

AMENDED AND RESTATED CONTRIBUTION AGREEMENT NO.

This Amended and Restated Contribution Agreement (the "Agreement") entered into as of the ____ day of _____, 2011 by and between the City of Pasadena (the "City") and the Pasadena Fire and Police Retirement System (the "System");

WHEREAS, the System was established pursuant to Article XV, Section 1501 of the Charter of the City and was closed to new members on July 1, 1977; and

WHEREAS, under Article XVI, Section 17 of the California Constitution the Retirement Board of the System has plenary authority and fiduciary responsibility for administration of the System, and

WHEREAS, the City is the promisor/guarantor of all benefits provided, and to be provided, by the System to the System's members and their retirees and their beneficiaries and is therefore obligated to ensure that the System has sufficient funds to pay such benefits; and

WHEREAS, as of May 23, 1991, the City and the System entered into an agreement entitled Fire and Police Retirement System Contribution Agreement (the "1991 Agreement") pursuant to which the City agreed to make certain payments to the System; and

WHEREAS, as of March 18, 1999, the City and the System entered into an agreement entitled Contribution Agreement NO. 16,900 (the "1999 Agreement") pursuant to which the City agreed to make certain additional payments to the System and which superseded the 1991 Agreement; and

WHEREAS, as of June 28, 2004, the City and the System entered into an agreement entitled Settlement and Release Agreement NO. 18,550 (the "2004 Agreement") pursuant to which the City agreed to make certain additional payments to the System; and

WHEREAS, the System as of June 30, 2010 had assets with a market value of \$91,915,000 and an actuarial value of \$109,740,000 and an Actuarial Accrued Liability of

\$166,096,000, all as reported in the System's Actuarial Valuation as of June 30, 2010 of Bartel Associates LLC dated November 4, 2010 for the System's 2009/2010 fiscal year ending June 30, 2010, which determined, among other things, the City's fiscal year 2010/2011 Supplemental Contribution due on or before the first working day of January 2011 (the System's 2009/2010 "Actuarial Report"); and

WHEREAS, as of June 30, 2010, based upon the Actuarial Report, the City has unfunded actuarial liabilities to the System in the sum of \$56,356,000 based on actuarial value of assets; and

WHEREAS, the City and the System desire to amend and restate the 1999 Agreement as expressly provided herein, but to leave the 2004 Agreement in full force and effect; and

WHEREAS, the City and the System each has the power to enter into this Agreement and to perform the obligations required by it to be performed hereunder;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Proposed Issuance of Bonds of the City; Validation Action; Payment to the System.

(a) Subject to the satisfaction of the conditions precedent set forth in this Section and in paragraph (a) of Section 5, hereof, the City agrees to make reasonable efforts to cause to be issued, subject to the existence of market conditions satisfactory to the City, in the sole discretion of its City Council, an amount of pension obligation bonds (the "Bonds"), sufficient to generate a sum, which, after giving effect to the payment of costs of issuance for the bonds, shall be hereinafter referred to as "Net Proceeds." The Net Proceeds will be in the approximate amount of \$46.6 million, which is estimated as the amount that would have been necessary to have achieved a funding level for the FPRS of 85% based upon preliminary results for the System's June 30, 2011 actuarial valuation had the Net Proceeds already been contributed to the System on June 30, 2011. Based upon input from the System's actuary, the System and the City have calculated this amount as follows:

Estimated Actuarial Accrued Liability as of June 30, 2011, using 6% interest assumption and 3% inflation assumption	\$179.3 million
85% of Estimated Actuarial Accrued Liability as of June 30, 2011	\$152.4 million
Estimated Actuarial Value of Assets as of June 30, 2011	\$105.8 million
85% of Estimated Actuarial Accrued Liability (\$152.4 million) less Estimated Actuarial Value of Assets (\$105.8 million) equals Targeted Net Proceeds:	\$46.6 million

In the event the City determines that the market conditions are not satisfactory for the issuance of the Bonds, then the City may defer the issuance of the Bonds until such time as it is satisfied with market conditions.

