Office of the City Manager

INFORMATION CALENDAR
September 17, 2013

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: Teresa Berkeley-Simmons, Budget Manager

Subject: Final Status Report- Employee Benefits: Tough Decisions Ahead

SUMMARY

On November 16, 2010, the City Auditor issued the report Employee Benefits: Tough Decisions Ahead (Audit Report) (PDF).[1] The objective of the report was to prepare an easy-to-read informational report addressing the City's underfunded liabilities related to employee benefits, illustrate the impact these liabilities have on budgeting and staffing due to the annual benefit costs, and offer possible solutions to address the pressures caused by increasing costs for these benefits.

The City Auditor's report focused on CalPERS, Police Employees Retiree Income Plan (Police Retiree Medical), and Sick Leave and Vacation Payout. The report contained several options for the City Manager's consideration and several policy related recommendations for the Council's consideration.

BACKGROUND

As requested by the City Auditor, the City Manager agreed to adopt in principle the City Auditor's recommendations by September 2011. Since the November 16, 2010, audit report issue date, the City Manager has presented the following reports to Council.

1. November 16, 2010: Employee Benefits: Tough Decisions Ahead - Response to Audit Report (Item #17)[2].
2. June 26, 2012: Status Report - Employee Benefits: Tough Decisions Ahead (Item #46)[3].
3. November 27, 2012: Status Report - Employee Benefits: Tough Decisions Ahead (Item #32) [4]

[1] http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2010/11Nov/2010-11-16_Item_13_Employee_Benefits_Tough_Decisions_Ahead-Auditor.pdf

[2] http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2010/11Nov/2010-11-16_Item_17_Employee_Benefits_Tough_Decisions.pdf

[3] http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2012/06Jun/2012-06-26_Item_46_Status_Report_-_Employee_Benefits.pdf

[4] http://www.ci.berkeley.ca.us/Clerk/City_Council/2012/11Nov/Documents/2012-11-27_Item_32_Status_Report_-_Employee_Benefits.aspx

This is the final status report as the one outstanding open recommendation, which was partially implemented, is now fully implemented.

CURRENT SITUATION AND ITS EFFECTS

Auditor's Recommendation:

1. Budget reports should include some additional information on the analysis of funding levels for each employee-benefit. This includes detail and explanation for target funding ranges. For CalPERS, provide information on the possible need for additional funding. Changes in CalPERS demographic assumptions, as well as the smoothing mechanism used by CalPERS, are expected to result in a higher unfunded liability percentage. Incorporate this information into standard reports prepared for Council.

Status: Implemented

City Manager's Response

On May 29, 2012, the City Council adopted Resolution No. 65,748-N.S. "Requiring that the City Manager Develop and Publish a Biennial Report of Current City Liabilities and Projections of Future Liabilities." The report is designed to aid the Council, the public and staff in preparation of the City's biennial budget. On February 19, 2013, the Projections of Future Liabilities Report (Item #01b)[5] was issued and presented to Council at the worksession.

CONTACT PERSON

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[5] http://www.ci.berkeley.ca.us/Clerk/City_Council/2013/02Feb/Documents/2013-02-19_Worksession_Item_01b_Projections_of_Future_Liabilities.aspx