



Legislation Text

File #: 15-4448, Version: 1

A Resolution setting policy for the accelerated pay down of the Coral Gables Retirement System Unfunded Liability.

A workshop was held with the City Commission on February 13, 2015 to discuss methodologies to reduce the Coral Gables Retirement System unfunded liability. It was determined that the most fiscally responsible method was a pay down program whereby the City would budget sufficient funds to make annual payments in an amount higher than the annual required contribution. The Commission unanimously agreed to move forward with these additional annual payments in order to accelerate the pay down of the unfunded liability and improve the overall funded status of the Retirement System.

Currently, without making the additional payments, the unfunded liability is projected to be paid down in 25 years as long as current pension assumptions are met and any changes in assumptions are funded from inception. If assumptions are met, the annual required contribution is projected to steadily decrease over that 25 year period. Taking advantage of the decreasing annual required contribution, staff is recommending that the City budget a constant annual pension payment equal to the amount budgeted in Fiscal Year 2014-2015 (Approximately \$26,000,000) and applying a Consumer Price Index (CPI-U for April) when appropriate. The difference between the annual required contribution and the annual pension budget amount would make up the additional payment for each year. The additional annual payment shall be made each October 1 to take full advantage of the timing of interest accruals.

Actuarial Concepts, the City's actuary for pension related matters, has estimated that if the additional payments are made in the manner described above, the unfunded liability will be fully paid off in approximately 17 years instead 25 years. This is based on actuarial assumptions, and it must be noted that the final pay down time can change in either direction. However, if the payments are made as scheduled they will generate a significant reduction in the unfunded liability repayment period. Additionally, the City's actuary has provided the methodology as to which "bases" should be eliminated first, and the City has informed the Pension Board as to that preference. The Pension Board voted unanimously to apply the additional payments in the manner requested by the City.

The attached resolution is presented in order to set a formal policy to include additional payments in excess of the annual required contribution in the annual budgeting process to accelerate the pay down of the unfunded liability until it is paid off.