

Reply to Common Council File No. 121417  
From DOA Budget and Management Division

February 22, 2013

Ref: 13004

Common Council File 121417 contains a charter ordinance relating to the employer contribution to the combined fund of the employees' retirement system. This reply will summarize the proposal and state our recommendation. If you are seeking more detail, then refer to our letter that is included with the file that provides detailed information on the proposal.

This proposal addresses two issues:

1. Current pension contribution calculations are influenced by the rate of return which could vary dramatically year to year but are relatively stable over the long term. The proposed contribution calculation will stabilize the pension contribution since the payment will be based on a percentage of covered wages. Covered wages tend to move very little from year to year.
2. The charter currently includes a "full funding limit" which means there is no employer pension contribution when the fund has a funded ratio of 102% or higher. The proposal is to eliminate this provision which again would allow the contribution to become stable. An example would be in 2009 when no contribution was necessary but in 2010 the contribution jumped to almost \$50 million. The new contribution method would eliminate this volatility.

Although it is still being reviewed, the actuary estimates the percentage of covered wages needed to make a sound contribution is 18%. This would be applied for five years and at that time would be analyzed by the actuary for potential adjustment.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER  
121417.**

  
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Budget and Policy Manager Senior

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