

SUBCOMMITTEE REPORT

(Please use one report for each subcommittee recommendation)

Subcommittee Name	Pensions
Subcommittee Chairperson(s)	Erica Brusselars
Title of recommendation	Pension Review Panel – A Vehicle to Pension Sustainability
Describe the recommendation	<p>Appoint an independent panel of powerful leaders from all stakeholders’ groups to validate the pension problem, develop options and create action plans.</p> <p>A major roadblock to pension reform in the city of Pittsburgh is the conflicting goals and agendas of the many stakeholders. As a result, meaningful holistic reform has been difficult to achieve. We believe the best first step to meaningful reform is to empower an independent panel of powerful leaders from all stakeholders’ groups to validate the problem and develop options, including a possible path forward for each option. We recommend talking with the architect of the Atlanta panel where they successfully navigated these waters.</p> <p>The panel should be manageable (14-16 people) and should have a limited life 12 - 18 months.</p> <p>To ensure participation and board-based support the mayor must have a “burning platform”. This platform lies in exposing the true costs of the pensions and what that means long-term to the city, its employees and its residents. If not addressed, we believe there is a high degree of certainty the pension and the city will face eventual bankruptcy. One only need to look at Detroit for the implications of this.</p>
Is this an immediate or long-term recommendation?	<p>Short term – Committee empowered and options presented.</p> <p>Medium/Long Term – Approval and implementation of option selected by Mayor and Council.</p>

How will this address our challenges or reach our goals?	It will lead to financial stability of the city's pension plans and provide more certainty of future benefits to employees.
What are the obstacles to implementation?	It must have the unwavering commitment of the mayor, city council and panel members to finding a solution and path forward. There are many diverse stakeholders with veto power.
Who needs to be involved?	All stakeholder groups must be represented, i.e. leading politicians both local and state, employee/union leaders, local business and community leaders. A law firm, an actuarial services firm, and a consulting firm may be required to insure the legality and financial viability of the options as well as bringing credibility to the process.
What city resources need to be invested?	While funding will be required, our hope is local foundations and businesses fund this project through cash contributions and/or pro-bono work. In addition, city employees, particularly from the finance department, will be called on to provide information as needed.
What will be different if the recommendation is adopted?	Ultimately, a major financial burden that threatens the city's viability will be eliminated and the pension plans will be financially stable and sustainable over the long-term.
Describe any background materials that you consulted	Numerous pension documents and financial reports provided by city employees, outside actuarial reports, Investment Strategy documents, "2012 State of Municipal Pensions In PA", etc. We had access to a summary document that outlined the Atlanta experience. John Mellott, the head of the Atlanta panel, reviewed the document with us and was available for questions. We also talked to various government officials both past and present.
Have other cities implemented this recommendation?	Many have tried; few have succeeded. Atlanta is an exception. Their circumstances were similar to our own and

	<p>the city was able to implement change based upon the options presented by the panel. The mayor responsible is still in office.</p> <p>To emphasize again, we are recommending the process, not necessarily the options, used in Atlanta.</p>
<p>Are there any other considerations?</p>	<p>The Chairman of this panel must be a strong leader who is neutral, independent of the stakeholders and credible in the community. Perhaps the head of one of the leading Universities or a CEO/retired CEO with strong ties to the community.</p> <p>We suggest it be a manageable group of 14 – 16 people.</p> <p>In order to get broad-based support, all stakeholder groups must be represented on the panel.</p> <p>The panel's findings need to be open and transparent.</p>