(b) As soon as practicable after the approval of this Agreement by the City Council and the Retirement Board of the System (“Board”), the City will file, in Superior Court in and for the County of Los Angeles, pursuant to Sections 860, et. seq. of the California Code of Civil Procedure, a validation action (the “Validation Action”), the purpose of which, among other things, will be to obtain a judicial declaration as to the validity of the Bonds, the use of SB481 Receipts, as herein defined, in accordance with this Agreement and the other terms of this Agreement. The System agrees that, if requested, it will cooperate with the City and support the City’s positions in the Validation Action as it relates to the Bonds and this Agreement.

(c) As soon as practicable after obtaining a final judicial determination in the Validation Action, which is not subject to appeal, and which, to the satisfaction of the City, judicially validates the Bonds and the terms of this Agreement, the City will seek to issue Bonds,

if market conditions are satisfactory to it, in an amount sufficient to generate the Net Proceeds. The Net Proceeds shall be paid by the City to the System.

Section 2. Assignments by the System. The assignment of "SB481" receipts, as defined and described in Section 2 of the 1999 Agreement, by the System to the City shall remain in full force and effect. The City agrees that SB481 Receipts will be utilized only for purposes related to the pension obligation bonds described in the 1999 Agreement, the 2004 Agreement, and the Bonds producing the Net Proceeds described in this Agreement, including payments of principal of or interest or any premium due on such pension obligation bonds, payments on account of credit support, liquidity support or remarketing support for such pension obligation bonds, payments by the City to the System contemplated by Sections 4 or 6, hereof, or otherwise, and payments to reimburse the City on account of General Fund monies of the City used to make any other payments contemplated by this sentence. Pending disbursement of SB481 Receipts in accordance with the foregoing, the same shall be held by the City in the Treasurer's investment pool and may be invested in accordance with the guidelines of the Treasurer of the City for the investment pool. Earnings and profits generated from the investment of SB481 Receipts shall also be held by the City and utilized for the same purposes as SB481 Receipts are to be used hereunder.

Section 3. Allocation of Bond Proceeds By the System.

(a) The Net Proceeds, together with existing assets of the System, shall be applied to projected liabilities of the System in the following order: Funded Basic Benefits, Unfunded Basic Benefits, 1919 Benefits and COLA Benefits. For purposes of this Agreement, the following words shall have the meanings set forth below.

DEFINITIONS

Funded Basic Benefits

"Funded Basic Benefits" means all service retirements and all death annuities and disability pensions for members of the System over age 50 at disability.

Unfunded Basic Benefits

“Unfunded Basic Benefits” means all death and disability pensions granted to beneficiaries of the System at the date of retirement or death (except disability benefits granted over age 50).

1919 Benefits

“1919 Benefits” means benefits provided to beneficiaries of the System by the 1919 Charter of the City.

COLA Benefits

“COLA Benefits” means all post retirement increases in benefits to beneficiaries of the System.

The allocations contemplated by this paragraph (a) shall be made in respect of the various Benefits categories as shown in the System’s actuarial report most recently published prior to the transfer of Net Proceeds to the System; for purposes of illustrating this, based upon the preliminary results for the System’s Actuarial Valuation as of June 30, 2011, and after giving effect to the issuance of Bonds and the payment of Net Proceeds to the System, System assets would have been allocated against the present value of liabilities as of June 30, 2011, as set forth below.

Funded Basic Benefits	\$59.3 million
Unfunded Basic Benefits	\$15.0 million
1919 Benefits	\$0 million
COLA Benefits	\$78.1 million

Accordingly, upon payment of such Net Proceeds to the System, for purposes of this Agreement, the obligation of the City to make contributions to the System, with the exception of a portion of the COLA Benefits, would have been deemed satisfied, except for the payments called for hereunder. Based upon the preliminary results for the System’s Actuarial Valuation as of June 30, 2011, this would have left a projected unfunded liability for the System (which would have consisted of remaining liability for COLA Benefits) of \$26.9 million.

