



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: September 9, 2021

Approved

Date

09//09/21

**SUBJECT: STUDY SESSION – PENSION OBLIGATION FINANCING –
RESPECTIVE ROLES AND RESPONSIBILITIES FOR POLICY
DEVELOPMENT**

RECOMMENDATION

Set a joint Study Session with the City Council, Federated City Employees' Retirement System Board and the Police and Fire Department Retirement Plan Board (collectively the "Retirement Plan Boards") entitled *Pension Obligation Respective Roles and Responsibilities for Policy Development* for Thursday, September 30, 2021 from 1:30 p.m. – 4:30 p.m. Consistent with the California Governor's Executive Order No. N-29-20, Resolution No. 79485 from the City of San José and the Santa Clara County Health Officer's March 16, 2020 Shelter in Place Order, the Study Session meeting will not be physically open to the public and the City Council and Retirement Board members will be teleconferencing (via Zoom) from remote locations.

PURPOSE

The purpose of this joint study session is to present and discuss the respective roles and responsibilities of the City Council and Retirement Plan Boards in policy development as the City Council evaluates issuing Pension Obligation Bonds ("POBs") as an option to reduce the unfunded actuarial liabilities in the Plans. The Study Session is intended to provide preparatory work that will enable Council and the Retirement Plan Boards to make informed decisions about the policies they will formulate and adopt, should the City choose to issue POBs, and align all parties' understanding of their respective roles to improve the funded status of the Plans.

OUTCOME

The City Council, Retirement Plan Boards, Administration, and stakeholders have a shared understanding of their respective roles and responsibilities if the City Council chooses to proceed with issuance of POBs, including development of a workplan for informing and understanding each other's approaches and intended policies before such bonds are issued.

BACKGROUND

On May 11, 2021, Council provided direction¹ to the City Administration and Office of the City Attorney ("CAO") to take additional actions related to the further exploration of the issuance of Pension Obligation Bonds ("POBs") as a funding option for the City's unfunded accrued liabilities in the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan. This included direction to "Coordinate with the Office of Retirement Services to schedule a joint meeting(s) with Council and both Retirement Boards to develop and understanding of the respective Retirement Boards' investment strategy for the POBs proceeds". This action sets the date for such a meeting.

Separately, the Administration and CAO intend to return to Council on September 21, 2021, for actions necessary to proceed with the judicial validation to make POBs a funding option for the City. This is a necessary first step before the City can make decisions on the amount and timing of POBs, or whether to sell such bonds to investors at all.

A complete update on the plans for POB exploration was provided in an Information Memo to Council on August 19, 2021.²

The Administration, along with the Office of Retirement Services, will return to the Rules and Open Government Committee with a Study Session Agenda for the Committee's review and approval.

/s/

JULIA H. COOPER
Director of Finance

For questions, please contact either Julia H. Cooper, Director of Finance at (408) 535-7011 or Nikolai J. Sklaroff, Deputy Director of Finance, Debt & Treasury Management Division at (408) 535-7832.

¹ <https://sanjose.legistar.com/View.ashx?M=F&ID=9354313&GUID=8A5EFC8A-6840-4DE4-B5E2-8321D45351EE>

² <https://www.sanjoseca.gov/home/showpublisheddocument/76361>