



# **City of Grand Island**

**Thursday, August 15, 2013**

**Special Meeting**

## **Item -2**

### **Employee Pension Reserve Funds**

**Staff Contact: Jaye Monter**

# **Council Agenda Memo**

**From:** Jaye Monter, Finance Director  
**Meeting:** August 13, 2013  
**Subject:** Employee Pension Reserve Funds  
**Item #'s:** 2  
**Presenter(s):** Jaye Monter, Finance Director

## **Background**

The City of Grand Island's budget includes three fiduciary funds to account for assets held in trust for pension benefits of police and fire employees subject to a defined benefit pension plan. The subject of the excess funds in the Fire Reserve Fund was part of the January 15, 2013 Study Session involving Pre-84 Retiree Pension plans. Several outside experts were present on January 15, to help answer Council's questions.

Excess funds from the Fire Reserve Fund are transferred to the General Fund each budget year to cover employer pension costs.

## **Discussion**

While the net assets of the Fire Reserve Fund remain in excess of future liabilities, the net assets of the Police Reserve Fund are not sufficient to meet future obligations of pension benefits for the remaining 6 pre-84 police officers and one disabled police officer. Tonight's discussion will focus on the needs of each fiduciary fund.

Robert Evnen from Woods & Aitken, LLP is here tonight to assist Council with this discussion.

## **Conclusion**

This item is presented to the City Council in a Study Session to allow for any questions to be answered and to create a greater understanding of the issue at hand.

# **Employee Pension Reserve Funds**

**August 15, 2013**

# **Pre-84 Retiree Pension Study Session**

**January 15, 2013**

# Joining us Jan 15, 2013

## **Gregg Rueschhoff**

ASA, Principal & Consulting Actuary  
**Milliman, Inc.**

## **Jay Huston**

CIC

**Ryder, Rosacker, McCue & Huston**

## **Terry Galloway**

CPA, CGFM, CFE, CVA, PFS  
**Almquist, Maltzahn, Galloway &  
Luth, CPAs**

## **Greg Anderson**

Vice President and Trust Officer,  
Relationship Manager  
**Wells Fargo Institutional  
Retirement and Trust**

## **Robert Evnen**

**Woods & Aitken LLP**

## **Rodney Cerny**

CFA, Senior Vice President  
**Smith Hayes Advisors Inc.**

**Joining us August 15, 2013**

**Robert Evnen  
Woods & Aitken LLP**

# **The Question To Be Answered August 15, 2013...**

- 1) Are the cash reserves in the three employee pension reserve funds of the City part of the pension plan covered by State Statutes?**

## 4 – Budget – Cash Reserves vs. Unallocated Funds

### Cash Balances in the City's Budget

- **800 Fund** - Police and Fire Pension Fund - accounts for direct pension payments to personnel who retired prior to 84 under a defined benefit plan - 24 remain
- **805 Fund** - Police Reserve Fund - accounts for administration of the pre-84 police officers pension benefits under a defined benefit plan- 6 remain
- **810 Fund** - Fire Reserve Fund - accounts for administration of the pre-84 firefighters pension benefits under a defined benefit plan- 1 remain

Jan 15, 2013



## 4 – Budget – Cash Reserves vs. Unallocated Funds

### Cash Balances NOT in the City's Budget

#### Retirement Plans through Wells Fargo

##### Police Pension Plan – 2 Accounts

- Employee's Retirement Account
  - Employee Contribution – 6%
  - Employer Contribution – 6%
- Unallocated Forfeiture Account
  - Unvested Employer Contributions

##### Fire Pension Plan – 2 Accounts

- Employee's Retirement Account
  - Employee Contribution – 6½%
  - Employer Contribution – 13%
- Unallocated Forfeiture Account
  - Unvested Employer Contributions

**Starting October 1, 2013**

**Employee Contribution 6 1/2%**

**Employer Contribution 6 1/2%**

Jan 15, 2013

## Unallocated Funds in Pension Plan

- Unallocated Forfeiture account
- Represent funds accumulated in an account within the pension plan from unvested employer contributions
- Subject to State Statutes 16-1023-1025

## Statement of Net Assets - Fiduciary Funds

September 30, 2012

(excerpt from audit report, p. 26)

	<b>Employee Pension Reserve Funds</b>
<b>ASSETS</b>	
Cash	9,249
Investments	5,125,906
Accounts receivable	-
Special assessments receivable	-
Total assets	5,135,155
<b>LIABILITIES</b>	
Due to other funds	512,914
Agency liabilities	-
Pension liability	1,160,256
Total liabilities	1,673,170
<b>NET ASSETS</b>	
Held in trust for pension benefits	\$ 3,461,985

