

FILED
OFFICE OF THE CITY CLERK
OAKLAND

CITY OF OAKLAND

AGENDA REPORT

2011 MAY 12 AM 9:28

TO: Office of the City Administrator
ATTN: P. Lamont Ewell
FROM: Budget Office
DATE: May 3, 2011

RE: Receive A Report From The Budget Advisory Committee On Oakland Pension Liabilities

SUMMARY

This document transmits the Budget Advisory Committee's (BAC) PowerPoint presentation, "Recommendations for PFRS - One of an ongoing series of Reports on the Challenges and Recommendations Regarding Oakland's Unfunded Retirement Benefit Liabilities."

FISCAL IMPACT

There are no immediate fiscal impacts associated with the acceptance of this presentation. The figures reported in the presentation were originally contained in an informational report on the City's obligations for long-term liabilities related to retirement benefits, which was prepared by the Finance and Management Agency's Treasury Division.

BACKGROUND

The BAC consists of 15 members, with four appointed by the Mayor, seven appointed by Councilmembers from each of the seven Districts, one by the Community and Economic Development Committee Chairperson, two by the Finance and Management Committee Chairperson, and one by the At-Large Councilmember. The BAC has prepared a presentation, entitled "Recommendations for PFRS - One of an Ongoing Series of Reports on the Challenges and Recommendations Regarding Oakland's Unfunded Retirement Benefit Liabilities," which focuses on strategies to address the City's Police & Fire Retirement System (PFRS).

Item: _____
Finance and Management Committee
February 22, 2011

RECOMMENDATION

Staff transmits and recommends City Council accept this report.

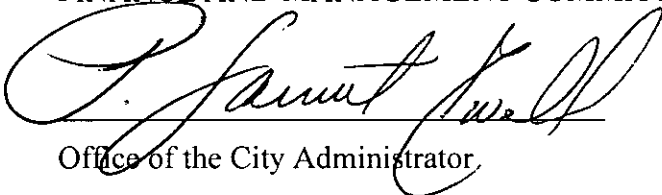
Respectfully submitted,



Sabrina Landreth
Budget Director

Prepared by:
Bradley Johnson
City Administrator's Budget Office

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE

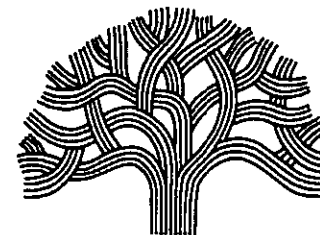

Office of the City Administrator

Attachment A: The City of Oakland Unfunded Pension and Retirement Benefits Liability
PowerPoint Presentation

