

Reply to Common Council File No. 050067
From DOA-Budget and Management Division

May 16, 2005

Ref: 05005

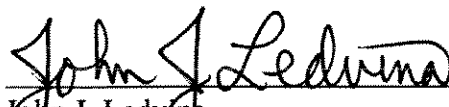
Common Council File 050067 contains a substitute charter ordinance relating to amortization of any unfunded liability for the Policemen's Annuity and Benefit fund. The amortization period would change from five to ten years. This would decrease the annual tax levy appropriation to approximately \$518,000 in 2006 rather than \$905,000 under a five year amortization. In 2005, the appropriation totaled \$1,375,773 including \$768,124 required by the PABF Board resolution based on its actuary's calculation of the unfunded liability, a \$400,000 supplemental contribution, and a \$207,649 voluntary contribution toward the unfunded liability.

The PABF Board approved the change to a ten year amortization at its May 3, 2005 meeting. The Board's actuary did not object to the ten year amortization in her April 21st letter to Budget Director Mark Nicolini and PABF Board President Ray Bednarek.

The PABF Board also approved benefits improvements for all members increasing the minimum monthly payment from \$427 to \$500 per month and increasing payments for annuitants above the minimum by \$60 per month. The \$500 per month minimum impacts 86 of the 183 members (47%) and increases benefits by up to 17%.

While the unfunded liability increases from \$3.1 million to \$3.8 million, amortizing it over ten years moderates the impact on the tax levy and secures the benefits that the Charter provides. This benefit improvement also eliminates the uncertainty of supplemental contributions for annuitants.

RECOMMENDATION: APPROVE THE CHARTER ORDINANCE RELATING TO AMORTIZATION OF ANY UNFUNDED LIABILITY FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND.



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