



## MAYOR BOB FOSTER

CITY OF LONG BEACH

July 2, 2007

The Honorable Ed Hernandez  
Member of the Assembly  
State Capitol, Room 4112  
Sacramento, CA 95814

**Re: Support for AB 554 (Hernandez) Public employees: benefits.**

Dear Assembly Member Hernandez:

On behalf of the City of Long Beach, we are pleased to provide our support for AB 554. This legislation would permit all public agencies in California to contract with the California Public Employees' Retirement System (CalPERS) to pre-fund Other Post-Employment Benefits (OPEB), including health care benefits.

Current law allows only those agencies that contract with CalPERS for health benefits to participate in the pre-funding program for other post-employment benefits. Although, as a result the City of Long Beach contracts with CALPERS for retirement benefits, it does not contract with CalPERS for health benefits and is thus precluded from participating in the pre-funding program.

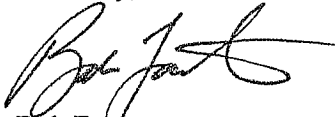
CalPERS' OPEB pre-funding model is based on the same system used to meet pension obligations for CalPERS agencies such as Long Beach. That model relies principally on investment earnings to meet pension obligations, and provides greater investment returns than most municipalities would be able to generate on their own given CalPERS' unique investment policies, purchasing strength in the capital markets and low administrative costs.

AB 554 will provide Long Beach with greater flexibility to meet its OPEB obligations by permitting, but not requiring, participation in CalPERS' OPEB pre-funding program. If made available CalPERS' pre-funding program would be a preferred option for cities that choose to pre-fund their post-employment health benefits as CalPERS has already created the administrative, financial and reporting infrastructure to ensure compliance with Governmental Accounting Standards Board (GASB) pronouncements 43 and 45 related to other-post employment benefits.

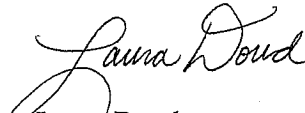
As the fifth largest city in California with a health care benefits program totaling \$60 million annually for both employees and retirees, Long Beach is exploring all pre-funding options to reduce its future OPEB liabilities. The CalPERS pre-funding trusts are an excellent mechanism to achieve this goal. We believe cities like Long Beach should be afforded the option of utilizing these mechanisms to meet their post-employment obligations.

Thank you for introducing this important piece of legislation.

Sincerely,



Bob Foster  
Mayor of Long Beach



Laura Doud  
Long Beach City Auditor



Lori Ann Farrell  
Long Beach City Controller

CC: The Honorable Edward Vincent, State Senate, 25<sup>th</sup> District  
The Honorable Alan Lowenthal, State Senate, 27<sup>th</sup> District  
The Honorable Jenny Oropeza, State Senate, 28<sup>th</sup> District  
The Honorable Mervyn Dymally, State Assembly, 52<sup>nd</sup> District  
The Honorable Betty Karnette, State Assembly, 54<sup>th</sup> District  
The Honorable Laura Richardson, State Assembly, 55<sup>th</sup> District