



STAFF REPORT
11/18/2020

TO: Honorable Mayor and City Council Members

FROM: William Pattison, City Manager

SUBJECT: Policies for Addressing Unfunded Retirement Costs

SPECIFICS: Resolution No. 2020-71 a Resolution of the City Council of the City of Coachella Establishing Policies for Addressing Unfunded Retirement Costs

STAFF RECOMMENDATION:

Approve Resolution No. 2020-71, a Resolution of the City Council of the City of Coachella, California establishing Policies for Addressing Unfunded Retirement Costs.

BACKGROUND:

The City has taken many actions throughout the years to manage unfunded retirement costs, including implementing the PEPRA benefit tiers (2013) and having the employees contribute more towards the benefit through negotiations. Since then, there have been many discussions on the challenges of managing pension costs, as the unfunded accrued liability ("UAL") has increased through various circumstances primarily outside of the City's control.

On June 24, 2020, the City Council authorized the issuance of pension obligation bonds (POBs) in a not-to-exceed amount of \$18.2 million and approved documents in connection with issuing the POBs to pay off existing City unfunded accrued pension liabilities. Liabilities arising from unfunded retirement costs change each year due to actual investment performance, changes in actuarial assumptions, changes in benefit levels or criteria, and annual contribution levels.

Given that future unfunded retirement costs will fluctuate; it is necessary for the City to adopt policies to address unfunded retirement costs. As part of the POB issuance process, City staff has developed the necessary policies for City Council approval.

FISCAL IMPACT:

There is no direct fiscal impact as part of this action.

EXHIBITS:

1. Resolution No. 2020-71
2. Policies for Addressing Unfunded Retirement Costs – Exhibit A