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City's Deferral of CalPERS Payments

There has been discussion in the media recently about San Bernardino's deferral of payment of the City's portion of its CalPERS obligation. This decision was not taken lightly and is one of a number of difficult choices the City has had to make during San Bernardino's financial crisis. Due to the City's current cash flow deficit, it has been necessary to defer payment of some obligations to allow the City to keep providing the most basic and critical services to the community. Payroll to City employees and operating costs for essential services must be maintained while San Bernardino works through its structural deficit.

The City first deferred its CalPERS payment on 7/31/12, as is detailed in the Cash Flow Position report dated 9/4/12 available on the City's website, and in each cash flow report since then. Only the Employer portion of payments has been deferred; the City has continued to make the payment for the Employee portion in full. No CalPERS benefits, for current or retired employees, have been impacted at this point. Preserving the retirement benefits of its employees is a priority for the City and one that the City hopes to protect through restructuring of its finances and of its benefits packages so that they are affordable for both the City and its employees.

City management is in discussion with CalPERS regarding this situation. No formal action has been taken by CalPERS to terminate the City's contract and it is expected that CalPERS would communicate such intention to the City before initiating action. City officials are working diligently to correct San Bernardino's cash flow deficit and to resolve this situation. Much depends on the decisions of policymakers and how quickly they will act to correct San Bernardino's dire cash flow crisis.

This issue will be addressed further in the City's Pendency Plan and long term Plan of Adjustment. The Pendency Plan is being constructed now for anticipated presentation to the Common Council in the next few weeks.