Recommendations for PFRS

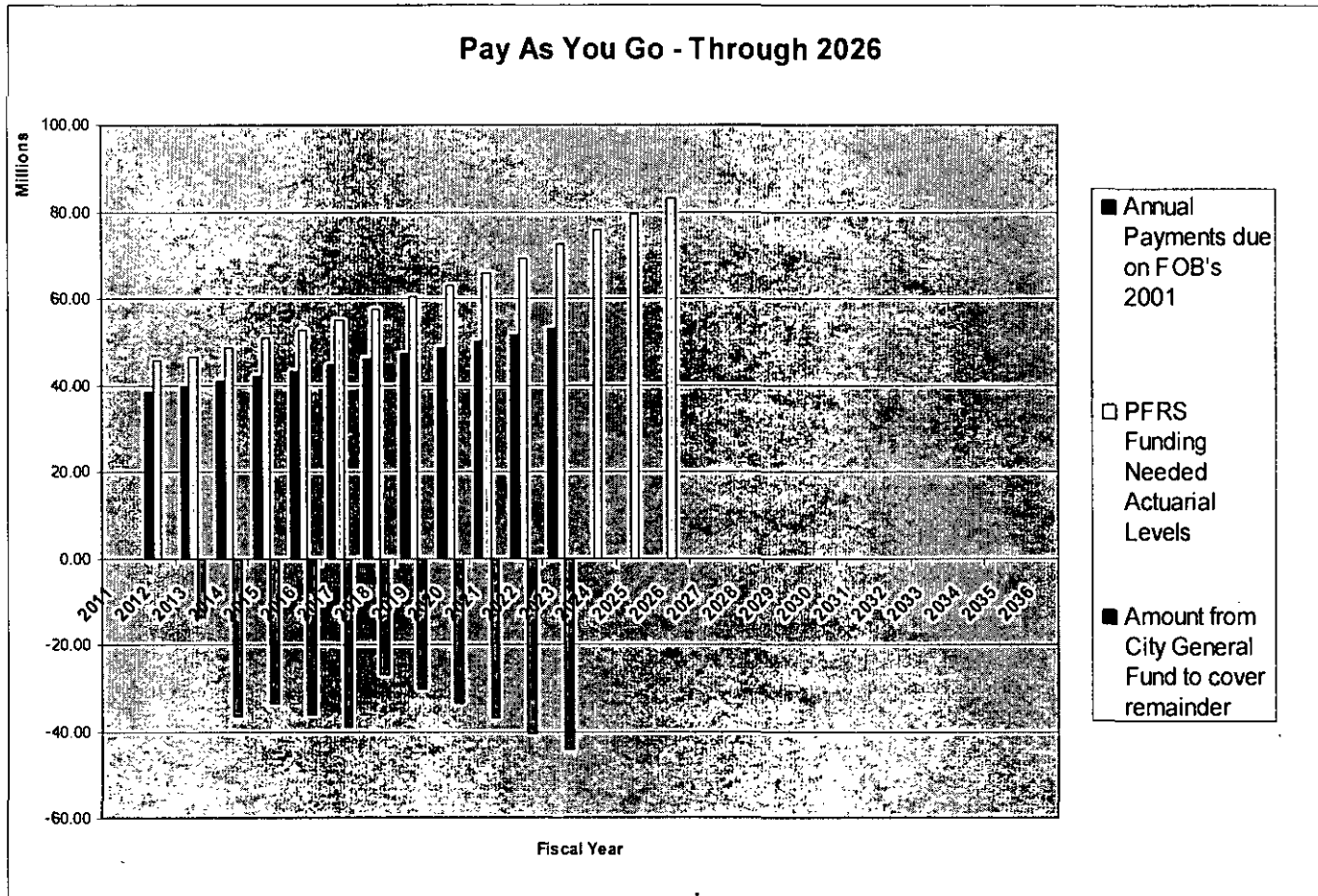


One of an ongoing series of Reports on the Challenges and Recommendations Regarding Oakland's Unfunded Retirement Benefit Liabilities