(b) After giving effect to the allocation of System assets reflecting payment of the Net Proceeds, all as described in paragraph (a) above, the City will not make any further contributions for the Funded Basic Benefits for so long as such Benefits are deemed, for purposes of this Agreement, fully funded, by virtue of the allocations contemplated by paragraph (a) above, to the various categories of Benefits as shown in the most recently published actuarial report of the System. If by virtue of such allocations the System assets become insufficient to fully fund Funded Basic Benefits, then the contributions by the City to fund those Benefits will resume until such time as those Benefits again are deemed fully funded, by virtue of the allocations contemplated by paragraph (a) above, to the various categories of Benefits as shown in the most recently published actuarial report of the System. For purposes of this paragraph (b), Funded Basic Benefits shall be deemed unfunded for such year as the actuarial report for the System for such year shows that the assets then held by the System are less than the present value of the liabilities for all Funded Basic Benefits for active and vested terminated employees and retirees. These resumed contributions will be made without regard to, and in addition to, the Reimbursement Cap, as herein defined, for 1919, Unfunded Basic, and COLA Benefits described in Section 4 hereof. In addition, with the exception of contributions by the City and Employee-Members pursuant to Section 1509.81 of the City Charter ("Section 1509.51 Amounts"), the City will no longer contribute the annual amounts formerly contributed for 1919 Benefits, Unfunded Basic Benefit reimbursements, and COLA Benefits, except as provided in Section 4 hereof. As the value of the System's assets fluctuate, all gains and/or losses will be reflected in the COLA Benefits allocation, unless the losses exceed the unfunded COLA Benefits in which case they would be reflected in other Benefits categories as well, starting with the 1919 Benefits and Unfunded Basic Benefits and then the Funded Basic Benefits.

Section 4 Supplemental Payments by City.

(a) Following the payment by the City of the Net Proceeds to the System, there will be no future payments to the System by the City for Unfunded Basic Benefits, 1919 Benefits and COLA Benefits so long as the System remains above the following minimum funding percentages in any annual actuarial valuation as of a date following the payment by the City of the Net Proceeds to the System. The minimum funding percentages will be determined in the same manner as the funded percentages calculated as of each valuation date as shown in the

System's actuarial valuation reports derived by dividing the actuarial value of assets by the actuarial accrued liability. For the 2011/2012 fiscal year of the System ending June 30, 2012, the minimum funding percentage for that year's valuation used to calculate the City's Supplemental Payment for the first day of January of the following fiscal year (2012/2013), shall be 76%. For each succeeding fiscal year, the minimum funding percentage (which shall be recalculated each year on the basis of an actuarial report for each such year), will increase by $\frac{1}{2}$ % per year, over an 8 year period, up to 80% for the fiscal year ending June 30, 2020. Once the minimum funding percentage reaches 80% it may, but need not, be changed thereafter by the System in accordance with fiduciary standards of prudence and actuarial soundness, with the City reserving the right to challenge the reasonableness of such change by appropriate judicial action. In the event that the overall System falls below the required minimum funding percentage in any fiscal year, the City will reimburse the System, in the following fiscal year, up to a dollar amount equal to the payments in respect of Unfunded Basic Benefits, 1919 Benefits and COLA Benefits made by the System in the prior fiscal year (the "Reimbursement Cap"), up to the amount necessary to restore the System to the full minimum funding percentage as of the last day of the preceding fiscal year subject to adjustment, as hereinafter described in this paragraph (a) (each such payment being herein called a "Supplemental Payment"). In order to protect the City against large swings in asset value in the System from one fiscal year to the next, for any fiscal year for which the City is required to make any Supplemental Payment, the City will contribute the total amount of the Supplemental Payment, if not greater than \$3 million, not later than the later of the first working day of January of the fiscal year following the year for which the minimum funding percentage has fallen below the required amount, or thirty days following receipt by the City of the audited financial statements of the System for such fiscal year. For those fiscal years for which the total amount of the calculated Supplemental Payment is greater than \$3 million, the City will pay \$3 million to the System and pay any remaining amount as follows: 20% thereof payable not later than the later of the first working day of January of the first fiscal year following the base year for which such deficit is calculated or thirty days following the receipt by the City of the audited financial statements of the System for the base year for which such deficit is calculated; if a funding deficit of the minimum funding requirement is also calculated for the first fiscal year following the base year: 40% thereof payable not later than the later of the first working day of January of the second fiscal year following the base year, or thirty days following the receipt by

