



MEMORANDUM

TO: Bob Vitas, City Manager

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

DATE: October 19, 2012

SUBJECT: Final Payment for FY 2012 Police and Fire Pension

ACTION STATEMENT:

Request approval by the City Commission to make a final City contribution in an estimated amount of \$723,047 to the City of Key West Police Officers' and Firefighters' Retirement Plan for Plan Year Ending September 30, 2012, to include necessary budgetary changes.

The Fiscal Year 2012 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 \$2,693,130. The City budgeted for Fiscal Year 2012 an estimated minimum City funding contribution of \$1,970,083.

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 2012 it will be approximately 28.0% of payroll, or \$2,693,130. The City's required contribution was \$2,402,226 for Fiscal Year 2011, or 25% of payroll. For further comparison, in Fiscal Year 2010 it was 23% of payroll, or \$2,058,415 and for Fiscal Year 2009 it was 21% of payroll, or \$2,022,206. 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, 2012 have been the budgeted amount of \$1,970,083, leaving a balance of \$723,047 required to meet the minimum funding requirement of \$2,693,130. In future budget cycles the City has adopted a policy of funding no less than the required minimum funding level required from the most recently actuarial calculation. For example, for Fiscal Year 2013 the City will appropriate no less than \$2,693,130 or the amount required for Fiscal Year 2012.

FINANCIAL IMPACT:

During the Fiscal Year 2012-13 adoption of the City's Operating Budget, Staff informed the Commission of the likelihood of a minimum funding requirement shortage. In the same discussion Staff represented the General Fund unrestricted reserve estimate as we moved into Fiscal Year 2012-13 to be close to the upper limit of the City's adopted Fund Balance Policy, or 91-92 days, taking into account the \$723,047 fiscal year 2012 funding requirement.

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, 2012.