

CONVENING OF A SUMMIT TO DISCUSS THE UNDERFUNDING
OF THE CITY'S PENSION PLAN AND TO EXPLORE OPTIONS
TO ADDRESS UNFUNDED LIABILITY

In the year Two Thousand Thirteen.....

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, the City of Burlington has a full-time, permanent work force of more than 600 dedicated and resourceful employees and approximately 900 retirees and former employees vested in the City's retirement system; and

WHEREAS, it is in the long-term best interest of the City that it continues to have qualified and competent employees to perform those functions that are essential to the effective and efficient operation of the City and the delivery of City services; and

WHEREAS, the City Council recognizes the importance of the retirement/pension system in recruiting and retaining competent and committed employees; and

WHEREAS, it is in the interests of the citizens and taxpayers of the City, as well as in the interests of former, present and future City employees, that the City's retirement/pension system be a sustainable, viable and affordable plan that can fulfill its promises to city employees; and

WHEREAS, over the last few years the City taxpayers' contribution to the retirement/pension fund has increased each year while at the same time the unfunded liability of the fund has also increased; and

WHEREAS, the unfunded liability in the City's pension/retirement plan as of June 30, 2012 was \$60,611,827, an amount that creates an unsustainable retirement system and places an unreasonable tax burden upon the taxpayers of the City of Burlington; and

WHEREAS, the City is fortunate to have at its disposal individuals who have the ability to comprehend the nature of the problems facing our retirement/pension system, to hear from persons who wish to address those problems, and to put forth options to address the City's unfunded liability; and

WHEREAS, the City Council believes that the financial problems of our retirement/pension system are significant and there is an urgency to solve these issues and therefore the public must be informed in such a way so that they understand the long-term impacts of our not solving the structural issues within our retirement/pension system;

NOW, THEREFORE, BE IT RESOLVED that there is a need for a Retirement Summit where the

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public is made aware of our concern that maintaining the current structure of our retirement/pension system is unsustainable; and

BE IT FURTHER RESOLVED that the City Council requests that the Mayor shall appoint a committee to plan a Retirement Summit for not later than October 15th, 2013. The committee shall create a program, to be approved by the City Council, designed so that attendees can understand, at a minimum, the:

- a) Long-term impact on renters and business-owners of maintaining the current pension structure.
- b) Comparison of our public-sector pension system to private sector plans.
- c) The complexity of our pension system and its administrative difficulty and cost.
- d) Services our employees provide to the taxpayers, the value of these employees and therefore the need to maintain a high-quality pension system to retain and recruit staff.
- e) The impact our current pension system may have on the City's credit rating.
- f) Long-term financial and other implication of maintaining the current pension structure.
- g) How new government accounting standards may positively or negatively change our pension valuation outlook, and whether it is likely that there will be future changes to government accounting standards that will further impact our pension valuation.
- h) How the City's costs to fund our pension system impacts the taxpayers, employees, current retirees, City infrastructure and possible growth of the City's Grand List.
- i) Appropriate balance of a variety of City revenues; and

BE IT FURTHER RESOLVED that prior to presenting its plan to the Council the committee shall offer to meet with the elected leadership of each of the four bargaining units representing City employees, the Board of the Burlington Employee Retirement System, at least two individuals owning commercial property in Burlington, at least two non-unionized City employees, and with the City's Board of Finance to review a draft program and solicit peoples' ideas on the draft; and

BE IT FURTHER RESOLVED that the once the Summit has occurred, and the City Council and Administration has been able to assess the outcomes of the Summit, the Administration will present to the City Council for its approval a draft process, the goal of which will be to identify solutions to the issues raised at the summit. This draft process will be presented to the City Council no later than two months after the Summit, and its creation shall follow the same guidelines used to create the Summit plan.



Office of Mayor Miro Weinberger

MEMORANDUM

To: Board of Finance
From: Mayor Miro Weinberger
Date: December 5, 2013
Re: Draft Process to Address Issues Raised at Pension Summit

Attached for your consideration please find a draft process, written in accordance with the City Council Resolution "Convening of a Summit to Discuss the Underfunding of the City's Pension Plan and to Explore Options to Address Unfunded Liability" adopted August 12, 2013. The goal of this process is to identify solutions to the issues raised at the Pension Summit on November 5, 2013 which are described in the attached communication. The Resolution also is attached.