the City of the audited financial statements of the System for the first fiscal year following the base year; if a funding deficit of the minimum funding requirement is calculated for the second consecutive fiscal year after the base year: 60% thereof payable not later than the later of the first working day of January of the third fiscal year following the base year, or thirty days following the receipt by the City of the audited financial statements of the System for the second fiscal year following the base year; if a funding deficit of the minimum funding requirement is calculated for the third consecutive fiscal year after the base year: 80% thereof payable not later than the later of the first working day of January of the fourth fiscal year following the base year or thirty days following the receipt by the City of the audited financial statements of the System for the third fiscal year following the base year; and if a funding deficit of the minimum funding requirement is calculated for the fourth consecutive fiscal year after the base year: 100% thereof payable not later than the later of the first working day in January of the fifth fiscal year following the base year, or thirty days following the receipt by the City of the audited financial statements of the System for the fourth fiscal year following the base year; if a funding deficit of the minimum funding requirement is calculated for the fifth or any later consecutive fiscal year after the base year and which is not fully funded during the following fiscal year: 100% of the remaining amount thereof payable not later than the later of the first working day in January of the fiscal year following each such fiscal year or thirty days following the receipt by the City of the audited financial statements of the System for each such fiscal year, subject in each year to the Reimbursement Cap for the year for which the calculation is being made.

Once the required minimum funding percentage has been met, no subsequent Supplemental Payment shall be required by the City under the foregoing formula. If, thereafter, a new funding deficit in the minimum funding requirement occurs for a subsequent fiscal year, a new base year begins, and such deficit shall be paid by the City to the System in accordance with the foregoing formula, as if there had not been any prior funding deficit.

(b) The City and System agree that if the Net Proceeds are deposited by the City with the System by March 31, 2012, for purposes of the above paragraph the Net Proceeds will be treated as if they had been assets of the System as of June 30, 2011 and that as of that date there would be no funding deficit in the minimum funding requirement and therefore no Supplemental

Payment owed to the System by the City in fiscal year 2011/2012. To facilitate this agreement, the Supplemental Payment that would otherwise be due to the System on January 3, 2012 will instead be due by March 31, 2012. If the Net Proceeds are not deposited with the System by March 31, 2012 and the City is therefore required to make the Supplemental Payment, interest will be paid by the City at the actuarially assumed rate specified for the June 30, 2011 valuation of six percent (6%) from January 3, 2012 until the date the City makes this Supplemental Payment.

(c) For the 8-year period during which the minimum funding percentage will increase by only ½% per year in the absence of further agreement between the City and the System, the funded percentage for a particular year shall be the funded percentage shown in the System's annual actuarial valuation report as of June 30 for that year derived by dividing the actuarial value of assets by the actuarial accrued liability of the System. The City and the System agree that for the System's actuarial valuation report as of June 30, 2011, the System will use an interest rate assumption of 6% and an inflation assumption of 3%. Commencing with the System's actuarial valuation report as of June 30, 2012, from time to time, but not less often than annually, the System shall adopt an assumed interest rate and inflation assumption to be used to calculate the actuarial value of System assets and liabilities. Such assumptions shall be based on analysis performed by the System's Actuary and after seeking input from the City and the System's professional investment consultant.

Section 5 Conditions Precedent to Performance Hereunder.

