

Reply to Common Council File No. 021730

From DOA-Budget and Management Division

April 3, 2003

Ref: 03013

Common Council File No. 021730 is a charter ordinance relating to annuity increases for participants in the Policemen's Annuity and Benefit Fund (PABF). Adoption of this charter ordinance authorizes a catch-up provision for retired policemen and widows of retired policemen receiving benefits from the Policemen's Annuity and Benefit Fund. The catch-up adjustment is patterned after the catch-up provided to retired members of the Employees' Retirement System who retired prior to October 1, 1987, embodied in s. 36-05-1-I-1-a.

As determined by the Fund's actuary, **the fiscal impact of this catch-up adjustment ranges between \$4,585,280 (60% of inflation adjusted base) to \$3,820,580 (30%) over the next 5 years. Implementation of this benefit would increase the city's tax-levy supported pension contribution to the Fund by approximately \$1.0 million per year.** Further, since this adjustment was not included as part of the 2003 budget, adoption of this ordinance would require a Contingent Fund transfer to the PABF of approximately \$1.1 million this year.

If approved, this charter ordinance would create further pressure on the city's financial environment in general, and the Policemen's Annuity and Benefit Fund specifically. In January 2002, our office notified the Committee that based on the expected payment of benefits to members, the Fund could be depleted within three to five years (depending upon market performance). Should these projections materialize, the city would be required to make increased contributions to the PABF starting in 2005 or 2006 in order to ensure that PABF members receive their pension benefits. At that time, we estimated that the present value of the projected contributions from 2005-2011 totaled \$3.8 million. It is the intention of the Administration to increase the city's contribution to the Fund starting in the 2004 budget in an effort to amortize this liability over the next several years.

In addition to amortizing the PABF's unfunded liability in 2004, Mayor Norquist has also indicated that if funds are available, he would like to continue to make an appropriation to the PABF "Lump-sum Contribution" account. A total of \$2.1 million has been allocated to the Lump-Sum Contribution account for PABF annuitants in budget years 2001, 2002 and 2003.

**RECOMMENDATION: DUE TO CITY FINANCIAL
CONSTRAINTS, PLACE COMMON COUNCIL FILE NO. 021730
ON FILE.**


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Budget and Management Team Leader