**July 31, 2013**

	<b>800 Fund Police &amp; Fire Reserve</b>	<b>805 Fund Police Reserve</b>	<b>810 Fund Fire Reserve</b>	<b>Total Employee Reserve Funds</b>
<b>Cash and Investments</b>	<b>1,516,948</b>	<b>1,082</b>	<b>3,789,849</b>	<b>5,307,879</b>
<b>Liabilities</b>				
Pension liability-Retirees before 1984	1,160,256	-	-	1,160,256
Pre-84 6-Police Officers-1-Firefigher - Jan 15, 2013		448,094	35,322	483,416
Pension Disabilities-Police/Fire-Present Value		418,906	542,458	961,364
<b>Total Liabilities</b>	<b>1,160,256</b>	<b>867,000</b>	<b>577,780</b>	<b>2,605,036</b>
<b>Net Assets</b>	<b>356,692</b>	<b>(865,918)</b>	<b>3,212,069</b>	<b>2,702,843</b>
<b>Proposed Transfers for 2013-2014 Budget</b>				
Balance Sheet Transfer between Funds	(355,000)		355,000	
From Fire to Gen Fund-Employer Pension Fire - 13%			(450,000)	(450,000)
From Fire to Police to Cover Future Liabilities		867,000	(867,000)	-
From Fire to Gen Fund-Reimb Cole/Kortum 2013			(153,000)	(153,000)
				-
<b>Net Assest at 7-31-13</b>	<b>1,692</b>	<b>1,082</b>	<b>2,097,069</b>	<b>2,099,843</b>

# **The Next Question To Be Answered August 15, 2013...**

- 1) What effect will these proposed budget transfers have on the 2013-2014 General Fund presentation of August 6, 2013?**

# **Impact of Employee Pension Fund proposed transfers on 2013-2014 General Fund**

- Increase GF Cash by reducing transfer from GF to Police Reserve Fund-\$420,000 for two pre-84 potential police retirees in 2014.
- Increase GF Cash by reimbursing GF for 2012-2013 pre-84 police retirees Cole and Kortum, (\$100k and 53k respectfully)
- Redistributes excess cash in Fire Reserve to Future Police Pension Liability

## GENERAL FUND TRANSFERS

		2011	2012	2013	2013	2014
		<u>ACTUAL</u>	<u>ACTUAL</u>	<u>BUDGET</u>	<u>FORECAST</u>	<u>BUDGET</u>
<b>Operating Transfers In</b>						
<b><u>To</u></b>	<b><u>From</u></b>					
General Fund - 100	Gas Tax - 210	4,100,000	2,530,000	2,700,000	2,700,000	2,700,000
General Fund - 101	Community Grants - 251	-	755	-	-	-
General Fund - 100	Backflow - 290	-	-	-	-	-
General Fund - 100	Debt Service - 310	-	546,100	-	-	-
General Fund - 100	Capital Projects - 400	181,632	-	-	-	-
General Fund - 100	Electric Utility - 520	654,280	689,459	595,291	811,019	800,000
General Fund - 100	Water Utility - 525	56,792	54,683	67,995	83,718	90,000
General Fund - 100	Fleet Services - 610	-	25,000	23,000	23,000	-
General Fund - 100	Equipment Reserve - 620	-	-	-	-	-
General Fund - 100	Cafeteria Plan - 715	15,000	-	-	-	-
General Fund - 100	Fire Reserve - 810	479,996	475,502	450,000	456,093	450,000
<b>Total</b>		<b>5,487,701</b>	<b>4,321,498</b>	<b>3,836,286</b>	<b>4,073,830</b>	<b>4,040,000</b>
<b>Operating Transfers Out</b>						
<b><u>From</u></b>	<b><u>To</u></b>					
General Fund - 100	Economic Development - 238	750,000	750,000	750,000	750,000	750,000
General Fund - 100	Community Development - 250	57,000	110,000	75,000	-	100,000
General Fund - 100	Metropolitan Planning Org - 225	-	-	-	-	100,000
General Fund - 100	Transportation Fund - 226	-	-	-	-	100,000
General Fund - 100	Debt Service - 310	439,100	774,000	-	-	-
General Fund - 100	Capital Projects - 400	675,743	1,120,549	708,000	708,000	700,000
General Fund - 100	Golf Course - 510	-	-	470,000	-	470,000
General Fund - 100	Fleet Services - 610	43,000	-	-	-	-
General Fund - 100	Pension Trust - 800	10,356	9,112	9,112	5,616	2,112
General Fund - 100	Police Reserve - 805	2,000	350	100,000	153,000	420,000
<b>Total</b>		<b>1,977,198</b>	<b>2,764,011</b>	<b>2,112,112</b>	<b>1,616,616</b>	<b>2,642,112</b>