



General Employees Pension

Mission

To accumulate financial assets in order to provide long-term pension benefits to the City's general employees and their beneficiaries.

Goals

To accurately account for all the financial resources of the Pension Plan, whether earned through investments or contributed by the City and its employees, so as to ensure that funds will be available for the payment of benefits as they become due and to maintain the actuarial soundness of the Pension Plan.

Objectives

To provide accurate, timely, and efficient accounting of the activities related to the General Employees Pension Plan (GEPP), which is administered by the Principal Financial Group.

To keep the GEPP actuarially sound by funding it in accordance with the Annual Required Contributions, as determined by the Plan's actuary.

To invest the assets of the GEPP in accordance with the Investment Policy adopted by the City.

To ensure that all eligible general employees contribute 7.25% of their gross wages, as required by the Plan.

To correctly pay pension benefits in accordance with stated policy.

Major Functions and Activities

The General Employees Pension Plan was established by referendum in 1973 and restated on October 1, 1989. It has subsequently been amended by the following Ordinances:

ORDINANCE NUMBER	DATED
992	April 15, 1992
1058	December 15, 1993
1297	March 17, 1999
1413	June 19, 2002
1479	March 17, 2004
1515	May 18, 2005
1520	August 3, 2005
1555	August 16, 2006
1614	September 3, 2008
1668	August 4, 2010

The Pension Plan was established to provide retirement benefits to the general employees of the City.

The City is required to contribute an actuarially determined amount that, when combined with participants' contributions, will fully provide for all benefits as they become payable.

Until February 1, 2010, participants were required to contribute 8.5% of their regular wages. Effective February 1, 2010, participating employees contribute 7.25% of regular wages. The City's contribution is based on the actuarial valuation using the aggregate method.

As of October 1, 1998, all full-time employees, as defined in the 1973 Referendum, were required to participate in the Pension Plan as a condition of continued employment. Contributions were pre-tax. Upon normal retirement, a participant would receive a monthly pension amount equal to 2.85% of average yearly earnings for the highest two fiscal years of continuous service multiplied by years of service (not to exceed 28.07 years). Effective June 30, 2010 participation in the Plan became limited. No further contributions shall be made by bargaining unit members, and no additional benefits shall accrue to those members.

Budget Highlights

The Annual Required Contribution (ARC) for fiscal year 2012-13 is approximately \$6.7 million; this represents an increase of \$3.0 million or 81.1% over the 2011-12 actual contribution. This increase was mainly attributable to the disappointing investment performance over the last few years. Other factors contributing to the change in the ARC are a change in the mortality table used by the Actuary and a decrease in annual salaries over last year.

The GEPP budget includes an estimated annual rate of return of 7.75%, which approximates to \$12.1 million in investment income. The actuarial assumption of 7.75% represents the average long-term expected rate of return.

Effective July 1, 2012 the Principal Financial Group eliminated the annual fee deduction. This will save the Pension Plan approximately \$63,000 per year in fees.



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Accomplishments

The City's ARC for the fiscal year ending 2011-12 is \$3.7 million. This represented a \$0.4 million or 12.8% increase from the prior year, 2010-11. The City will be making the full contribution by the end of the 2011-12 year.

For the period ending June 30, 2012, the GEPP investments were valued at \$123.2 million. The annualized net rate of return for the GEPP was 13.7% for the nine months ending June 30, 2012.

General Employees Pension Performance Measures

Indicator	2009-10		2010-11		2011-12	2012-13
	Actual	Goal	Actual	Goal	Goal	Goal
Outputs						
Retired participants	348	292	356	350	353	364
Benefits (in millions) paid to participants	\$8.8M	\$6.5M	\$8.9M	\$8.3M	\$9.0M	\$9.0M
Average retirement age	57	55	55	55	55	55
Average salary increase	-0.15%	3.00%	-3.3%	0.00%	0.00%	0.00%
Effectiveness						
% of transfers completed within a week of due date	100%	100%	100%	100%	100%	100%
Return on investment	10.71%	8.00% **	1.44%	7.50%	7.75%**	7.75%
City contribution as a % of covered payroll	23.50%	58.30%	^22.30%	^19.40%	^25.15%	^45.52%
Efficiency						
% of administrative costs to total assets	0.08%	0.05%	0.11%	0.05%	0.05%	0.05%

** The actuarial assumption represents the average long term expected rate of return. It was increased from 7.5% in 2009-10 to 7.75% in 2010-11.

^ Covered payroll includes salaries for all active employees & inactive employees whose benefits were frozen effective 7-1-2010.

General Employees Pension - Budget Summary

Revenue Category	2009-10 Actual	2010-11 Actual	2011-12 Budget	2012-13 Budget
Investment Income	11,434,873	1,625,520	15,000,000	12,064,000
Pension Fund Contributions	4,660,765	3,570,754	4,009,516	6,931,032
Beginning Surplus	-	-	-9,929,516	-9,870,032
Total	16,095,638	5,196,273	9,080,000	9,125,000

Expenditure Category	2009-10 Actual	2010-11 Actual	2011-12 Budget	2012-13 Budget
Operating				
Professional Services	122,450	124,316	80,000	125,000
Pension Benefits	8,766,235	8,691,131	9,000,000	9,000,000
Other Current Charges and Obligation	-20,517	-8,281	-	-
Operating Subtotal	8,868,167	8,807,166	9,080,000	9,125,000
Total	8,868,167	8,807,166	9,080,000	9,125,000