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Subcommittee Name	Pension
Subcommittee Chairperson(s)	Erica Brusselars
Title of recommendation	Evaluation of unfunded level
Describe the recommendation	<p>Evaluate and update all assumptions used in the pension valuations.</p> <ol style="list-style-type: none">a. They should be conservative best-estimate representations of the long-term expectations of the plan.b. Understand how assumptions and methods impact the obligation and unfunded levels so the risk of using inappropriate assumptions is clear. <p>In this analysis, each of the three plans (municipal, city, fire) should be separated in order to understand the true cost of each plan.</p>
Is this an immediate or long-term recommendation?	Immediate – important to do before or in conjunction with funding and/or design strategy. An experience study is due to be provided by plan actuary in early 2014, so this recommendation can be done in conjunction with the review of that study.
How will this address our challenges or reach our goals?	The city needs to have a clear understanding of the long-term funding needs of the plan so that an accurate funding strategy can be built around it. If we start with an inaccurate picture, our solution will ultimately fall short.
What are the obstacles to implementation?	Adjusting assumptions will likely cause a decrease in the current funded measure. If measured this way for the official valuation, the MMO will change.
Who needs to be involved?	Municipal Pension Fund Board; Mayor's office; plan actuary and/or consulting actuary.
What city resources need to be	Fees for the actuarial analysis; staff or volunteers who can

invested?	analyze the results; leads (Peduto, Acklin, Lestitian) to champion the effort
What will be different if the recommendation is adopted?	Related policy will be stronger because it is based on a best-estimate that has really had its tires kicked. This will reduce the likelihood that in the next 5-10 years we will have "surprises" related to the pension funded level or serious questions of the assumptions.
Describe any background materials that you consulted	2009 assumption analysis Recent news on interest rate assumption
Have other cities implemented this recommendation?	Atlanta completed this as a step in their Review Panel
Are there any other considerations?	It is important to remember that assumptions used for the valuation drive only the timing of the minimum contributions. These assumptions do not affect the benefits paid from the plan. In the long run, the dollars put into the plan (a combination of assets currently in the trust, contributions to the plan, and return on these assets) will equal the dollars paid out of the plan. Changing the assumptions may change the timing of the city's contributions to the trust, but it will not change the ultimate cost of providing benefits.



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Subcommittee Name	Pension
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Title of recommendation	Pension Investment Review
Describe the recommendation	Review investment options on the pension fund for better risk-adjusted return. This should include exploring the viability and desirability of securitizing (monetizing) the parking tax revenue asset.
Is this an immediate or long-term recommendation?	Long term including an annual review in an on-going process
How will this address our challenges or reach our goals?	Better and more stable return on investments will ensure future retirement benefits at a lower contribution cost and less volatility to the city An asset allocation study was completed in 2013 and many of the recommendations were implemented. We recommend waiting until later 2014 when a new asset allocation study will be conducted
What are the obstacles to implementation?	The pension board must agree on a risk profile for the plan that meets the desired level of expected return and a suitable risk profile for the city
Who needs to be involved?	Financial advisors, pension board members, and, if needed, legal consultants (in regard to parking tax revenue asset)
What city resources need to be invested?	Assistant Director of finance working with financial advisor for implementation
What will be different if the recommendation is adopted?	Better risk-adjusted return on investments
Describe any background materials that you consulted	Past asset allocation plan Quarterly pension fund reports

Have other cities implemented this recommendation?	
Are there any other considerations?	



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Subcommittee Name	Pensions
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Title of recommendation	Transparency & Communication
Describe the recommendation	<p>Make documents and information related to the pension plans readily available and accessible</p> <ol style="list-style-type: none">Make documents and communications related to the pension plans available on the city website in an easy-to-find place and update on a timely basis.Generate annual report to plan members on a timely and annual basis. Currently this is a four-page newsletter to be sent in late Q1 for the prior plan year.Write a white paper on the city pension plan and keep up-to-date. This paper will provide excellent information on the plan for those new to the board or researching the plan.
Is this an immediate or long-term recommendation?	Immediate
How will this address our challenges or reach our goals?	Provide ready access to plan participants, board members, city residents, other cities. Will speed up on-boarding to new members and provide resources for understanding and research of the city pension issues.
What are the obstacles to implementation?	Technology access. Ensuring that no private or confidential data is released
Who needs to be involved?	<p>A specific city employee close to the pension plan should be responsible for updating website as documents become available. A specific member of the pension board should be assigned to review and ensure that the site is up-to-date; it could be reported in the quarterly board meetings.</p> <p>A specific city employee should be assigned to draft the</p>

