



## Memorandum

**TO:** RULES AND OPEN GOVERNMENT COMMITTEE      **FROM:** Councilmember Donald Rocha

**SUBJECT:** PROHIBITION ON CREDITS TO ANNUAL REQUIRED RETIREMENT CONTRIBUTIONS      **DATE:** February 4, 2015

Approved

*Don Rocha*

Date

*2-4-15*

*PH*

### RECOMMENDATION

That the Rules Committee take no action on the recommendations contained in Mayor Liccardo's memo dated January 27, 2015

### ANALYSIS

The Mayor proposes that we adopt a Municipal Code provision that limits the discretion of the retirement boards to set and the Council to pay the Annual Required Contribution (ARC) through a method that credits negative unfunded liabilities to the normal cost. The Mayor acknowledges that this practice is "normal and actuarially sound," but nevertheless expresses his opinion that "it is more prudent for the city to always pay the full Normal Cost."

In my opinion, pursuing this proposal is not a priority. The City faces many urgent problems that deserve the attention of staff and the Council, including solving our public safety challenges and revising Measure B. In contrast with these urgent priorities, spending staff time to prohibit a practice that is "normal and actuarially sound" doesn't make much sense. Section 1513-A of Measure B has already inserted language into the City Charter requiring that our pension plans be actuarially sound and comply with standards set by the Government Accounting Standards Board and the Actuarial Standards Board. Layering on even more restrictions is unnecessary and would be an unwise use of scarce staff resources.

In addition to not being a priority, it's also not a good idea. The problem isn't with the Mayor's opinion that "it is more prudent for the city to always pay the full Normal Cost," but with his desire to write that opinion in the Municipal Code in a way that would take away discretion from future Councils and retirement boards. Even if funding the full normal cost seems to be the right approach now, how can we be sure that will still be the case five, ten or twenty years from now? If Measure B has taught us anything, it's that

restricting the discretion of future Councils creates more problems than it solves. Decision-makers should have the ability to make their own choices based on prevailing circumstances.

The fact is, the Council has the discretion right now to pay the full normal cost, even without a requirement that it do so. If the boards sent the city an ARC that was less than the normal cost, the Council could simply decide to pay more if it wanted to take a more conservative approach to funding the plans. Why shouldn't we rely on the discretion and good judgment of the Council and the boards, instead of trying to take away their ability to make choices?