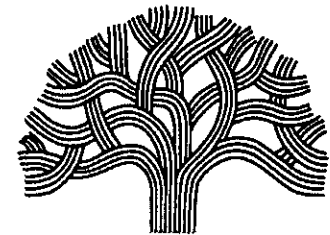


**Budget
Advisory
Committee**

Under the Current Pay As You Go Plan

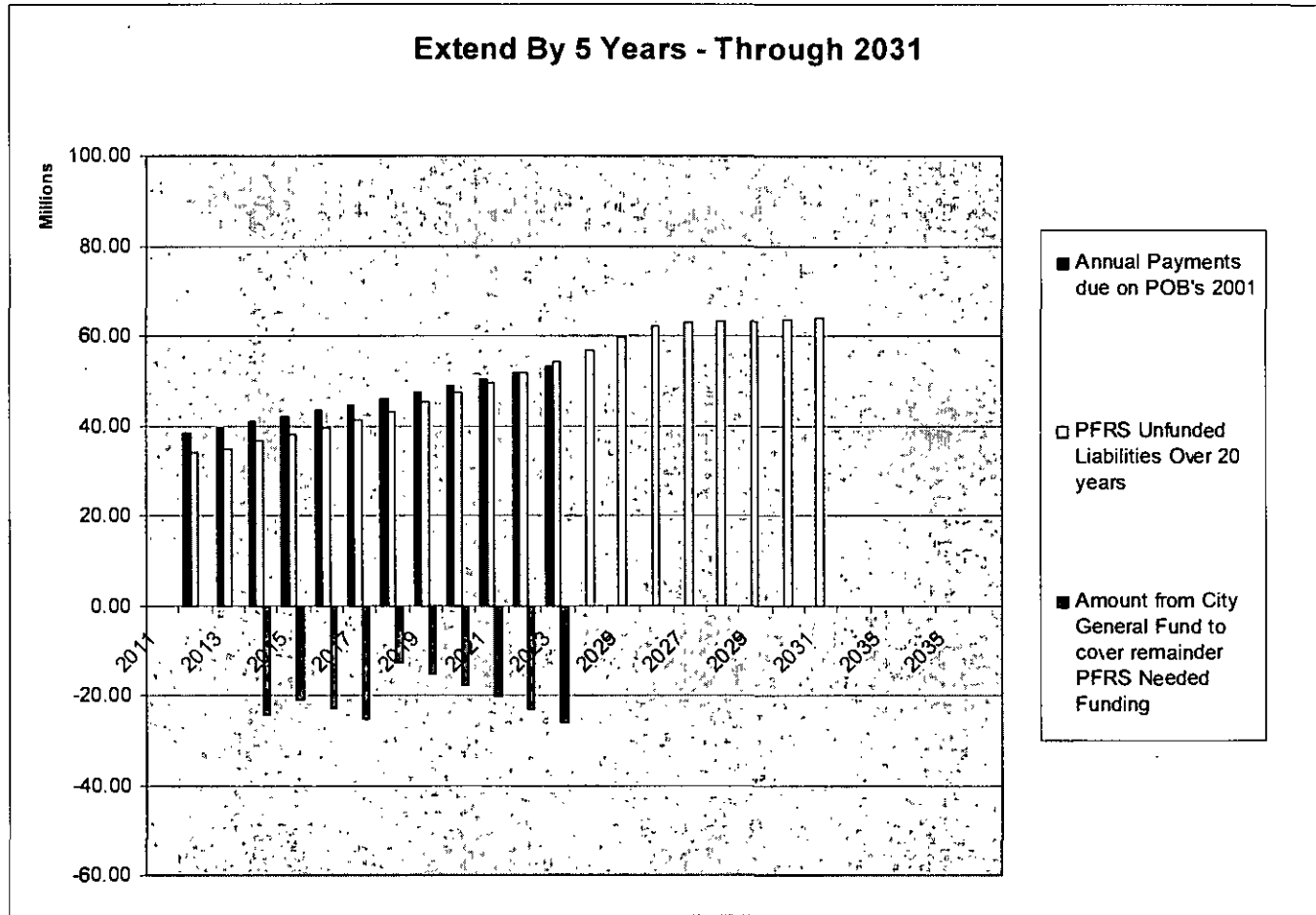


**Average General Fund Payout:
\$33.7M x 11 years**

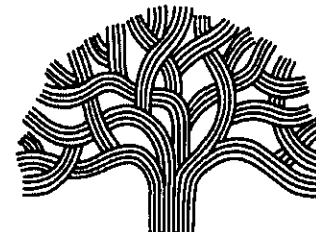


**Budget
Advisory
Committee**

Extend by 5 Years – Through 2031

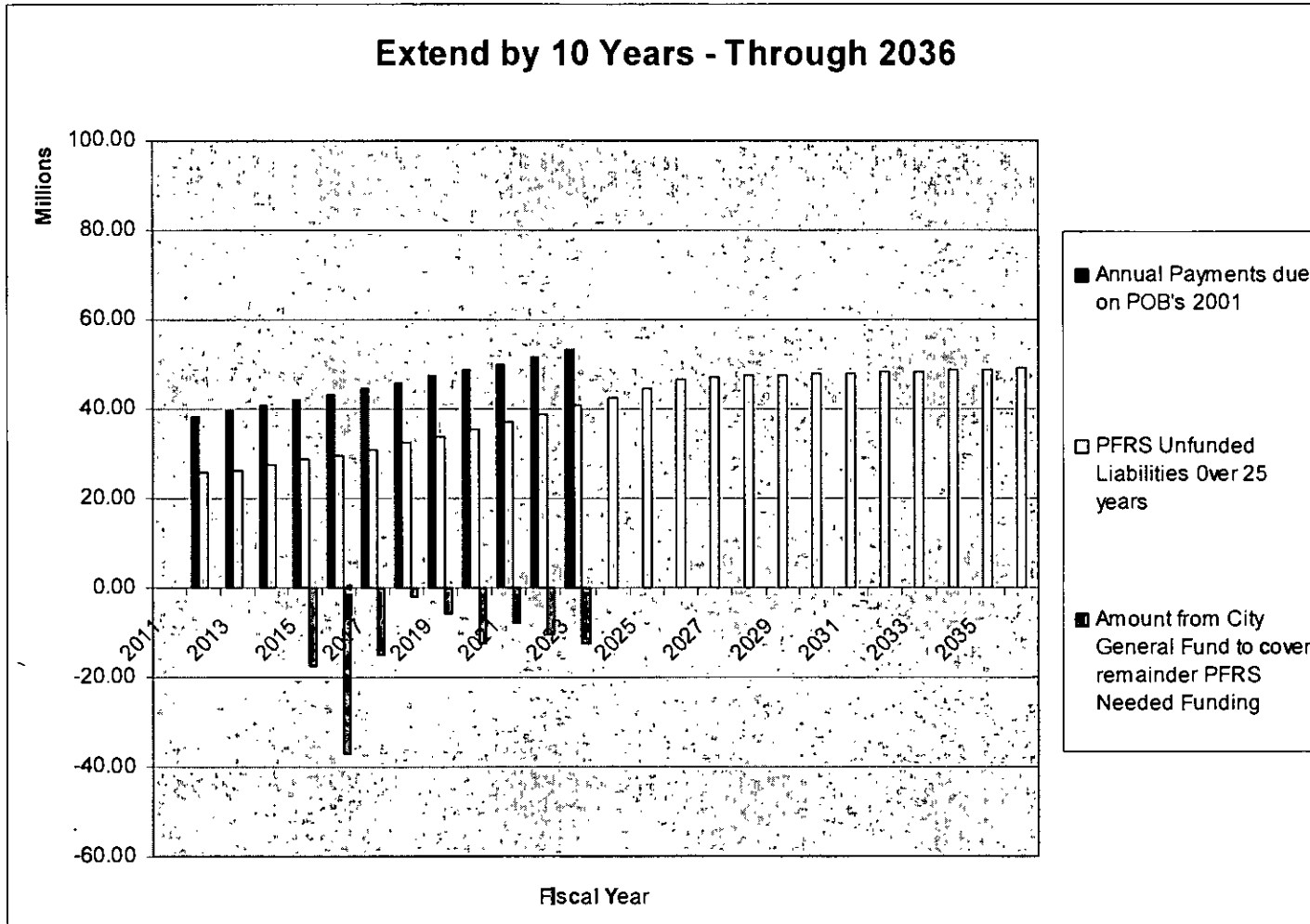


**Average General Fund Payout:
\$20.9M x 10 years**

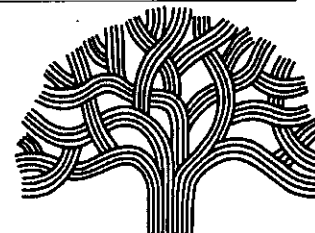


**Budget
Advisory
Committee**

Extend by 10 Years – Through 2036



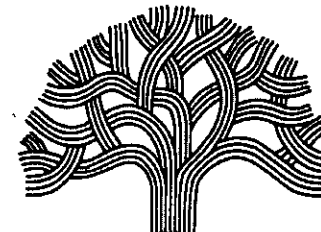
**Average General Fund Payout:
\$13.4M x 9 years**



**Budget
Advisory
Committee**

BAC Recommendations

- **Do not rush into issuing POBs. Use part of the \$76M of tax override surplus to make the first 2011-12 payment to PFRS, and buy time for renewed independent analysis.**
- **Do NOT issue POBs to buy another payment holiday**
- **Re-evaluate the unfunded liability of PFRS, using current 2011 plan valuations and corresponding actuarial projections.**
- **Extend the tax override by 10 years (through 2036)**
- **Extend the amortization of payments into PFRS by 10 years (to be fully funded by 2036)**



**Budget
Advisory
Committee**

City of Oakland - PFRS Retirement Option: Pay as you go – Existing Schedule, Through 2026

- Assumes that there is no further borrowing
- Tax Override pays for PFRS first and foremost
- Any remaining to be funded from City of Oakland's General Fund
- 1997 POB due of \$40,305,000 paid in 2011 from Tax Override Funds
- And lastly, it does assume that available Tax Override is less the 17m paid to Goldman Sachs

