

Agenda Report

December 13, 2010

TO: City Council

THROUGH: Finance Committee

FROM: Department of Finance

SUBJECT: APPROVAL OF A JOURNAL VOUCHER TRANSFERRING \$8,036,000 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 #18,550 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 \$8,036,000 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 #18,550 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 #18,550 in August 1999. The Agreement requires the City to provide supplemental contribution payments to the System if the System's unfunded liability falls below a pre-determined funding percentage. Under the Agreement, the required funding percentage for June 30, 2010 is 75.0 percent. The actual funding percentage based on the System's Actuarial Valuation Report for the period ending June 30, 2010 was 66.07 percent. The difference between these two percentages results in a minimum funding deficiency of \$14.8 million.

The Contribution Agreement requires the City to contribute based on the following calculations:

- 100% of the first \$3,000,000 of the deficiency \$3,000,000
- 40% of the difference (\$14,832,000-\$3,000,000 = \$11,832,000)
 $\$11,832,000 \times 40\% =$ \$4,733,000
- Required Supplemental Contribution, if made July 1, 2010 \$7,733,000
- Required Supplemental Contribution, if made January 1, 2011 \$8,036,000

The Fire and Police Retirement System's new actuary presents the required supplemental contribution in a slightly different format, showing the amount due on July 1 and the amount if paid January 1. As the actuarial report is not completed until October of each year, the July 1 contribution is only presented as information and for calculation purposes.

The actual and required supplemental contributions for the last six years were:

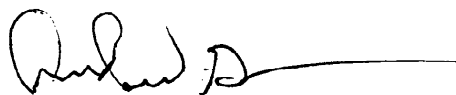
Fiscal Year Ended June 30	Actual Contribution	Required Contribution
2010	4,981,700	4,981,700
2009	956,100	956,100
2008	3,193,600	3,193,600
2007	3,839,100	3,839,100
2006	1,427,600	1,427,600

Under the Contribution Agreement, the System conditionally assigned a series of revenue streams to the City to provide a cash flow to cover debt service on pension obligation bonds issued by the City. 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 on the pension obligation bonds, 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, 2010, the excess reserve balance being held by the City is \$38.43 million.

FISCAL IMPACT:

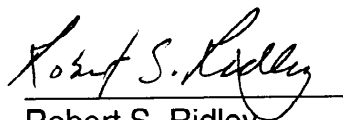
This transfer of \$8,036,000 from the 1999 Pension Obligation Debt Service Fund to the Fire and Police Retirement System is consistent with the amount anticipated. As of June 30, 2010, there was \$38.43 million available in the 1999 Pension Obligation Debt Service Fund.

Respectfully submitted,



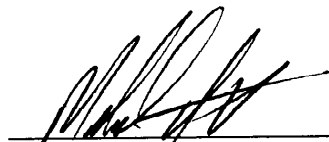
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