	newsletter and the board should be held accountable for the letter being mailed in a timely fashion.
What city resources need to be invested?	Two hours per month ongoing for maintenance. Possibly up to 10 hours start up to ensure all documents are collected and prior outdated information is removed.
What will be different if the recommendation is adopted?	Transparency. Saved time for employees and interested parties searching for information.
Describe any background materials that you consulted	http://www.phila.gov/pensions/Pages/default.aspx http://www.pmps.state.pa.us/ http://www.mnpera.org/
Have other cities implemented this recommendation?	Examples include states of Minnesota and Pennsylvania, city of Philadelphia
Are there any other considerations?	We have included a list of items to be included on the website: <ol style="list-style-type: none"> 1.) Annual Report to Retirees and Pension Members 2.) Quarterly Pension Board Meeting Agenda 3.) Quarterly Pension Board meeting minutes 4.) List of board meeting dates and locations 5.) Most recent Asset Allocation Plan 6.) Quarterly Financial Report 7.) Investment Policy (already on website) 8.) Current Valuations (Police, Municipal, Fire & Combined) 9.) Experience Study 10.) OPEB (Other Post Employment Benefits Trust Fund) Report 11.) OPEB Quarterly Financial Report



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Title of recommendation	Formalization of State Lobbying Efforts
Describe the recommendation	<p>Mount a sustained lobbying effort to effect common sense change for city pension plans.</p> <p>Virtually all pension reforms will require some level of state approval. While the city has some lobbying presence in Harrisburg, it is fragmented and the person responsible has numerous other clients, some of which pose a conflict of interest. We recommend hiring/contracting a lobbyist dedicated to the City's business and coordinating with local officials and constituents to consistently support the efforts. The Mayor should explore forming a coalition with mayors of other state classified cities, particularly cities covered by Act 47.</p> <p>Small sampling of possible reforms include:</p> <p>Funding and go-forward benefit reform</p> <ol style="list-style-type: none">1) Reform Act 205 to its original intent which was to aid distressed pensions in communities where ability to pay or raise taxes is limited. It was not intended to help communities like Mt. Lebanon or Sewickley who have that ability to pay. Pittsburgh's portion of this act has declined over the years from \$40M to under \$15M today.2) Begin consideration of a unified state municipal pension system with standard benefits and contributions. <p>Changes to union benefits</p> <ol style="list-style-type: none">1) Revise Act 111, the public safety arbitration law, to place more reasonable considerations on arbitrators ability to impose additional costs, base awards on facts based upon evidence, open hearings to the public, etc.

	<p>2) Increase the retirement age for police and firefighters to 55 or even 57½</p> <p>3) Limit overtime and “spiking” in pension calculations.</p>
Is this an immediate or long term recommendation?	Immediate and long term but it should be coordinated with Recommendation 1 – Pension Review Panel.
How will this address our challenges or reach our goals?	In conjunction with Recommendation 1, it will lead to financial stability of the city’s pension plans and provide more certainty of future pension benefits to employees.
What are the obstacles to implementation?	<p>We are trying to influence a government body that we have little to no direct control over.</p> <p>Care must be taken in regard to timing and coordination of lobbying efforts. While it may make sense to immediately pursue options to increase state contributions to the plans, it would be advisable to hold-off any efforts related to union benefit levels or other areas that effect local reform until after Recommendation 1 is completed.</p>
Who needs to be involved?	Mayor, City Council, State representatives from our region as well as statewide.
What city resources need to be invested?	It will be necessary to fund this function.
What will be different if the recommendation is adopted?	In conjunction with Recommendation 1, a major financial burden that threatens the city’s viability will be properly managed and the pension plans will be financially stable and sustainable over the long-term.
Describe any background materials that you consulted	Numerous pension documents and financial reports provided by city employees, outside actuarial reports, Investment Strategy documents, etc.
Have other cities implemented this recommendation?	
Are there any other considerations?	<p>Any pension reform should be approached on a comprehensive basis rather than piecemeal where invariably there are unintended consequences and a lack of optimization.</p> <p>This lobbyist and strategy could be applied to non-pension items that need to be addressed at the state level as well.</p>