



# Memorandum

**TO:** BOARD OF ADMINISTRATION  
POLICE AND FIRE DEPARTMENT  
RETIREMENT PLAN

**FROM:** David Sykes

**SUBJECT:** FY 2019-2020 CITY PENSION AND  
RETIREE HEALTH CARE  
CONTRIBUTIONS

**DATE:** March 5, 2019

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## INFORMATION

### BACKGROUND

Beginning in fiscal year 2008-2009, the City elected to pre-fund employer retirement contributions for employees in the Police and Fire Department Retirement Plan (the "Plan") at the beginning of the fiscal year. The decision to prefund was based on the discount rate provided by the Plan, the amount required to prefund and the savings to the City. Between fiscal years 2008-2009 and 2009-2010 the City funded the retirement prefunding contribution with cash. Since fiscal year 2010-2011 the City has prefunded the employer retirement contributions with a combination of cash and proceeds from Tax and Revenue Anticipation Notes.

### ANALYSIS

City staff conducted an analysis of the benefit to the City to continue to prefund retirement contributions and concluded that given the continued reduced discount rate provided by the System for prefunding, increasing funds required to prefund, increased borrowing costs for Tax and Revenue Anticipation Notes and the City's Investment Portfolio increased yield due to rising interest rates there was no longer a meaningful budgetary benefit for the City to prefund retirement contributions to the Plan in fiscal year 2019-2020.

The City will continue evaluate the benefits of prefunding retirement contributions on an annual basis and will advise the Board if the City elects to exercise this option in future years.

  
DAVID SYKES  
City Manager

For questions, please contact Julia H. Cooper, Director of Finance at (408) 535-7011.