

Agenda Report

DATE: November 19, 2001

TO: City Council
Attn: Finance Committee

FROM: City Manager

SUBJECT: Annual progress report on City's funding of the Fire and Police Retirement System

RECOMMENDATION:

It is recommended that the City Council receive and file this report.

BACKGROUND:

Under the terms of Senate Bill 481, the City is required to prepare an annual report on the status of the Fire and Police Retirement Fund and demonstrate its progress toward funding the Fire and Police Retirement System. This report complies with the SB 481 requirement.

On March 18, 1999, a new contribution agreement was entered into (Contribution Agreement No. 16,900) between the City and the Fire and Police Retirement System. The new agreement proposed the issuance of Pension Obligation Bonds sufficient to generate \$100 million net proceeds and the assignment of those proceeds to the Fire and Police Retirement System. Upon receipts of the \$100 million by the FPRS, the prior agreement shall be of no further force and effect and the City shall stop all contributions to the System except for the employer and employee COLA contributions. This will remain in effect as long as the System maintains annually a certain funding level as described in Section 4 of the new agreement. Supplemental payments by the City shall be required if the annual required funding level drops below the minimum levels as outlined in Section 4 of Contribution Agreement No. 16,900.

On July 29, 1999, the City issued its Taxable Pension Funding Bonds, Series 1999, and transferred \$100 million net proceeds to the Fire and Police Retirement System.

Status of the Fire and Police Retirement Fund as of 6/30/2001.

As of June 30, 2001, the Fire and Police Retirement System had 335 pensioners and 33 active members. Total benefits paid to pensioners in Fiscal Year 2001 were \$12,019,000 compared to \$11,794,000 paid in Fiscal Year 2000. This represents a 1.19% increase. The present value of all future benefit payouts as of 6/30/01 was \$194.7 million, an increase of 3.84% compared to 2000, and the value of all assets as of June 30, 2001 was \$154.3 million, a decrease of 4.04% compared to 2000. Based on the System's actuarial valuation as of 6/30/01, the total assets of the system were \$154.3 million and total liabilities of \$194.7 million. This represents a funding percentage of 79.2%. The actuarial assumptions used to arrive at the present value figure for the City's liability and contributions are 4.4% COLA to benefit payments, an 8.2% rate of return on investments and 5.6% projected salary increases.

in millions	<u>June 30, 2000</u>	<u>June 30, 2001</u>
Liabilities	\$187.5	\$194.7
Assets	160.8	154.3
Funded Percentage	85.7%	79.2%

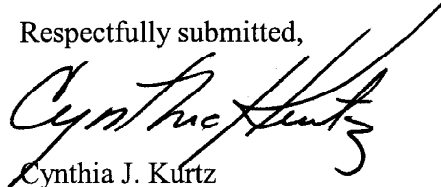
Actuarial assets and liabilities as of 6/30/2001

Present value of Total Liabilities	(194,666,360)
<u>Less:</u>	
assets held in trust	152,700,020
Present Value of future member contributions	1,154,645
Balance	(40,811,695)
<u>Present Value of City Contributions</u>	
(a) Funded Basic benefits	0
(b) Unfunded Basic including 1919 benefits	0
(c) Statutory 5% COLA	412,373
(d) Pension Obligation Bond Proceeds	0
(e) General Fund (Supplemental)	0
(f) Conference Center Debt Service (Supplemental)	0
(g) Hi Pressure Sodium Loan (Supplemental)	0
Total PV of City Contributions	412,373
Surplus (deficit)	<u>(40,399,322)</u>
Percentage Funded	79.2%

FISCAL IMPACT

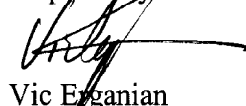
The assumptions used in the valuation of the System as of 6/30/00 were: 8.2% interest rate, a salary increase assumption of 5.6%, and cost of living increase of 4.4%. Under this set of assumptions, it is estimated that the City will have to make supplemental contributions starting in fiscal year 2006 (table 1).

Respectfully submitted,



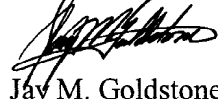
Cynthia J. Kurtz
City Manager

Prepared by:



Vic Erganian
City Treasurer

Approved by:



Jay M. Goldstone
Director of Finance