

AGENDA ITEM SUMMARY

FORT COLLINS CITY COUNCIL

ITEM NUMBER: 20

DATE: May 18, 1999

STAFF: Alan Krcmarik

SUBJECT:

First Reading of Ordinance No. 83, 1999, Appropriating Prior Year Reserves in the General Employees' Retirement Fund.

RECOMMENDATION:

Staff recommends adoption of the Ordinance on First Reading.

FINANCIAL IMPACT:

The assets of the General Employees Retirement Plan are held in a trust fund. As of January 1, 1999, the date of the most recent draft actuarial report, the Plan assets totaled \$30 million. This Ordinance appropriates \$650,000. \$400,000 will be used for single sum benefit payments. The remaining \$250,000 will be used for transfer to the ICMA Retirement Corporation for the 72 employees who are expected to elect to convert from the GER Plan to the Money Purchase Plan.

EXECUTIVE SUMMARY:

In 1998 General Employees Retirement Plan (the "GER Plan") members were asked to elect whether they would like to transfer their defined benefit plan balance in the GER Plan to a money purchase plan. Of 800 active GER Plan members, 368 elected to convert from the GER Plan to the Money Purchase Plan. Employees hired in 1998 were not eligible to make the election to convert because they had not been employed by the City for at least six months. The General Employees Retirement Committee has now set up a conversion option for the 72 employees hired in 1998.

This Ordinance authorizes a \$400,000 appropriation to accommodate separated vested employees who have elected to take single sum payments from the GER Plan, thus terminating their membership in the GER Plan. The Ordinance also authorizes a \$250,000 appropriation for the employees hired in 1998 who have elected to convert their GER Plan benefits to the ICMA Money Purchase Plan.

BACKGROUND:

The City Council created the GER Plan in 1971 to provide a retirement benefit in addition to the Social Security system. Oversight is provided by a six-member committee, five of whom are appointed by Council, the other being the Financial Officer.

Within the last several years, the General Employees Retirement Committee (GERC) has sponsored several educational programs for members. Members identified several possible changes for the GER Plan. Two changes: lump sum distribution to separated vested members and conversion from defined benefit to money purchase plan were determined to be financially feasible and the GERC has pursued both option.

The single-sum benefit, approved by City Council in 1998, is designed to be actuarially neutral to the Plan. The employee is taking a lump sum amount from the Plan and the liability of providing a future pension benefit to the employee is being removed from the Plan.

The GER Plan actuary, Watson & Wyatt, conducted a financial analysis using the amounts to be transferred from the GER Plan to the money purchase plan. The analysis concluded that the transfer of the retirement balances of the 368 members would not, at the time of analysis, financially harm the GER Plan or the members who elected to remain. The actuary has advised that the amounts associated with the 72 employees hired in 1998 are not sufficient in size to financially harm the GERP plan or the members that remain in the Plan.

SUMMARY:

The GERC and staff recommend that Council authorize the \$650,000 appropriation from prior year reserves in the GER Plan.

ORDINANCE NO. 83, 1999
OF THE COUNCIL OF THE CITY OF FORT COLLINS
APPROPRIATING PRIOR YEAR RESERVES IN THE
GENERAL EMPLOYEES' RETIREMENT FUND

WHEREAS, Article V, Section 9 of the Charter of the City of Fort Collins (the "Charter") permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, the City has prior year reserves in the Fort Collins General Employees' Retirement Plan; and

WHEREAS, the City Council unanimously approved Resolution 98-86 amending the City of Fort Collins General Employees Retirement Plan to allow for a single sum benefit for vested former employees of the City; and

WHEREAS, the City Council unanimously approved Resolution 98-137 approving the amendment of the eligibility and contribution provisions of certain employee pension plans; and

WHEREAS, the City Council unanimously approved Resolution 98-138 amending the City of Fort Collins General Employees' Retirement Plan to allow for a conversion to a Money Purchase Pension Plan; and

WHEREAS, it is necessary to appropriate funds to accommodate an additional \$650,000 in single-sum benefit payments requests and new conversions from the defined benefit plan to the money purchase plan; and

WHEREAS, the General Employees' Retirement Fund has Plan Assets of approximately \$30.8 million available for appropriation.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS that there is hereby appropriated from prior year reserves in the General Employees' Retirement Fund, the sum of SIX HUNDRED AND FIFTY THOUSAND DOLLARS (\$650,000) to be used for single-sum benefit payments and conversions to the money purchase pension plan.

Introduced and considered favorably on first reading and ordered published this 18th day of May, A.D. 1999, and to be presented for final passage on the 1st day of June, A.D. 1999.

Mayor

ATTEST:

City Clerk

Passed adopted on final reading this 1st day of June, A.D. 1999.

Mayor

ATTEST:

City Clerk