



# CITY OF BIRMINGHAM

MAYOR RANDALL L. WOODFIN

PUTTING PEOPLE FIRST

Greetings,

Over the last few months, we have identified serious challenges related to the future of the city's Retirement and Relief Pension System. This year, with the approval of the 2018-2019 Operating Budget, the council joined me in addressing our annual obligation to the pension plan by increasing the payment by \$2.9 million in the current budget.

It was our first step in a long-term plan to deal with a problem that is 17 years in the making.

Being the son of public servants and personally serving the City of Birmingham as an employee for many years, I know the importance of a pension. I understand the confidence it brings to all of you as you think about the day you retire. That is why, in a commitment to transparency, I am sharing this with you and the need to address our pension problem now.

Birmingham currently has \$378 million in unfunded liabilities in the pension system. That means for the city to pay the pension benefits for all of our current and retired employees we need to put an additional \$378 million into the pension fund over the next 30 years.

For years, this issue has not been handled.

In 2001, the city's pension system was fully funded. A decision was made to increase the pension benefits for city employees. Unfortunately, by 2003, the city did not keep up with the contributions necessary to meet the needs of increased benefits. In addition, we all remember what happened in 2008 with the "Great Recession." Losses in investments created greater declines in the value of the pension fund, which have never completely recovered. The challenge facing Birmingham is not uncommon. Many municipalities are facing a similar problem.

Protecting our current and future retirees is of utmost importance.

Protecting those who serve our city in fire and police is of utmost importance.

However, employees under the age of 50 are the most likely to be impacted by these challenges.

For example, if you are 40 years old, you complete your career with the City of Birmingham and retire, based on the current situation not being addressed, you would not have a pension at the age of 70.

That is not acceptable.

Today, I am asking the pension board to work with me to come up with a solution.

If we act now, there is time to correct this problem, protect our employees and avoid a financial crisis for the city. Over the next couple of weeks, you will likely hear recommended actions to lead the pension fund out of the current situation.

As the problem didn't develop in just one year, it will take many years and a long-term commitment to make things better.

Please understand, if we do not take definitive action now, the city will face widespread financial problems. The city's credit rating will likely be lowered, creating an even greater challenge in fully funding the pension. Beyond that, it would have an immediate impact on efforts to fund projects like street and sidewalk repairs, the purchase of equipment and even the size of our workforce.

I understand this is a lot of information to consider. We want to provide transparency and offer support for the questions you may have. I encourage you to go to [www.birminghamal.gov/pension](http://www.birminghamal.gov/pension). In addition, please email questions to [pensionquestions@birminghamal.gov](mailto:pensionquestions@birminghamal.gov).

Please know that I value the service of each and every city employee.

Working together, we must protect our people. We must protect our pension.

Thank you.

Randall L. Woodfin  
Mayor of Birmingham