



Office of the City Manager

CONSENT CALENDAR
November 27, 2007

To: PK Honorable Mayor and Members of the City Council

From: PK Phil Kamlarz, City Manager

Submitted by: Robert Hicks, Director, Finance Department

Subject: Safety Members' Pension Fund Annual Reports for FY 2007

RECOMMENDATION

Accept the Safety Members Pension Fund (SMPF) annual reports for fiscal year ended June 30, 2007.

FISCAL IMPACTS OF RECOMMENDATION

None.

CURRENT SITUATION AND ITS EFFECTS

In accordance with Ordinance No. 6551–N.S., the annual reports of the SMPF for FY 2007 are being submitted to Council for acceptance.

In preparation for Council approval, on November 6, 2007, the SMPF Board held its annual meeting and took the following actions:

1. Reviewed and approved the SMPF annual reports for the fiscal year ended June 30, 2007.
2. Approved and adopted the Mission Statement for SMPF.
3. Determined the meeting date to review and approve the annual report for FY 2008.

BACKGROUND

Ordinance No. 6551–N.S. requires an annual report be submitted to the City Council on or before the first day of December of each year.

SMPF is a single employer defined benefit pension plan for fire and police officers that retired prior to March 1973. It is a closed plan and is administered by the Safety Members Pension Board. The benefit plan covers only uniformed personnel and only those who elected not to transfer to PERS.

As of June 30, 2007, there were 34 retirees and beneficiaries receiving benefits. 25 of these retired firefighters and police officers that became members of the fire or police pension systems prior to June 16, 1944 belong to a fluctuating pension system. These

pensioners are entitled to a pension salary that is calculated as a percent of current salaries for their former position, plus the current dollar value of the following four benefits: uniform allowance, dental insurance, family medical insurance and holiday pay. There is a second group of pensioners, 9 retired fire and police personnel (or their survivors) who joined the workforce subsequent to June 16, 1944 and retired from service prior to March 1973, who were permitted a maximum 3% annual cost of living increase (fixed basis). These 9 fixed retiree's pension benefits had increasingly fallen behind the larger group's pension award because the larger group was provided a fluctuating cost of living award.

For the year ended June 30, 2007, the City's annual required contribution was \$1,816,236 and was equal to the benefit payments and professional services cost during the year. The City contributed this amount for the year through a \$927,000 payment from the annuity and \$ 889,236 paid from the General Fund.

CONTACT PERSON

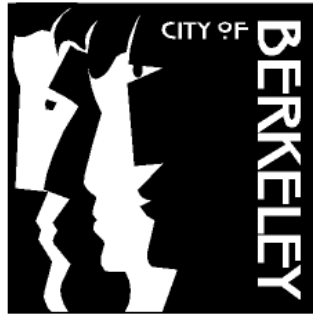
Jenny Chew, Systems Accountant, Finance Department, 981-7306.

Attachments:

- 1: SMPF Annual Reports for FY 2007.
- 2: SMPF Board Meeting Agenda

City of Berkeley

Unaudited

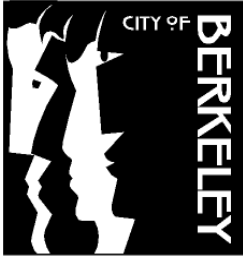


Department of Finance
Accounting Division

**Safety Members Pension Fund
Financial Report
For the Fiscal Year Ended June 30, 2007**

Prepared by:

Finance Accounting



Department of Finance
Accounting Division

Unaudited

City of Berkeley
Safety Members Pension Fund
Financial Report
For the Fiscal Year Ended June 30, 2007

Table of Contents

	Page
A. Statement of Plan Net Assets	1
B. Statement of Changes in Plan Net Assets	2
C. Notes to Financial Statements	3 - 6



Department of Finance
Accounting Division

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CITY OF BERKELEY
SAFETY MEMBERS PENSION FUND
STATEMENT OF PLAN NET ASSETS
AS OF JUNE 30, 2007

ASSETS

Cash	\$ 30,014
Total Assets	<u>30,014</u>

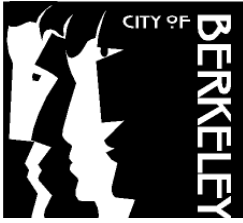
LIABILITIES

Pension Payable	<u>30,014</u>
Total Liabilities	<u>30,014</u>

NET ASSETS

Held in trust for pension benefits	<u><u>\$ -</u></u>
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See notes to SMPF financial statements



