

Agenda Report

DATE: November 20, 2000

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.

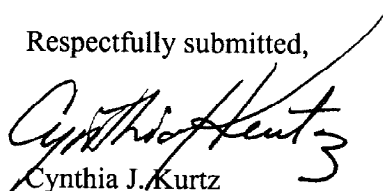
On July 29, 1999, the City issued its Taxable Pension Funding Bonds, Series 1999, and transferred \$100 million net proceeds to the Fire and Police Retirement System.

FISCAL IMPACT

In fiscal year 2000 the City contributed \$100 million of the pension bond proceeds to the Fire and Police Retirement System under the terms of Contribution Agreement 16,900 and continued the employee portion of the COLA contributions.

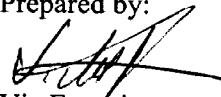
The assumptions used in the valuation of the System as of 6/30/00 were: 8.1% interest rate, a salary increase assumption of 5.5%, and cost of living increase of 4.4%. Under this set of assumptions, it is estimated that the City will have to make supplemental contributions starting in fiscal year 2009 (table 1).

Respectfully submitted,



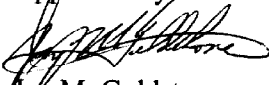
Cynthia J. Kurtz
City Manager

Prepared by:



Vic Erganian
City Treasurer

Approved by:



Jay M. Goldstone
Director of Finance