Fiscal Year	Net Tax Override Revenues	One time POB payment on 1997 Bonds due to Payment holiday being due	Annual Payments due on POB's 2001	PFRS Funding Needed Actuarial Levels	Net Excess/-Defecit in Tax Override Revenues	Amount from City General Fund to cover remainder PFRS Needed Funding
2011	92,336,142.00	40,305,000.00	0.00	0	52,031,142.00	0.00
2012	103,877,570.00	0.00	38,375,000.00	45,634,000.00	19,868,570.00	0.00
2013	72,324,097.00	0.00	39,555,000.00	46,500,000.00	-13,730,903.00	-13,730,903.00
2014	53,086,901.00	0.00	40,765,000.00	48,800,000.00	-36,478,099.00	-36,478,099.00
2015	59,158,196.00	0.00	42,010,000.00	50,800,000.00	-33,651,804.00	-33,651,804.00
2016	59,767,072.00	0.00	43,285,000.00	52,500,000.00	-36,017,928.00	-36,017,928.00
2017	60,527,911.00	0.00	44,590,000.00	55,000,000.00	-39,062,089.00	-39,062,089.00
2018	76,449,484.00	0.00	45,925,000.00	57,600,000.00	-27,075,516.00	-27,075,516.00
2019	77,322,282.00	0.00	47,295,000.00	60,300,000.00	-30,272,718.00	-30,272,718.00
2020	78,246,143.00	0.00	48,700,000.00	63,100,000.00	-33,553,857.00	-33,553,857.00
2021	79,223,747.00	0.00	50,140,000.00	66,000,000.00	-36,916,253.00	-36,916,253.00
2022	80,257,072.00	0.00	51,620,000.00	69,100,000.00	-40,462,928.00	-40,462,928.00
2023	81,347,308.00	0.00	53,130,000.00	72,300,000.00	-44,082,692.00	-44,082,692.00
2024	82,494,924.00	0.00	0.00	75,700,000.00	6,794,924.00	0.00
2025	90,494,691.00	0.00	0.00	79,300,000.00	11,194,691.00	0.00
2026	94,894,458.00	0.00	0.00	83,100,000.00	11,794,458.00	0.00
Totals	1,241,807,998.00	40,305,000.00	545,390,000.00	925,734,000.00	-269,621,002.00	-371,304,787.00

Extend by 5 Years – Through 2031

Fiscal Year	Net Tax Override Revenues	One time POB payment on 1997 Bonds due to Payment holiday being due	Annual Payments due on POB's 2001	PFRS Unfunded Liabilities Over 20 years	Net Excess/-Defecit in Tax Override Revenues	Amount from City General Fund to cover remainder PFRS Needed Funding
2011	92,336,142.00	40,305,000.00	0.00	0	52,031,142.00	0.00
2012	103,877,570.00	0.00	38,375,000.00	34,225,500.00	31,277,070.00	0.00
2013	83,732,597.00	0.00	39,555,000.00	34,875,000.00	9,302,597.00	9,302,597.00
2014	53,086,901.00	0.00	40,765,000.00	36,600,000.00	-24,278,099.00	-24,278,099.00
2015	59,158,196.00	0.00	42,010,000.00	38,100,000.00	-20,951,804.00	-20,951,804.00
2016	59,767,072.00	0.00	43,285,000.00	39,375,000.00	-22,892,928.00	-22,892,928.00
2017	60,527,911.00	0.00	44,590,000.00	41,250,000.00	-25,312,089.00	-25,312,089.00
2018	76,449,484.00	0.00	45,925,000.00	43,200,000.00	-12,675,516.00	-12,675,516.00
2019	77,322,282.00	0.00	47,295,000.00	45,225,000.00	-15,197,718.00	-15,197,718.00
2020	78,246,143.00	0.00	48,700,000.00	47,325,000.00	-17,778,857.00	-17,778,857.00
2021	79,223,747.00	0.00	50,140,000.00	49,500,000.00	-20,416,253.00	-20,416,253.00
2022	80,257,072.00	0.00	51,620,000.00	51,825,000.00	-23,187,928.00	-23,187,928.00
2023	81,347,308.00	0.00	53,130,000.00	54,225,000.00	-26,007,692.00	-26,007,692.00
2024	82,494,924.00	0.00	0.00	56,775,000.00	25,719,924.00	0.00
2025	109,419,691.00	0.00	0.00	59,475,000.00	49,944,691.00	0.00
2026	133,644,458.00	0.00	0.00	62,325,000.00	71,319,458.00	0.00
2027	155,019,225.00	0.00	0.00	62,733,000.00	92,286,225.00	0.00
2028	175,985,992.00	0.00	0.00	63,085,000.00	112,900,992.00	0.00
2029	196,600,759.00	0.00	0.00	63,388,000.00	133,212,759.00	0.00
2030	216,912,526.00	0.00	0.00	63,650,000.00	153,262,526.00	0.00
2031	236,962,293.00	0.00	0.00	63,875,000.00	173,087,293.00	0.00
Totals	1,310,891,498.00	40,305,000.00	545,390,000.00	1,011,031,500.00	695,645,793.00	-199,396,287.00

