

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: December 15, 2008
Reviewed by: BP

SUBJECT: Pension Plan Side Funds Payment

REPORT BY: Charles Adams, Finance and Administrative Services Director

STAFF RECOMMENDATION

That the City Council authorize payment of \$1 million from the Pension Property Tax Fund, to reduce the PERS Safety Police and Fire Pension Plans side funds.

BACKGROUND

The City of Albany Pension Override Tax provides funding of contributions to the pension plans of City employees.

In June of 2003, the CalPERS Board implemented a requirement that plans with less than 100 active members be assigned to risk pools for purposes of establishing contribution rates. The purpose of the risk pools is to reduce fluctuation in employer rates at CalPERS. The procedures for implementation of the risk pools required that a side fund be established for each plan as it enters a pool. The side fund takes into account the level of assets and liabilities in effect at the time of joining a risk pool. The side fund also accrues interest charges on the outstanding balance at a rate of 7.75%, which is the rate used for earning on plan assets in the actuarial valuation. These side funds are amortized over time by adding the amortization to the employer's contribution rate.

In May 2007, the Council authorized payment of \$1 million on the balance of the side funds for Police and Fire Plans of the City. Side funds of approximately \$853,000 for Police and \$754,000 for Fire remain at June 30, 2008.

DISCUSSION/ANALYSIS

As of June 30, 2008, the fund balance of the Pension Property Tax Fund is \$1.6 million, and we can confidently project that a carry-forward balance of \$600,000 plus anticipated fiscal year 2008-09 revenue of \$1.8 million will cover the current contribution to the CALPERS Safety Pension Plans and the contribution to the closed Police and Fire Relief or Pension Fund.

SUSTAINABILITY IMPACT

Not applicable.

FINANCIAL IMPACT

A pay down of \$1 million of the Police and Fire Pension Plan side funds will reduce the fiscal year 2009-10 contribution rates by approximately 4.5 percentage points.

The City's General Fund will benefit by lowering the employer pension contribution rate in fiscal year 2009-10 and future years. Reduction of the side fund balance will have an overall economic benefit to the City by reducing the annual PERS interest charge on the side fund, which is computed at 7.75%.