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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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**Date Issued:** April 24, 2008

**IBA Report Number:** 08-40

**City Council Agenda Date:** April 28, 2008

**Item Number:** 202

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# Impasse Procedure

## City's Last, Best and Final Offer

On April 22, 2008 the Mayor presented the City's last, best and final offer to the labor groups for an interim impasse procedure that, once approved, would stay in effect until October 31, 2008. The proposed procedure is provided in the docket materials for the April 28<sup>th</sup> City Council meeting. Section D of the proposal outlines the process for "Invocation of City Council Impasse Jurisdiction". Item 4 of this section addresses the Council's authority to resolve an impasse on economic issues as follows:

D4. The City Council jurisdiction to resolve the economic issues impasse shall be limited to the following:

- a. The City Council shall resolve the economic issues impasse by
  - (i) adopting the position of the Mayor on any and all disputed economic issues as a package;
  - (ii) adopting the position of the employee organization on any and all disputed economic issues as a package; or
  - (iii) shall take no action, resulting in maintenance of the pre-impasse status quo.

## Pension Reform Proposals

One of the major issues on the table is pension reform for non-safety employees hired on or after January 1, 2009. Based on a six-month work effort with Mercer Human Resource Consulting, the Mayor identified one plan for pension reform that he has proposed to City Council members. On March 4, 2008 the Mayor briefed the City Council in closed session on his pension reform proposal. No other options were presented or discussed.

While we support pension reform efforts, we felt that this significant policy decision warranted additional research and exploration of options. For this reason, the IBA undertook to create some alternative plans to illustrate how various plan components could achieve similar goals to those in the Mayor's proposal. On April 15, 2008 we issued IBA Report Number 08-32 "Retirement Package Design and Options for Consideration". As presented in this report, working with Joe Esuchanko, Consulting Actuary for the City, we developed five different designs and added a sixth CalPERS design for valuation.

### **Council Role in Impasse and Pension Reform**

The Mayor's proposed impasse procedure provides no opportunity for Council to consider any pension reform option other than the single Mercer proposal. Based on information to date, our report showed that other options could not only yield similar savings, but many, and in some cases all, of the Mayor's goals could be closely matched. These options have the added benefit of greater ease in understanding; greater consistency with competing municipalities; and ease of administration. We understand that the Mayor's Office has asked Mercer to further analyze our proposed options and the related valuation work of Joe Esuchanko. To date we have not been apprised of any results of Mercer's analysis.

In order for the City Council to effectively consider and propose an alternative pension reform package to that of the Mayor's proposal which produces similar results, we recommend Council consideration of the following addition to section D4. of the Mayor's proposed procedure:

**Or iv) adopting a different position on pension reform provided the position is estimated to result in total savings of within 10% of the Mayor's position on pension reform.**

[SIGNED]

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