Extend by 10 Years – Through 2036

Fiscal Year	Net Tax Override Revenues	One time POB payment on 1997 Bonds due to Payment holiday being due	Annual Payments due on POB's 2001	PFRS Unfunded Liabilities Over 25 years	Net Excess/-Defecit in Tax Override Revenues	Amount from City General Fund to cover remainder PFRS Needed Funding
2011	92,336,142.00	40,305,000.00	0.00	0	52,031,142.00	0.00
2012	103,877,570.00	0.00	38,375,000.00	25,669,000.00	39,833,570.00	0.00
2013	92,289,097.00	0.00	39,555,000.00	26,156,000.00	26,578,097.00	26,578,097.00
2014	79,664,998.00	0.00	40,765,000.00	27,450,000.00	11,449,998.00	11,449,998.00
2015	64,536,899.00	0.00	42,010,000.00	28,575,000.00	-6,048,101.00	-6,048,101.00
2016	47,038,800.00	0.00	43,285,000.00	29,531,000.00	-25,777,200.00	-25,777,200.00
2017	60,527,911.00	0.00	44,590,000.00	30,938,000.00	-15,000,089.00	-15,000,089.00
2018	76,449,484.00	0.00	45,925,000.00	32,400,000.00	-1,875,516.00	-1,875,516.00
2019	75,446,766.00	0.00	47,295,000.00	33,919,000.00	-5,767,234.00	-5,767,234.00
2020	71,555,048.00	0.00	48,700,000.00	35,494,000.00	-12,638,952.00	-12,638,952.00
2021	79,223,747.00	0.00	50,140,000.00	37,125,000.00	-8,041,253.00	-8,041,253.00
2022	80,257,072.00	0.00	51,620,000.00	38,869,000.00	-10,231,928.00	-10,231,928.00
2023	81,347,308.00	0.00	53,130,000.00	40,669,000.00	-12,451,692.00	-12,451,692.00
2024	82,494,924.00	0.00	0.00	42,581,000.00	39,913,924.00	0.00
2025	123,613,691.00	0.00	0.00	44,606,000.00	79,007,691.00	0.00
2026	163,888,261.57	0.00	0.00	46,744,000.00	117,144,261.57	0.00
2027	202,024,832.14	0.00	0.00	47,050,000.00	154,974,832.14	0.00
2028	239,855,402.71	0.00	0.00	47,314,000.00	192,541,402.71	0.00
2029	277,421,973.28	0.00	0.00	47,541,000.00	229,880,973.28	0.00
2030	314,761,543.86	0.00	0.00	47,737,000.00	267,024,543.86	0.00
2031	351,905,114.43	0.00	0.00	47,906,000.00	303,999,114.43	0.00
2032	388,879,685.00	0.00	0.00	48,220,000.00	340,659,685.00	0.00
2033	425,540,255.57	0.00	0.00	48,490,000.00	377,050,255.57	0.00
2034	461,930,826.14	0.00	0.00	48,723,000.00	413,207,826.14	0.00
2035	498,088,396.71	0.00	0.00	48,924,000.00	449,164,396.71	0.00
2036	534,044,967.28	0.00	0.00	49,097,000.00	484,947,967.28	0.00
Totals	5,069,000,715.70	40,305,000.00	543,390,000.00	1,001,728,000.00	3,481,577,715.70	-59,803,870.00