Consistent with the Resolution, the draft proposal includes input my staff has requested and received from the four bargaining units representing City employees, the Board of the Burlington Employee Retirement System (BERS), two individuals owning commercial property in Burlington, and two non-union City employees. I respectfully request that the Board of Finance reviews the draft process and offers feedback at its December 9, 2013 meeting. The draft process then will be submitted for City Council approval on December 16, 2013 in accordance with the Resolution, which requires Council approval no more than two months following the Pension Summit, or by January 5, 2014.

Thank you.



Office of Mayor Miro Weinberger

MEMORANDUM

To: Board of Finance
From: Mayor Miro Weinberger
Date: December 5, 2013
Re: Addressing Burlington's Retirement System Challenges – Post-Summit Draft Process

The Pension Summit identified a number of issues about Burlington's Employee Retirement System (BERS) that warrant further discussion, such as an unfunded liability that has grown despite dramatically-increased City contributions. In addition, at least two of the unions raised the point that the current system is making it more difficult to retain and recruit employees. My Administration remains open-minded about the path forward and, while it has not yet reached any conclusions about the best way to address this challenge, there is widespread agreement that the challenge should be approached collaboratively with the involvement of all the different stakeholders in a jointly-designed process. Vermont Treasurer Beth Pearce spoke eloquently to this being the best and most effective process during the Summit.

To design such a process and ensure the long-term viability of BERS consistent with the parameters established by the August 12, 2013 City Council Resolution "Convening of a Summit to Discuss the Underfunding of the City's Pension Plan and to Explore Options to Address Unfunded Liability," one approach is to establish a Committee with representatives from each stakeholder group in the BERS system to facilitate discussion about the challenges our community faces and ultimately consensus on the path forward. Such an approach would require consultation with the different groups identified in the Resolution prior to presenting this proposal for a draft process to the City Council.¹ This Committee and its discussions would not be intended to replace the current collective bargaining process or impose any Committee recommended modifications about the City's retirement fund, but rather to inform the Mayor, the City Council, retirement system stakeholders, and the public at large. The Resolution allows two months from the November 5, 2013 Summit to submit a draft process to the City Council (a January 5, 2014 deadline), and my Administration plans to present the draft process to the City Council on December 16, 2013.

The composition of such a Committee should be subject to discussion with different stakeholders; therefore, the proposed composition below is preliminary and meant as a starting point for input:

- Each of the four bargaining units should have a representative selected by the union (4)
- Each City Council caucus should have a representative selected by the caucus (4)
- The BERS Board should have two non-City employee representatives selected by BERS (2)

¹ The list of groups includes the four bargaining units representing City employees, the Board of the Burlington Employee Retirement System (BERS), two individuals owning commercial property in Burlington, two non-union City employees, and the Board of Finance.

- My Administration should have representatives from the Human Resources Department, City Attorney's Office, Clerk/Treasurer's Office, and Mayor's Office in a non-voting capacity (4)
- I should be on the Committee in a voting capacity (1)

This proposal would result in a 15-person Committee with 11 voting members. Decisions on Committee recommendations would first try to be reached through consensus among voting members. If total consensus cannot be reached, then majority/minority votes will be identified.

With buy-in from the different stakeholders, the purpose of this Committee would be to:

- Define the root cause challenge(s) facing our current pension system
- Define solution goals consistent with the identified challenges
 - These goals should be specific, measurable and achievable within a defined time frame
- Develop principles by which to guide solution goals
- Identify the value for all stakeholders impacted by the pension system of developing solution goals
- Select a Committee facilitator (a member of the Committee or a credible outsider)
- Select an outside consultant to evaluate the City's situation and potential options
- Create a meeting schedule consistent with the timeframe
- Develop proposals with associated costs and implementation strategies

The Committee would hold public meetings independent of any ongoing bargaining process, and the recommendations it reaches would serve to inform the Mayor, City Council, retirement system stakeholders, and the public generally. Additionally, the Committee would operate on a pre-established time schedule, such as a six-month period to complete its work from the day of the first meeting. The Committee would be required to establish a meeting schedule reflective of its goals and that timeline during its first meeting.