

**Council Auditor's Office**  
**Comments Regarding "Retirement Reform 2015-54" Binder**

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The nine tab notebook provided by the Administration to Council members on February 10, 2015 provides information to consider in the review of proposed Ordinance 2015-54 regarding the Police and Firefighters Pension Plan. To eliminate redundancies, we are using it as the basis for this presentation, adding a few information points.

**Tab A – Key Points on 2015-54**

1. The first section "The Bottom Line", states 2015-54 will save the City \$1.68 billion over the next 30 years. This is based on Milliman's analysis within tab "G".
2. Specifically, page 5 of Milliman's analysis depicts a savings of \$1.676 billion based on reductions in the required contribution payments under the newly filed reform agreement compared to the payments if reform is not approved.
3. However, footnote 2) on page 5 of Milliman's analysis points out the savings amount "excludes all additional sources of funds used to accelerate the funding of the UAAL. The City still needs to contribute either an additional \$40 million per year for 10 years or an approximate \$300 million lump sum to achieve the \$1.676 billion of savings. These amounts could be reduced by pension fund reserve accounts of at least \$61 million (value as of September 30, 2013).
4. Keep in mind this issue existed with 2014-386-E, so the stated difference of \$50 million between 2014-386-E and 2015-54 would not change. However, the savings of 2015-54 compared to the baseline from an undiscounted cash flow perspective, prior to considering the cost of capital for additional payments, is between \$1.337 billion and \$1.436 billion.

**Tab C – Summary of Proposed PFPF Revisions to Council Retirement Reform Amendments**

5. Amendment #1 – It is our understanding from discussion with the Office of General Counsel that the language in the filed ordinance regarding penalties for failure to make the annual \$40 million UAAL contribution will not change.
6. Amendment #6 – Closes the Senior Staff Voluntary Retirement Plan to new members, but does not address the future accrual of benefits for the current active member.
7. Amendment #7 – The overall savings clause was accepted; however, the specific language regarding if the term of the agreement is deemed invalid was removed.

**Tab D – Proposed Ordinance 2015-54 and Related Retirement Reform Agreement (red-lined to show revisions to 2014-386)**

8. Retirement Reform Agreement page 20 states the City Council shall not unreasonably withhold approval of the Police and Fire Pension Fund budget.