

13-1300-54

MOTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

JAN 9 2013

Whenever the City Council changes pension benefits, the City Charter requires that the Council be advised in writing by an enrolled actuary as to the cost of benefit increases. The State Government Code also requires local employers to obtain an actuary report whenever a local agency modifies benefits. Obtaining a report from a qualified actuary is an important part of the process to change pension plans. Given the complexity of pension financing and the importance of understanding how changes will impact government finances, it is understandable why these laws are necessary. When the City Charter and the State Government Code provisions were written, they did not contemplate that the initiative process would allow a pension reform measure to move forward without a financial analysis to identify the long and short term impacts of a proposal.

When initiatives are proposed, there are compelling government interests to require that pension change proposals be accompanied by a study of the changes from a qualified actuary. Future taxpayers are impacted adversely if pension systems are not properly funded. Such studies will help preserve the fiscal integrity of the pension systems and the City. The proponents of the initiative will be held to the same standard as the City when it considers making pension changes, and the cost for the studies is small in light of the overall costs to fund an initiative, while the return in value to taxpayers, the pension systems, and the City is very large.

Actuarial studies and ensuing analyses are an integral part of running and maintaining a healthy pension system. Every year the City pension systems conduct actuary valuations and every three years go through in depth studies of economic and non-economic experience. These credentials make affected pension systems ideal for conducting studies of proposed pension changes, including: choosing the actuary, using established assumptions to perform the studies and approving the final report. Such studies should include a fiscal summary that would be a part of the petition that voters would be asked to sign.

I THEREFORE MOVE that the City Attorney be directed to draft a resolution for a proposed Charter Amendment to be placed on an election ballot to require that actuary studies be included with proposals to change any of the City's retirement benefits through the initiative process, as early as the May 2013 ballot.. Proposed draft Charter language to accomplish this is attached.

PRESENTED BY: Herb J. Wesson, Jr.
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ERP

ORIGINAL

Sec. 1121. Requirements for Actuary Study on Pension System Initiatives.

Prior to the City Attorney providing a title and summary pursuant to Section 451(a) for any proposed changes to City employee retirement benefits pursuant to the initiative process whether by ordinance or Charter amendment, each affected pension system shall complete an actuarial study delineating the cost and or savings of proposed changes to the affected pension system. The study shall be completed by the affected pension system's contract actuary and shall use existing system actuarial assumptions and actuarial data to the greatest extent possible. The proponents of the initiative shall pay for such studies in accordance with the terms and conditions of the existing contract between the affected pension system and the actuary, and prior to the actuary beginning such studies. Such studies shall include a fiscal summary of the proposed changes. This fiscal summary shall be included in the petition for such proposed changes, so that voters reviewing the petition have information on the costs and or savings of proposed changes.