

Recommendations & Observations

RECOMMENDATION # A

City Council ask the dedicated volunteers of the Ad Hoc Retirement Benefits Advisory Group to reconvene *at most two times* following the state's publishing the results of the JLARC study on state pension benefits. The purpose to reconvene is limited to either a) reaffirming their report, or b) amending their report in to reflect the JLARC findings and recommendations. Staff should do as much as possible in the way of advanced preparation so as to maximize the efficiency of the meetings.

RECOMMENDATION # B

That any trigger mechanism that potentially involves a change to employee benefits, eligibility, or contributions make explicit and unambiguous: 1) What it takes to initiate the change in benefits, eligibility, or contributions, 2) What it takes to return to the original level of benefits, eligibility, or contributions for future periods, and 3) What it would take to restore the foregone benefits, eligibility, or contributions.

RECOMMENDATION # C

We ask the City to authorize budget expenditure for actuarial and/or legal fees to review any proposals.

RECOMMENDATION # D

The group respects the diversity in training, experience, and job demands of the various employee groups. The group does not believe nor expect equality of benefits between the groups. However, it does believe comparability is fitting and proper. For example, recommendations about the desirability of defined benefit plans over defined contribution plans and the value of employee representation are as important for uniformed as non-uniformed employees. Any trigger mechanism or other plan modification need not be identical between plans, but should be comparable.

RECOMMENDATION # E

A lower benefit structure has been created for new employees. Some of these changes have a modest impact on the current City budget because of the limited number of new employee; yet they have a significant impact on the new employee. The group acknowledges the budget pressures that led to these actions. However, the Group believes that while some difference in benefits between new and old hires is acceptable too wide a gap is not. The group recommends that City Council initiate a review of the gap between new hires and their more tenured coworkers. Equality may not be possible, but comparability is reasonable.

OBSERVATION # 1

In the last three decades there has been a steady shift in the private sector from defined benefit pension plans to defined contribution plans. A primary reason was the burdensome regulation of these plans due to federal law (ERISA). These laws do not apply to the public sector.

Another reason given for changing the type of retirement plan is a shift in risk sharing from the employer to the employee. Yet when defined benefit plans have been closed they are typically replaced with a cheaper defined contribution plan. Hopefully City Council is more direct and honest than these private sector plan sponsors. In directly stating its goals, interested parties can work with City Council to design and maintain the optimal program for all City employees and taxpayers.