

COSTA MESA CREATES PENSION OVERSIGHT COMMITTEE

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Throughout the nation, the subject of “Unfunded Public Pension Liabilities” has captivated headlines serving as vivid illustrations of how they place city finances in peril. Unfunded liabilities occur when the amount of money set aside to pay guaranteed public pension benefits is insufficient to cover their anticipated costs. As unfunded liabilities increase, they consume a growing percentage of our financial resources and jeopardize our ability to fund important municipal services including police and fire protection, parks, and road maintenance.

The city of Costa Mesa is not immune to the dangerous developments in unfunded pension liabilities. A recent study of our financial position indicates that Costa Mesa pensions are underfunded by as much as \$196 million. Additionally, the fund that provides for retiree medical benefits is estimated to be underfunded by \$32 million. As a point of reference, for the current year, the General Fund Budget for the entire city is \$103 million. Simply stated, it is possible that the unfunded amount of our future obligations exceeds twice our annual city budget.

In response to the magnitude of these matters, the Costa Mesa City Council approved development of the Pension Oversight Committee (POC) in February of 2013. Following public notice, volunteers were interviewed by council members and then appointed to the POC at the April 16, 2013 council meeting.

The mission of the POC is to focus on current and long term pension obligations in a non-partisan fashion. Key points of emphasis include:

- Review annual and long term pension commitments as they pertain to the City’s CalPERS retirement account with an emphasis on controlling unfunded obligations.
- Study and advise on what financial triggers led to an unfunded position of approximately \$196 million.

- Encourage the City to maintain adequate reserves and ratios per council guidelines and prudent fiscal management.
- Review negotiated pension and compensation packages as they pertain to each employee bargaining unit.
- Evaluate potential changes to pension benefits and advise the employees, City Council, and the citizens of Costa Mesa of their anticipated impact.

The nine volunteers who serve on the POC were appointed to two year terms. All are Costa Mesa residents coming from various business and professional backgrounds. Current members with voting rights include Messrs. Jeff Arthur, Gene Hutchins, Rick Kapko, Kent Mora, Gary Parkin, Ron Robertson, Timothy Sesler, John Stephens and Ralph Taboada. POC activities are supported by city staff members including Interim Finance Director Steve Dunivent, Human Resources Director Lance Nakamoto, and Human Resources Analyst Ryan Thomas. City Council liaisons include Mayor Jim Righeimer and Mayor’s Designee, Mayor Pro Tem Stephen Mensinger.

The POC recognizes that a critical function of their role is educating all stakeholders by communicating their findings. Numerous resources are accessible on the city website and additional information will be posted as it develops. You can find this information by going to www.CostaMesaCA.gov, clicking on the “City Hall” tab, locating the “Commissions and Committees” section, and then finding the “Pension Oversight Committee” page.

You may communicate with the committee by attending their meetings which are open to the public. Committee meetings are scheduled on the first and third Wednesday of each month, at 4:30 p.m., in City Hall conference room 1-A. The committee may also be reached via email at CMPOC@CostaMesaCA.gov.