Department of Finance
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SAFETY MEMBERS PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

ADDITIONS:

General Fund Contribution	\$ 889,236	
Annual Payment from Annuity	<u>927,000</u>	
Total Additions		\$ 1,816,236

DEDUCTIONS:

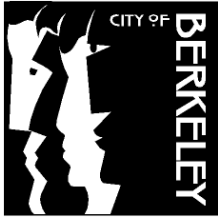
Benefit Payments - Service	1,277,790	
Benefit Payments - Disability	530,946	
Professional Services	<u>7,500</u>	
Total Deductions		<u>1,816,236</u>

Changes in net assets -

Net Assets - beginning -

Net Assets - ending \$ -

See Notes to SMPF financial statements.



Department of Finance
Accounting Division

Unaudited

Notes to the Financial Statements
Safety Members Pension Fund
For the Fiscal Year Ended June 30, 2007

A. Description of the Reporting Entity

The original Town of Berkeley was incorporated on April 4, 1878. The first Charter was adopted under authority of the state Constitution and approved by the Legislature on March 5, 1895.

The City operates under the Council-Manager form of government. The City Council is comprised of the mayor and eight members. It is responsible for enacting ordinances, resolutions and regulations governing various statutory and advisory boards. As Chief Administrative Officer, the City Manager is responsible for the administration and enforcement of all laws and ordinances.

B. Basis of Accounting

The City of Berkeley Safety Members Pension Fund financial statements are prepared on the accrual basis of accounting under which revenues are recognized when earned and expenses are recognized when incurred.

C. Description of the Pension Fund

The City pays Safety Members Pension Fund (SMPF) benefits on a pay-as-you-go basis. The City maintains the SMPF, a single employer defined benefit pension plan for fire and police officers who retired prior to March 1973. This closed benefit plan is administered by the Safety Members Pension Board.

All active fire and police officers were transferred from SMPF to the Public Employees' Retirement System (PERS) in March 1973. The SMPF covers only uniformed personnel and only those who elected not to transfer to PERS. Although the SMPF presents separate financial statements, it is also a component unit of the City's financial reporting entity.

As of June 30, 2007, there were 34 retirees and beneficiaries receiving benefits. 25 of these retired firefighters and police officers who became members of the fire or police pension systems prior to June 16, 1944 belong to a fluctuating pension system. These pensioners are entitled to a pension salary that is calculated as a percent of current salaries for their former position, plus the current dollar value of the following four benefits: uniform allowance, dental insurance, family medical insurance and holiday pay. There is a second group of pensioners, 9 retired fire and police personnel (or their survivors) who joined the workforce subsequent to June 16, 1944 and retired from service prior to March 1973, who were

Notes to the Financial Statements
 Safety Member Pension Fund
 For the Fiscal Year Ended June 30, 2007

Unaudited

permitted a maximum 3% annual cost of living increase (fixed basis). These 9 fixed retiree's pension benefits had increasingly fallen behind the larger group's pension award because the larger group was provided a fluctuating cost of living award.

D. Description of the Funding Agreement

The City is required to pay all pension benefit obligations. To help finance payments for its pensioners, the City entered into funding agreements with the Berkeley Civic Improvement Corporation (BCIC), and with Massachusetts Mutual in February 1989. The resulting annuity is to provide payments to the Safety Member's Pension fund sufficient to cover the City's pension obligation, not including full-fluctuating and cost of living increases. Annuity activity for the year is summarized below:

City of Berkeley Safety Members Pension Fund Pension Obligation Financing	Year Ending June 30, 2007
Beginning Value	\$ 4,540,267
Gross Interest Earned	385,087
General Expense	(4,153)
Principal & Interest Payments	<u>(927,000)</u>
Ending Value	\$ 3,994,201

This annuity agreement provides annual payments through 2018 and an annual guaranteed 9.68% rate of return (net of expenses). The shortfall between the annuity and actual pension liability is paid from the General Fund. Additional amounts may be paid, in 2008 through 2017, under a Risk Agreement to compensate the City for the difference between the amounts paid by the City to its pensioners and the actuarially determined amounts.

