

## **LRB – FISCAL REVIEW SECTION ANALYSIS**

**JANUARY 14, 2004 AGENDA**

**ITEM 3, FILE 031276**

**FINANCE & PERSONNEL COMMITTEE**

**JAMES CARROLL**

File #031276 is a resolution related to the deposit of \$3.0 million for 2003 and \$2.45 million for 2004 in the Employer's Reserve Fund by the City to the Employees' Retirement System.

### **Background**

1. The 2003 Budget included a \$3 million City contribution to the Employer's Reserve Fund and the 2004 Budget includes a \$2.45 million City contribution to Employer's Reserve Fund.
2. In 2001, the Employer's Reserve Fund was established to reserve voluntary contributions from the city and city agencies for the purpose of offsetting future pension obligations. At the time of the Global Pension Settlement, the actuarial firm of Milliman & Robertson estimated that a greater than 50% probability existed that the City's retirement system would have an unfunded liability by 2009. The Employer's Reserve Fund allows the City to reduce its potential future liability and risk if the rate of return on investments falls below the actuarial estimates.
3. The value of the Employers' Reserve Fund on January 1, 2003 was \$9,194,575. (This valuation does not include the \$3 million contribution provided for in the 2003 Budget and any changes in the market valuation of the Fund that have occurred during 2003, estimated to be 25%.)
4. The 2004 Budget includes a \$50,000 Special Purpose Account to provide funding to perform an actuarial study of the future reserve fund needs. The results of the actuarial study will assist in determining the level of funding provided for the Employer's Reserve Fund in future years.
5. The funding provided for the Employer's Reserve in the 2003 and 2004 Budgets totals \$5.45 million. The \$5.45 million is currently deposited in the City's general fund (Employer's Reserve Fund account).

### **Discussion**

1. This resolution formally appropriates the \$5.45 million from the general fund to the Employer's Reserve Fund.

### **Fiscal Impact**

The resolution authorizes the expenditure of the \$5.45 million from the general fund (Employer's Reserve Fund account) and the deposit of it in the Employer's Reserve Fund.

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