



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Councilmember
Donald Rocha

SUBJECT: PENSION REFORM

DATE: March 2, 2012

Approved

Date

3/2/12

RECOMMENDATION

That the Council revise the proposed ballot language dated February 21, 2012 as follows:

| Issue | Section | Revision |
|--------------------------------|---------|---|
| Current Employees | 6(c) | The starting date for employee compensation adjustments shall be at the discretion of the City Council, but no earlier than June 23, 2013 |
| Reservation of Voter Authority | 4 | Eliminate Section 4 in order to do away with the requirement that increases to pension benefits be approved by voters |

ANALYSIS

Looking back over our work on pension reform efforts, I'm humbled by how complex and difficult the policy challenges have been. I started out supporting pension reform as a necessary step to preserve City services, and after grappling with the issue over the past year, I think we've all come to appreciate that finding a workable reform strategy is a monumental undertaking that requires a huge amount of policy work. It hasn't always been easy to have a constructive policy conversation on this issue, but bit by bit I think we have created some space for good policy work, especially after we set aside the more extreme proposals and decided not to rush to the ballot. Indeed, a number of my own ideas have found their way into the ballot language before us now, and for that I am grateful.

With that said, I don't think the proposal before us is perfect by any means, but I do think it has come a very long way since last May. I would still like to see us make a few more changes to the proposal before we move forward (as I describe in my recommendation) but I also appreciate that compromise is the way democracy works and it's rare that any of us gets everything we want.

Recommended Ballot Language Revisions

My first recommendation is that we give the Council discretion on when to implement the compensation reductions, instead of having them begin automatically. None of us can predict what our circumstances will be in June 2013. If the last few months have taught us anything it's that we should be very skeptical of anyone's ability to predict the future. Given this uncertainty, it's common sense that we should give the Council discretion to decide when to implement pay reductions based on the circumstances it finds itself in. We all know that there may be potential IRS and legal issues with the Voluntary Election Program (VEP). If implemented before the VEP is in place, additional pay cuts have the potential to seriously erode our staff capacity. If implemented in coordination with the VEP, however, they can help ensure that we realize budget savings. Giving the Council discretion on the timing of their implementation will allow us to reap the benefits while avoiding the pitfalls.

My second recommendation is to eliminate the provision that requires voter approval to modify pension benefits. Representative democracy relies on elected officials to make decisions based on the often-unpredictable circumstances they find themselves in. It may be reassuring to believe that binding the hands of future Councils will solve our problems, but as the State of California proves, government by formula can prevent elected leaders from responding effectively to changed circumstances.

Conclusion

As important as pension reform is to setting our house in order, we will wake up the day after its future is determined to many of the same fiscal problems we face today. We must succeed at many other efforts—such as developing new revenue, fostering economic development, and exploring new service models—if we want to return to full fiscal health. In the course of this work, we will inevitably need to partner with a broad range of stakeholders, from the business community, to the nonprofit community, to organized labor. It's my hope that as we move on to these other projects, we can engage with all stakeholder groups, including our employee unions, in a respectful and open way that encourages trust and cooperation. I believe it's time to recommit ourselves to the democratic values that trust and honesty are vital to all the work we do, that working out our differences through constructive and respectful policy debate makes our decisions better in the end, and that respect and collaboration are not just buzz words, but are essential to effective governance.