

# AGENDA ITEM SUMMARY

## FORT COLLINS CITY COUNCIL

ITEM NUMBER: 6

DATE: November 29, 2005

STAFF: Chuck Seest

### SUBJECT

First Reading of Ordinance No. 159, 2005, 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 (the "Plan") are held in a trust fund. As of January 1, 2005, the date of the most recent draft actuarial report, the Plan assets totaled \$36.6 million. This Ordinance appropriates \$350,000 from prior year reserves in the trust fund.

### EXECUTIVE SUMMARY

The City Council created the 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.

The single-sum benefit, approved by City Council in 1998, is designed to be actuarially neutral to the Plan. When an employee elects to receive a lump sum amount from the Plan, the liability of providing a future pension benefit to the employee is removed from the Plan. Although actuarially neutral, voluntary elections of single sum payments reduce the uncertainty regarding the number of employees for whom the Plan must provide an income over an unknown period of years. From that standpoint, lump sum payments are considered financially favorable.

### BACKGROUND

Although the actuary for the Plan does estimate the number of employees who are approaching the expected retirement age of 65, the actuary also assumes that a majority of these individuals will elect to receive their retirement benefit as an income over their lifetime as opposed to a one-time single-sum payment. When reviewing the budget for the Plan, City staff noted that approximately \$600,000 of single-sum payments were paid during 2004 to nine Plan members as compared to

\$460,000 paid during 2003 to ten Plan members. The other component of the Plan appropriation is the amount of monthly income paid to retirees. As more Plan members retire, this amount has grown from \$84,000/ month at the beginning of 2003 to approximately \$98,000/ month as of October 2005.

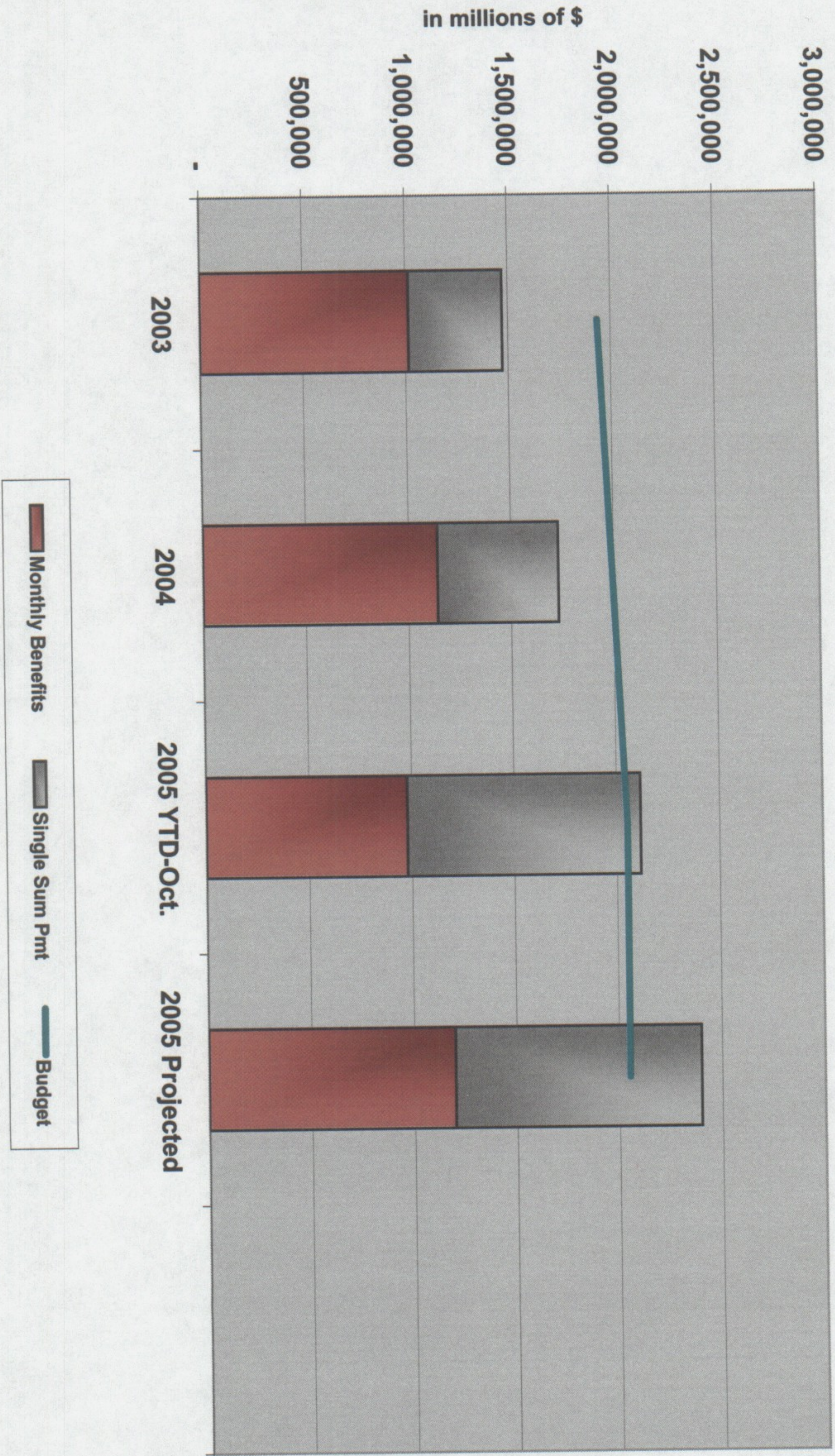
As reflected on the attached chart, the Plan has been budgeted conservatively and included an allowance for election of single-sum payments by the members. However, the number and amount of the individual single-sum payments requested in 2005 was unusual compared to the trend from past years. Given the uncertainty related to the City's budget, a higher number of Plan members than anticipated elected to receive their benefit as a single-sum payment this year. The attached chart also reflects the City's annual appropriation and the related payments to Plan members over the past two fiscal years, year-to-date during 2005, and projected final for 2005. The Plan has distributed over \$1.1 million in single-sum payments to fifteen Plan members through the end of October 2005.

The requested \$350,000 appropriation will be used to make payments to Plan members for single-sum payment requests submitted to the Plan to be paid during the fourth quarter of the current fiscal year.

Staff recommends Council authorize the \$350,000 supplemental appropriation from prior year reserves in the General Employees' Retirement Plan Fund.



# Three Year GERP Payment History





ORDINANCE NO. 159, 2005  
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, it is necessary to appropriate funds to accommodate an additional \$350,000 in single-sum benefit payment requests received during the current fiscal year; and

WHEREAS, the General Employees' Retirement Fund has Plan Assets of approximately \$36.6 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 THREE HUNDRED FIFTY THOUSAND DOLLARS (\$350,000) to be used for single-sum benefit payments.

Introduced and considered favorably on first reading and ordered published this 29th day of November, A.D. 2005, and to be presented for final passage on the 20<sup>th</sup> day of December, A.D. 2005.

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Mayor

ATTEST:

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City Clerk

Passed and adopted on final reading this 20th day of December, A.D. 2005.

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Mayor

ATTEST:

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City Clerk