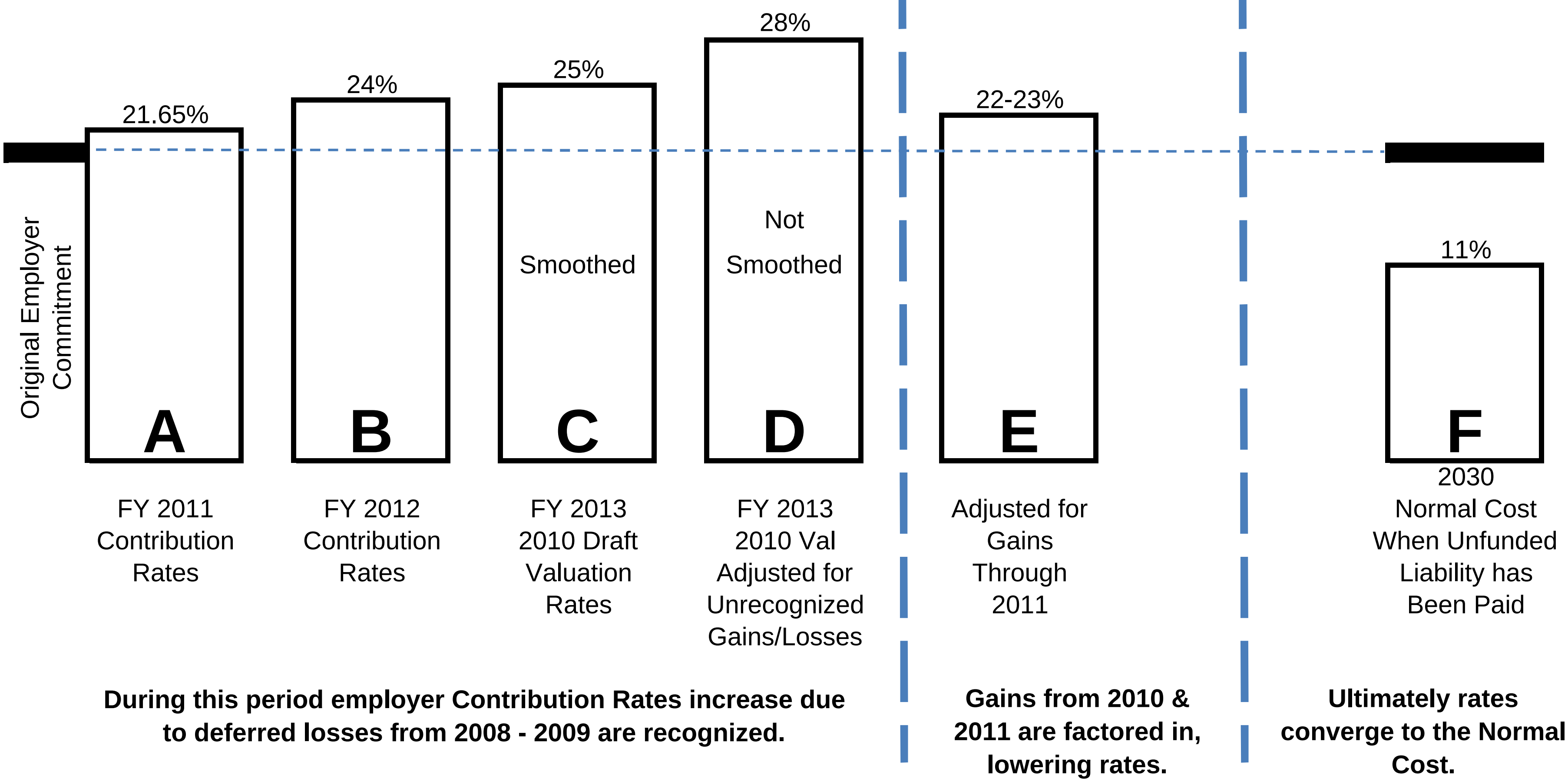
Projecting Contribution Rates

Employer Contribution Rate - Fire & Police

Pension Component

3(a)
6/15/2011

What will future contribution rates look like?



A	Current employer contribution rates exceed the original commitment in 2004.
B,C	The 2009 & 2010 valuations will be used in FY 2012 & 2013 respectively.
D	We know the 2010 valuation has $14 million of unrecognized market losses.
E	We know how investments have performed from June 30, 2010 to date. Gains will be phased in over a multi-year period.
F	Ultimately the unfunded liability will be paid off and the ongoing cost will be the "Normal Cost."

Projecting Contribution Rates

$$\text{Contribution Rate} = \text{Normal Cost} + \frac{\text{P.V. Future Benefits} - \text{Valuation Assets}}{\text{P.V. Salaries}}$$

A) FY 2011 Rate

$$11.57\% + \frac{\$181.5 - \$133.6}{\$515.6} \qquad 21.65\%$$

Source: 2008 Val

Segal addeded a factor of .79% for converting from annual payments to biweekly.

B) FY 2012 Rate

$$11.76\% + \frac{\$194.3 - \$138.1}{\$494.6} \qquad 24.00\%$$

Source: 2009 Val

Segal addeded a factor of .87% for converting from annual payments to biweekly.

C) FY 2013 Rate

$$10.81\% + \frac{\$208.3 - \$144.1}{\$450.5} \qquad 25.06\%$$

Source: 2010 Val

D) FY 2013 Rate

$$10.81\% + \frac{\$208.3 - \$129.5}{\$450.5} \qquad 28.30\%$$

Using Market Value Assets

E) FY 2013 Rate

$$10.81\% + \frac{\$208.3 - \$129.5 - \$\ 23.69}{\$450.5} \qquad 23.04\%$$

Using FY 2011 Gains

166.9 - (129.5 * 1.075 + 4) = $23.69

Investment gains July 1 2010 through April 30, 2011

F) Ultimate contribution rate 10.81%

Normal cost rate from 2011 valuation, applicable once the unfunded liability is paid.