

File No. 001312 is a resolution providing supplemental pension benefits for 2001 for certain retired City employees.

Background

1. The Retirees Benefit Adjustment Fund Special Purpose Account funds the cost of supplemental pension benefits to certain former City employees who retired prior to 1984. Recipients include certain members and surviving spouses of the Employees' Retirement System, the Policemen's Annuity and Benefit Fund, the Firemen's Annuity & Benefit Fund and former Town of Lake retirees. These supplements are non-contractual, and are subject to continuation or termination by Council action.
2. Supplemental benefits are intended to offset some of the impact of inflation and compensate those individuals who retired prior to 1995, when legislation improving retirement benefits was enacted. Since pension benefits for these participants are not effected by any cost-of-living adjustments, inflation erodes purchasing power over time.
3. The City's legislation restricts the combination of pension plus City supplements to no more than \$1,180 a month. Supplements are structured to provide the greatest amount of benefits to those individuals retired for the longest period of time, and who have experienced the most exposure to inflation.

Discussion

1. \$886,000 was included in the 2000 Budget to fund supplemental pension benefits for 2000. The fund included two components:
 - \$586,000 for continued supplemental pension benefits.
 - \$300,000 for an additional one-time payment for members of the Fire and Police Annuity & Benefit Funds.
2. For 2001 the Budget to fund supplemental pension benefits was decreased significantly to \$417,000 (53%). This reduction was based upon anticipated increases in retirees monthly pension benefits due to the global pension settlement. The anticipated monthly pension increase would result in lower supplemental payments because of the \$1,180 cap on combined monthly pension and supplemental benefits.
3. The monthly supplemental benefits will continue as provided in 1999 and 2000. The one-time payment for members of the Fire and Police Annuity & Benefit Funds was eliminated in the 2001 Budget.

Fiscal Impact

1. The 2001 Budget includes \$417,000 in the Retirees Benefit Adjustment Fund SPA for supplemental pension benefits. ERS indicated \$527,350 was expended in 2000 for monthly supplemental benefits. **The \$527,350 does not include the one-time additional payment** in 2000 for which \$300,000 was budgeted.
2. ERS anticipates a carryover of \$77,000 from 2000 to 2001, which will bring the total available balance in the Retirees Benefit Adjustment Fund SPA to \$494,000. Even with the carryover ERS anticipates a shortfall in this account in 2001 ranging from \$10,000 to \$30,000. The shortfall will be determined primarily on the number of participants who expire during 2001 and when the global pension settlement is implemented.

Other Information

1. The City's Budget and Management Division indicated approximately 600 retirees receive a monthly supplement from this fund.

Cc: Marianne C. Walsh
Anne Bahr
W. Martin Morics
Laura Engan

Prepared by Hattie E. Billingsley
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