(a) The City's obligations under Sections 1(a) and 1(c) shall be conditioned upon the following which may be waived by the City, through action of its City Council, in its sole discretion:

(i) The Retirement Board of the System shall have approved this Agreement and authorized its execution and delivery, and evidence of such approval satisfactory to the City shall have been furnished to the City;

(ii) The Court in the Validation Action shall have entered a judgment, which shall have become final and no longer be subject to appeal or review, which approves the validity of the Bonds and the validity of the terms of this Agreement to the satisfaction of the City;

(b) Except as otherwise provided herein, the System's obligations hereunder shall be conditioned upon the following which may be waived by the System:

(i) The City Council of the City shall have approved this Agreement and authorized its execution and delivery, and evidence of such approval satisfactory to the System shall have been furnished to the System.

(ii) The City shall have issued the Bonds and have tendered to the System the Net Proceeds; and

(iii) The City shall have made all interim payments required hereunder by Section 6 hereof.

(c) If all of the conditions specified in this Section 5 are not satisfied, or waived, by June 30, 2012, or such other date as to which the parties hereto shall agree, in writing, then, with the sole exception of Section 4(c) above, this Agreement shall terminate and be of no further force and effect. In that event, the 1999 Agreement shall be reinstated and shall govern the respective obligations of the City and the System except that Section 4(c) of the 1999 Agreement shall be amended by deleting the entire existing text of that subsection and substituting the entire text of Section 4(c) above.

(d) Notwithstanding anything to the contrary contained in this Agreement, the 2004 Agreement shall remain in full force and effect.

Section 6 Interim Payments by City.

Until such time as the Net Proceeds are paid to the System, the City will be obligated and agrees to pay contributions to the System calculated according to Section 4 of the 1999 Agreement as amended by Section 4(b), 4(c) and 5(c) above.

Section 7 Termination of Prior Version of 1999 Agreement and Releases.

(a) Except for the obligations set forth in this Agreement and the 2004 Agreement and subject to the payment to the System of the Net Proceeds, each of the City and the System, for itself, its successors and assigns, hereby releases the other and its governing body, officers, employees, agents and representatives from any and all claims, actions, causes of action, whether known, unknown, ripened or in contingency, arising out of or relating to the respective performance by the City or the System of the prior version of the 1999 Agreement, it being the intent of the parties that, upon receipt of the Net Proceeds by the System, the rights and duties of the parties under the prior version 1999 Agreement shall terminate and be of no further force and effect and there should be no residual rights by one party against the other for any claims arising out of or relating to the prior version of the 1999 Agreement.

(b) Pending payment to the System of the Net Proceeds pursuant to the terms of this Agreement, all claims by the System against the City arising out of or relating to the prior version of the 1999 Agreement, and by the City against the System arising out of or relating to the prior version of the 1999 Agreement, not already time barred, are preserved and all time bar defenses in respect of such claims are hereby tolled until the earlier of: (i) the payment of the Net Proceeds in accordance with Section 1 (c) hereof (in which case all such claims thereupon terminate as provided in paragraph (a) of this Section 7; or (ii) termination of this Agreement in accordance with Section 5 (c) hereof, (in which case all such non-previously-time-barred claims thereupon are preserved, but again become subject to bar by the passage of time after the date of such termination-).

Section 8 Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties, in writing, from time to time, namely:

If to the City:

City of Pasadena

100 North Garfield Avenue

Pasadena, CA 91109

Attention: Director of Finance

If to the System:

Fire and Police Retirement System

100 North Garfield Avenue

Pasadena, CA 91109

Attention: Secretary to the Retirement Board

Section 9 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City and the System and their respective successors and assigns.

Section 10 California Law. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California.

Section 11 Section Headings. All section headings contained herein are for convenience or reference only and are not intended to define or limit the scope of any provision hereof.

Section 12 Execution. This Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one

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and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Agreement by their officers thereunto duly authorized as of the day and year first above written.

CITY OF PASADENA

By: _____
City Manager

(SEAL)

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM

By: _____
City Attorney

PASADENA FIRE AND POLICE
RETIREMENT SYSTEM

By: _____
Retirement Board Chair

Attest:

By: _____
Secretary to the Board

(Amended and Restated Contribution Agreement - Oct 11, 2011.doc)