



## MEMORANDUM

**TO:** Jim Scholl, City Manager

**FROM:** Mark Z. Finigan, Assistant City Manager - Admin  
Roger D. Wittenberg, Finance Director

**DATE:** March 26, 2012

**SUBJECT:** Final Payment for FY 2011 Police and Fire Pension

A handwritten signature in black ink, appearing to be "M. Z. Finigan", is located to the right of the "FROM:" field.

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### **ACTION STATEMENT:**

Request approval by the City Commission to make a final City contribution in an amount of \$459,858 to the City of Key West Police Officers' and Firefighters' Retirement Plan for Plan Year Ending September 30, 2011.

The Fiscal Year 2011 minimum City funding requirement for the City of Key West Police Officers' and Firefighters' Retirement Plan as determined by the DuLaney & Company, Inc. Actuarial Report for Plan Year Ending September 30, 2011 was \$2,402,226. The City budgeted for Fiscal Year 2011 an estimated minimum City funding contribution of \$1,942,368.

### **BACKGROUND**

Many factors can affect the City's required minimum annual contribution. Specifically, changes in compensation, turnover, plan amendments, changes in plan assumptions, State law changes, State contributions and investment returns are generally the primary reasons for plan contribution changes from one year to the next. For these reasons it is very difficult to accurately predict the City's minimum required contribution in advance of the final actuarial report being released and subsequently accepted by the Plan's independent financial auditor.

The City's contribution is generally defined as a percentage of payroll. For Fiscal Year 2011 it was approximately 25% of payroll, or \$2,402,226. The City's required contribution was \$2,058,415 for Fiscal Year 2010, or 23% of payroll. For further comparison, in Fiscal Year 2009 it was 21% of payroll, or \$2,022,206 and for Fiscal Year 2008 it was 20% of payroll, or \$1,957,085. As demonstrated, movement of the minimum required contribution for any given fiscal year can change nominally or in some cases significantly. Over appropriating would be the easy solution, however, General Fund expenditure dollars are generally in short supply, so we have traditionally

budgeted for little if any “significant growth” over the prior period. Page 29 of the actuarial report provides you the growth history for the City’s contribution over the last twenty years.

In summary, City contributions to date for plan year ending September 30, 2011 have been the budgeted amount of \$1,942,368, leaving a balance of \$459,858 required to meet the minimum funding requirement of \$2,402,226. In future budget cycles the City should consider a policy of funding no less than the required minimum funding level required from the most recently audited calculation. For example, for Fiscal Year 2013 the City should appropriate no less than \$2,402,226 or the amount required for Fiscal Year 2011.

**FINANCIAL IMPACT:**

During the Fiscal Year 2011-12 adoption of the City’s Operating Budget in September 2011, Staff informed the Commission of the likelihood of a of minimum funding requirement shortage, the equivalent of approximately three to four General Fund Reserve days, or an estimated \$300,000 to \$400,000. In the same discussion Staff represented the General Fund unrestricted reserve estimate as we moved into Fiscal Year 2011-12 to be close to the upper limit of the City’s adopted Fund Balance Policy, or 91-92 days.

At Year End September 30, 2011 the City had approximately 87 days in unrestricted reserves, in addition to an allowance for this final contribution.

**RECOMMENDATION:**

Approve the resolution as requested in order to meet legally obligated minimum City funding requirement to the City of Key West Police Officers’ and Firefighters’ Retirement Plan for Plan Year Ending September 30, 2011.