**RULES COMMITTEE: 2-29-12** 

ITEM: G.2



## Memorandum

TO:

RULES AND OPEN GOVERNMENT

FROM:

Councilmembers

**COMMITTEE** 

Kalra, Chu, Campos

Rocha and Pyle

SUBJECT:

INFORMATION REQUEST

DATE:

February 23, 2012

**REGARDING PENSION COST** 

**ESTIMATES** 

Date

ate 3/2

<u>RECOMMENDÁTION</u>

That the Rules Committee direct the City Manager, Director of Retirement Services, Finance Director, and any other staff who may have relevant information to provide answers to the following questions in an informational memo:

- 1. How exactly was the "worst case" estimate of \$650 million for FY15-16 retirement costs developed? Who developed it? When was it developed?
- 2. Was the \$650 million figure calculated in accordance with any accepted actuarial methodology?
- 3. Are there any internal City documents that demonstrate how the \$650 million figure was calculated or otherwise show that it was supported by staff work? If so please produce all such documents and indicate who created them and when they were created.

## **ANALYSIS**

Since the news story on pension costs was broadcast, we have heard many opinions from all sides as to what this issue is really about. Some have said that it's a battle between the Mayor and the unions, or that it's a plot to defeat pension reform. It may be about those things for some, but it's our opinion that for members of the City Council, questions about the factual record should not be about politics and personality, but about our commitment to good governance. In a democracy, the public decision-making process and the factual record it helps create are essential to making well-justified decisions. For this process to work as it ought to there must be trust: trust between councilmembers, between the Council and staff, and between the Council and the public that, whatever

disagreements we may have, we are all dealing with each other honestly. Our purpose with this memo is not to make accusations or assign blame, but simply to assert that when our mutual trust is called into question, as it has been after the television interview given by Director of Retirement Services Russell Crosby, the Council has an obligation to take the matter seriously and ensure that all the facts come out.

As it stands, we believe that there is some information on this matter that has yet to be provided. We have listened carefully to the explanations provided by the City Manager and Director of Employee Relations in various forums, but we have not yet heard a detailed explanation of how the \$650 million "estimate" was actually estimated. Did it come off the top of someone's head as was suggested in Mr. Crosby's television interview, or was it calculated according to a standard actuarial methodology? Without this information, it's very difficult for any of us to come to a full understanding of the issue. By accepting our recommendation, we believe that the Rules Committee has an opportunity to bring key facts to light.

## **CONCLUSION**

As we say above, it's good governance that's at issue here, not the pension reform debate. Indeed, we believe that pension reform is necessary in order to reduce our employee costs so we can maintain or enhance the services we provide the residents of San Jose. Let us also be very clear that we make this recommendation not on behalf of any individual entity or organization, but on behalf of the almost half a million residents that we collectively represent. Whatever differences may exist between Councilmembers on the difficult issues that come before us, we believe that the entire Council can agree that all relevant information about how we conduct our business should be made public. We do not seek to make accusations or assign blame, but simply to bring forward information we all need to make well-informed decisions.