

CITY EMPLOYEES' RETIREMENT FUND

BASIS FOR THE PROPOSED BUDGET

The 2003-04 Proposed Budget for the City Employees' Retirement System relates to current year funding as follows:

2002-03		2003-04
Adopted Budget	Estimated Expenditures	Proposed Budget
<u>\$ 78,780,434</u>	<u>\$ 78,780,434</u>	<u>\$ 125,091,198</u>

The proposed budget is the City's contribution to the system and is based on rates recommended by an actuary in accordance with the Charter. This amount is less than the system's total budget, which also contains employee contributions and investment income. Also included is the cost of the Excess Benefit Plan and Limited Term Retirement Plan approved in 1996-97. The increase in the proposed budget (\$46,310,764 or 58.8%) is attributable to asset losses below the assumed rate of 8% in fiscal year 2000-01 and 2001-02 and the smoothing of the assumption change concerning the number of employees that leave the City prior to retirement. The contribution for health subsidy benefits decreased from 1.98% of payroll to 1.85% due to a revision of the assumptions regarding the expected increases in health subsidy amounts for the next few years.

The City's contribution expressed as a percentage of payroll is 8.6% in 2003-04 versus 5.8% in 2002-03. The system's funded ratio increased from 107.7% to 96.7% as of June 30, 2002.

Code **Subfunction**

FJ Pensions and Retirement

	2002-03 Budget	2003-04 Proposed Budget	Change From 2002-03 Budget
Requirements			
Current Service Liability	\$ 115,004,170	\$154,498,013	\$ 39,493,843
Prior Service Liability	(63,430,144)	(56,951,063)	6,479,081
Health Subsidy	26,608,408	27,015,248	406,840
Family Death Benefit Plan	211,000	211,000	0
Excess Benefit Plan Fund	312,000	187,000	(125,000)
Limited Term Plan Fund	<u>75,000</u>	<u>131,000</u>	<u>56,000</u>
TOTAL	<u>\$ 78,780,434</u>	<u>\$125,091,198</u>	<u>\$ 46,310,764</u>

Financing Source

General City Contribution	\$ 69,212,519	\$108,648,095	\$ 39,435,576
Airports	7,449,935	12,626,095	5,176,160
Harbor	<u>2,117,980</u>	<u>3,817,008</u>	<u>1,699,028</u>
TOTAL	<u>\$ 78,780,434</u>	<u>\$125,091,198</u>	<u>\$ 46,310,764</u>

