

Agenda Report

TO: City Council

DATE: December 10, 2007

THROUGH: Finance Committee

FROM: City Manager

SUBJECT: APPROVAL OF A JOURNAL VOUCHER TRANSFERRING \$3,185,103 FROM THE 1999 PENSION OBLIGATION DEBT SERVICE FUND TO THE GENERAL FUND NON-DEPARTMENTAL BUDGET TO COVER THE REQUIRED SUPPLEMENTAL CONTRIBUTION TO THE FIRE AND POLICE RETIREMENT SYSTEM PURSUANT TO CONTRIBUTION AGREEMENT #16,900 BETWEEN THE CITY OF PASADENA AND THE FIRE AND POLICE RETIREMENT SYSTEM.

RECOMMENDATION

It is recommended that the City Council approve a journal voucher transferring \$3,185,103 from the 1999 Pension Obligation Debt Service Fund to the General Fund Non-Departmental budget and appropriating said amount to Account 8043-101-952100 to cover the required supplemental contribution to the Fire and Police Retirement System pursuant to Contribution Agreement #16,900 between the City of Pasadena and the Fire and Police Retirement System.

BACKGROUND

The City of Pasadena and the Fire and Police Retirement System (System) entered into Contribution Agreement #16,900 in August 1999. The Agreement requires the City to provide supplemental contribution payments to the System if and when the System's unfunded liability falls below a pre-determined funding percentage. Under the Agreement, the required funding percentage for June 30, 2007 is 73.5%. The actual funding percentage per the System's Actuarial Valuation Report dated June 30, 2007 was 71.6%. In order to bring the funding level to 73.5%, the City must make a \$3.18 million supplemental contribution.

Under Contribution Agreement #16,900, the System conditionally assigned a series of revenue streams to the City. This was to provide a cash flow to cover the debt service on the 1999 Pension Obligation Bonds. The only restricted cash flow that was assigned to the City was the incremental property taxes from the Downtown Redevelopment Project Area. To the extent that the annual cash flow to the City from this source

exceeds the annual debt service, the City is required to set these funds aside to cover future debt service, future supplemental contributions and/or some other qualified payment to the System. As of June 30, 2007, the excess reserve balance being held by the City is \$26.6 million. This will be the source for the supplemental contribution and will not have an immediate affect on the City's General Fund. To the extent that these funds are exhausted because of future supplemental contributions, then the City would be required to find General Fund money to make the payments.

The System enjoyed strong investment returns in fiscal year 2007 exceeding its assumed return of 8% by approximately 8.5%, for a total return of approximately 16.5%. Nevertheless, based upon current projections supplemental contributions ranging up to \$5 million are expected over the next several years and then gradually declining thereafter. Should the performance of the System exceed the actuarial assumptions (e.g., higher earnings, lower inflation, etc.) as it did this past year, the City's annual contribution requirements will be less. Of course the opposite is true should the System under perform in relation to the actuarial assumptions.

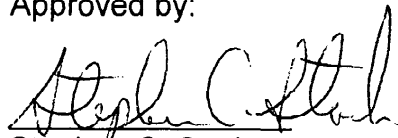
FISCAL IMPACT

By way of this action the City Council is asked to transfer \$3.18 million from the 1999 Pension Obligation Debt Service Fund to the Fire and Police Retirement System. As of June 30, 2007, there was \$26.6 million available in the 1999 Pension Obligation Debt Service Fund.

Respectfully submitted,


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City Manager

Approved by:


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Prepared by:


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Controller