

**Second Report of the Pension Subcommittee of the City Council for the City of
Rancho Palos Verdes**

Members: Stefan Wolowicz and Thomas Long

Date 7 June 2011

This report supplements the Subcommittee's earlier report of December 7, 2010, a copy of which is attached for your reference. The Subcommittee reaffirms the observations and common agreements announced in its first report of December 7, 2010. The purpose of this report is to advise the Council, the City employees and the public of further efforts by the Subcommittee since the time of our last report.

The Subcommittee is continuing to study options designed to assure that the City's pension plan remains sustainable and practical. Based on information gathered and pending meeting with an advisory consultant the Subcommittee has tentatively concluded that the present range of options available to it is fairly limited. The Subcommittee tentatively does not expect to recommend that Rancho Palos Verdes leave CalPERS. These tentative conclusions have been reached due to two primary reasons. First, the City is too small to bear the costs of maintaining its own pension plan and presently securing an alternative plan and sponsor does not appear viable, accordingly leaving CalPERS is not a viable option at this time. It is expected that ultimately major reform by the state legislature will be necessary to provide the levels of changes now required by CALPERS. Second, the Subcommittee hopes to avoid recommending changes to the City's pension that could pose a significant risk to the City in litigation.

With the above restrictions in mind, the Subcommittee is continuing to work to develop a consensus proposal to the Council for changes in the City's pension plan that will bolster its sustainability by stabilizing the City's pension costs as a percentage of payroll. The Subcommittee is exploring creating a second tier pension plan for new employees. The Subcommittee is also exploring adjusting the contributions of current employees toward the pension plan coupled with an equitable adjustment in the salaries of current employees. Staff has presented the Subcommittee with a number of options and predicted savings from each of the options. The Subcommittee needs additional time to study these options and needs to confer with an independent pension consultant. We hope to select and begin conferring with the independent consultant within the following month.

In its first report, the Subcommittee indicated that it was planning to work with an independent consultant. Staff promptly prepared a request for proposal but received only one bid in response to that initial proposal. The Subcommittee felt it was necessary to circulate a new proposal and to solicit additional bids. Through no fault of the staff, the process of obtaining an independent consultant has, unfortunately, been delayed. Nonetheless, the Subcommittee anticipates conferring with an independent

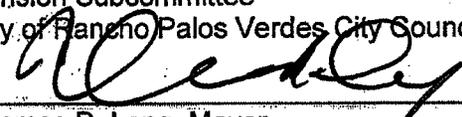
consultant to confirm its own assumptions and the information that staff has provided to it and developing a final report to the Council with either a consensus recommendation or viable alternative proposals for the Council to consider within the next three months.

The Subcommittee attended a recent presentation of the Los Angeles Division of the League of California Cities on Pension Reform. A handout containing some background information discussed at that meeting is also attached to this report. The Subcommittee is providing this report and the attached information and will be prepared at our meeting on June 7, 2011 to respond to questions by the Council.

Dated June 7, 2011

Sincerely,

Pension Subcommittee
City of Rancho Palos Verdes City Council


Thomas D. Long, Mayor


Stefan Wolowicz, Councilmember