

**CITY EMPLOYEE PENSION PLANS**

The City of Sanibel contributes to two separate pension plans established for its employees:

**a) GENERAL EMPLOYEES RETIREMENT PLAN: A Defined Benefit Plan**

i) **Funding:** the amount of funds the City and employees must contribute each year is a percent of payroll determined by the State of Florida Division of Retirement. Employee contribution is fixed at 4.4% of payroll. The City's contribution is variable depending on the current year's cost for benefits yet to be funded plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. However, this year the City amortization period has been shortened to 20 years to stem the growing Unfunded Actuarial Accrued Liability. Thus the City's contribution has been determined to be a minimum of 23.5% of payroll for fiscal 2008/2009 (approximately \$1,200,000).

ii) **Benefits:** At normal retirement an employee is entitled to 3.0% of average compensation times credited service with a maximum of 30 years of credited service. There is a 2.75% automatic COLA payment increase following 3 years of retirement.

**b) POLICE OFFICERS RETIREMENT PLAN: A Defined Benefit Plan.**

i) **Funding:** the amount of funds the City and employees must contribute each year is a percent of payroll determined by the State of Florida Division of Retirement. The State of Florida makes a small contribution to this Plan (~2.5% of payroll). Employee contribution is fixed at 7.9% of payroll. This year the City is required to fund this Plan at an increased rate of 29.7% of payroll for 2009/2010 (approximately \$620,000) since the amortization period for this Plan has also been shortened to 20 years.

ii) **Benefits:** At retirement an officer is entitled to 3% of average final compensation times credited service (up to a maximum of 90% of average final compensation). There is a 3% automatic COLA annually following retirement.

Consultants Reports	GENERAL EMPLOYEES		POLICE	
	Oct. 1, 2007	Oct.1, 2008	Oct. 1, 2007	Oct.1, 2008
<b>Total Accrued Liability (b)</b>	\$18,698,245	\$21,420,310	\$12,596,035	\$13,735,278
<b>Total Assets (a)</b>	\$11,333,284	\$10,189,041	\$7,927,016	\$7,114,158
<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	\$7,364,960	\$9,824,067	\$4,783,278	\$5,685,416
<b>Funded ratio (a/b)</b>	60.61%	54.14%	62.03%	59.61%
<b>Funded termination ratio</b>	85%	60%	92.2%	72.5%
<b>Rate of Return on Investments</b>	13.3%	-13.2%	13.57%	- 12.00%
<b>Assumed rate of return</b>	7.5%	7.5 %	8.0%	8.0%
<b>Covered payroll</b>	\$5,190,903	\$5,448,952	\$2,047,406	\$2,089,004
<b>City's contribution for next year (% of payroll)</b>	\$858,029 (15.4%)	\$1,200,000 (23.5%) estimated	\$500,504 (22.7%)	\$620,434 (29.7%) estimated

Thus the City will have to contribute a minimum of \$1,820,434 to the Plans this year. There appears to be some interest in increasing the contribution this year to further reduce the Unfunded Liability (UL) The concept is that the UL is an obligation incurred for current services and should be paid for by the public who are the beneficiaries of those services.