Government Accounting Standards Board Statement No. 27 requires the City to determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution is the greater of (a) a 20-year amortization of the unfounded actuarial liability, or (b) actual benefit payments made for the year.

For the year ended June 30, 2007, the City's annual required contribution was \$1,816,236 and was equal to the benefit payments and professional services cost during the year. The City contributed this amount for the year through a \$927,000 payment from the annuity and \$889,236 paid from the General Fund. The actuarial liability was determined using the projected unit credit actuarial cost method.

Notes to the Financial Statements
 Safety Member Pension Fund
 For the Fiscal Year Ended June 30, 2007

Unaudited

E. Actuarial Valuation

An actuarial valuation of the pension benefits is required once every two years. The following is a synopsis of the most recent report issued by ASA Principal Bradley Au dated September 24, 2007. In the report, MassMutal GIC was considered as Plan assets.

City of Berkeley Safety Members Pension Fund
 Schedule of Employer Contributions (\$ Amount in Thousands)

Fiscal Year	Annual Required Contribution (ARC)	Percentage of ARC Contributed
6/30/00	3,084	100%
6/30/01	2,709	100%
6/30/02	2,506	100%
6/30/03	2,454	100%
6/30/04	2,264	100%
6/30/05	2,102	100%
6/30/06	1,985	100%
6/30/07	1,816	100%

Prior to 1997, the actuarial valuation did not calculate an Annual Required Contribution. The 1997 through 2000 amounts are based on: 1) Unit Credit Actuarial Funding Method; 2) Actuarial assumptions; mortality = 1992 CalPERS Experience Table; interest rate = 8%; cost of living (COL) – full fluctuating 5%, COL – Consumer Price Index (CPI) = 3%. 3) Unamortized Actuarial Liability (UAL) = level amount over 20 year period beginning July 1, 1997.

Notes to the Financial Statements
 Safety Member Pension Fund
 For the Fiscal Year Ended June 30, 2007

Unaudited

City of Berkeley Safety Members Pension Fund
 Required Supplementary Information
 Schedule of Funding Progress (000's omitted)

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded Actuarial Accrued Liability (UAAL) (B - A)	Funded Ratio (A / B)	Covered payroll	UAAL as a Percentage of Covered Payroll
6/30/98	11,024	21,397	10,373	51.5%	N/A	N/A
6/30/99	10,014	21,763	11,749	46.0%	N/A	N/A
6/30/00	9,049	20,029	10,980	45.2%	N/A	N/A
6/30/01	8,202	16,831	8,629	48.7%	N/A	N/A
6/30/02	7,323	16,281	8,958	45.0%	N/A	N/A
6/30/03	6,534	14,299	7,765	45.7%	N/A	N/A
6/30/04	5,803	12,973	7,170	44.7%	N/A	N/A
6/30/05	5,138	11,458	6,320	44.8%	N/A	N/A
6/30/06	4,540	10,510	5,970	43.2%	N/A	N/A
6/30/07	3,994	8,748	4,754	45.7%	N/A	N/A



Finance Department
Office of the Director

A G E N D A

**Safety Members Pension Fund Board Meeting
November 6, 2007, 1:00 p.m. - 2:00 p.m.
2180 Milvia St., 5th Fl., Pepperwood Conference Room**

1. **Board Mission Statement** – City Auditor’s Report, Finding 3
2. **Unaudited Financial Statements** – FY 2007
 - a. Accept SMPF annual reports for FYE June 30, 2007.
 - b. Approve the above financial reports to Council for the Nov. 27, 2007 Council meeting.
 - c. Pursuant to BMC Section 4.28.060, the board shall render an annual report to the City Council on or before the first day of December of each year showing the receipts and disbursements from the fund during the previous fiscal year together with the names of the pensioners and the amounts paid them and the balance remaining in the fund. The board shall also render such reports from Board Meetings
3. **Future Board Meeting**
 - a. Propose and decide on future meeting dates.

Pursuant to BMC Section 4.28.050, the board shall hold meetings upon the call of the chairman, or the call of the majority of the members of the board in the absence of the chairman as the affairs of the board may require.

