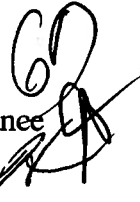


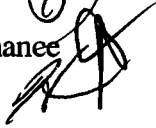


# Staff Report

## City of Manhattan Beach

**TO:** Honorable Mayor Cohen and Members of the City Council

**THROUGH:** Geoff Dolan, City Manager 

**FROM:** Bruce Moe, Director of Finance  
Henry Mitzner, Controller 

**DATE:** July 7, 2009

**SUBJECT:** Consideration of Advanced Payment of Employer Pension Costs for Fiscal Year 2009-2010 Which Results in Net Savings of Approximately \$275,000

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### **RECOMMENDATION:**

The Finance Subcommittee and City Staff recommend that the City Council approve the advanced payment of the City's FY 2009-2010 employer pension costs to CalPERS.

### **FISCAL IMPLICATION:**

The City will realize an estimated \$275,000 in present value savings by prepaying the California Public Employees Retirement System (CalPERS) employer contributions for FY 2009-2010. The prepayment amount is \$2,810,976. The City's liquid cash balances are sufficient to allow for this prepayment.

### **BACKGROUND:**

The FY 2009-2010 budget provides for the payment of pension contributions for the City's employees. These payments are based on the employees' salaries as well as contribution rates established by CalPERS. Payments to CalPERS are normally made biweekly in conjunction with each payroll. However, CalPERS is offering the option of prepaying at a discount, the employer-only portion of the expected fiscal year contribution.

### **DISCUSSION:**

The City has an opportunity to realize present value savings by prepaying the Employer portion of the FY 2009-2010 CalPERS contributions<sup>1</sup>. It is to the City's advantage to use existing funds, which are projected to earn 1.5% throughout the fiscal year, to prepay expected employer contributions. CalPERS calculates expected contributions based on historical trends.

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<sup>1</sup> CalPERS contributions are divided into Employer and Employee portions. Only the Employer contributions are eligible for the prepayment discount.

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The present value of the CalPERS employer payments via payroll is estimated at \$3,109,094 while the single advanced payment is \$2,810,976. That difference, \$298,118 is the true savings achieved by prepaying the 2009-2010 PERS contributions.