



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 City 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 can be made by bargaining unit members, and no additional benefits can accrue to those members.

Any City employees hired on or after February 1, 2010, are not eligible to participate in the Plan.

Budget Highlights

The City's contribution to the General Employees Pension for fiscal year 2013-14 is approximately \$6.7 million, the same amount contributed in fiscal year 2012-13.

The GEPP budget includes an estimated annual rate of return of 7.75%, which approximates \$10.5 million in investment income. The actuarial assumption of 7.75% represents the average long-term expected rate of return.

Accomplishments

The City's ARC for the fiscal year ending 2012-13 is \$6.7 million. This represented a \$3.0 million or 81.1% increase from the prior year, 2011-12. The City will be making the full contribution by the end of the 2012-13 year.

On June 30, 2013, the GEPP investments were valued at \$134.0 million. For the nine months ended June



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30, 2013, the net rate of return for the GEPP was 11.34%.

The rate of return for the twelve months ended June 30, 2013, was 12.6%.

General Employees Pension Performance Measures

| Indicator | 2010-11 | | 2011-12 | | 2012-13 | 2013-14 |
|-----------------------------------------------------------------------------------------------------------|---------|--------|---------|---------|---------|---------|
| | Actual | Goal | Actual | Goal | Goal | Goal |
| Outputs | | | | | | |
| Retired participants | 356 | 350 | 355 | 353 | 364 | 375 |
| Benefits (in millions) paid to participants including those in the Deferred Retirement Option Plan (DROP) | \$8.9M | \$8.3M | \$8.3M | \$9.0M | \$9.0M | \$9.0M |
| Average retirement age | 55 | 55 | 55 | 55 | 55 | 55 |
| Average salary increase | -3.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Effectiveness | | | | | | |
| % of transfers completed within a week of due date | 100% | 100% | 100% | 100% | 100% | 100% |
| Return on investment | 1.44% | 7.50% | 19.44% | 7.75%** | 7.75% | 7.75% |
| City contribution as a % of covered payroll ^ | 22.30% | 19.40% | 25.52% | 25.15% | 45.52% | 51.70% |
| Efficiency | | | | | | |
| % of administrative costs to total assets | 0.11% | 0.05% | 0.08% | 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 General Employees except those in DROP and those hired after June 30, 2010.

General Employees Pension - Budget Summary

| Revenue Category | 2010-11 Actual | 2011-12 Actual | 2012-13 Budget | 2013-14 Budget |
|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Investment Income | 1,625,520 | 21,100,797 | 12,064,000 | 10,516,000 |
| Pension Fund Contributions | 3,570,754 | 3,985,040 | 6,931,032 | 6,908,908 |
| Beginning Surplus | - | - | -9,870,032 | -8,337,908 |
| Total | 5,196,273 | 25,085,838 | 9,125,000 | 9,087,000 |

| Expenditure Category | 2010-11 Actual | 2011-12 Actual | 2012-13 Budget | 2013-14 Budget |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Operating | | | | |
| Professional Services | 124,316 | 87,077 | 125,000 | 87,000 |
| Pension Benefits | 8,691,131 | 8,550,403 | 9,000,000 | 9,000,000 |
| Other Current Charges and Obligation | -8,281 | -5,820 | - | - |
| Operating Subtotal | 8,807,166 | 8,631,661 | 9,125,000 | 9,087,000 |
| Total | 8,807,166 | 8,631,661 | 9,125,000 | 9,087,000 |