of Pasadena has approved a successor Memorandum of Understanding with the Pasadena Association of Clerical and Technical Employees, in which the City agrees to withdraw from the LIUNA Pension Fund and pay the withdrawal liability; and

**WHEREAS**, the City has provided notice to the LIUNA Pension Fund pursuant to the approved Memorandum of Understanding requesting withdrawal from the LIUNA Pension Fund; and

**WHEREAS**, the LIUNA Pension Fund has ordered an actuarial study which determined that the withdrawal liability due from the City is \$3,373,620; and

**WHEREAS**, the LIUNA Pension Fund allows payoff of the withdrawal liability over twenty seven quarters with an interest charge or in lump sum; and

**WHEREAS**, the City Council of the City of Pasadena has determined that payment of the withdrawal liability in lump sum is in the best interests of the City; and

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Pasadena, California that:

1. The City Council hereby approves the internal borrowing from the City's Benefits Fund to pay the withdrawal liability to the LIUNA Pension Fund.

2. The City Council has determined that the terms of this loan calls for repayment to the City's Benefits Fund over a three year period with interest at the average annual rate of return for the City's pooled cash portfolio.

3. The repayment to the City's Benefits fund will be made over a three year period by the Departments and Funds where PACTE employees work with a pro-rata amount determined annually to fully reimburse the City's Benefits Fund with interest.

Adopted at the regular meeting of the City Council on the 22nd day of October, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Mark Jomsky, CMC  
City Clerk

APPROVED AS TO FORM:

  
Lisa Hosey  
Deputy City Attorney