

Pension Oversight Committee
 2012 CAFR Fund Balances and Police 1% Supplemental

CITY OF COSTA MESA, CALIFORNIA
 Notes to the Basic Financial Statements
 (Continued)

(12) Fund Balances

Fund balance consisted of the following at June 30, 2012:

	<u>General</u>	<u>Housing Authority</u>	<u>Special Gas Tax</u>	<u>HOME</u>	<u>Park Development</u>	<u>Nonmajor Funds</u>
Nonspendable:						
Prepaid items/loan deposits	\$ 39,292	-	-	-	-	-
Inventories	40,588	-	-	-	-	-
Advance to other funds	2,997,657	-	-	-	-	-
Advance to Successor Agency	9,794,676	-	-	-	-	-
Restricted for:						
Protection of persons and property	-	-	-	-	-	1,905,217
Community programs	-	-	-	60,302	-	41,592
Public services	-	-	13,128,422	-	-	8,374,018
Debt service	-	-	-	-	-	7,075,697
Committed for:						
Declared disasters	14,125,000	-	-	-	-	-
Self insurance	2,000,000	-	-	-	-	-
Assigned for:						
Compensated absences	5,435,878	-	-	-	-	-
Police Retirement 1% Supplemental	2,440,991	-	-	-	-	-
OPEB	2,470,935					
			OPEB - Retiree Medical			
Protection of persons and property	-	-	-	-	-	737,359
Public services	-	-	-	-	-	6,357,807
Unassigned	8,464,909	(160,874)	-	-	(2,572,832)	(141)
Total Fund Balance	\$47,809,926	(160,874)	13,128,422	60,302	(2,572,832)	24,491,549

The following governmental funds had deficits at June 30, 2012:

Major Funds:
 Park Development Fund (\$2,572,832)*
 Housing Authority (160,874)

Nonmajor Funds:
 Special Revenue Funds:
 Homelessness Prevention Fund (141)

*Management will take the appropriate action to restructure the terms of the park development loan.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(14) Defined Benefit Pension Plan, (Continued) PERS, cont'd

(UAAL) of \$58.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$17.6 million, and the ratio of the UAAL to the covered payroll was 329.8%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

EPMC

Annual Pension (Employer Paid Member Contribution (EPMC))

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Police Safety</u>	<u>Fire Safety</u>	<u>Miscellaneous</u>	<u>Percentage of EPMC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$1,743,353	\$1,172,423	\$1,709,342	100%	-
6/30/11	1,757,330	983,455	1,483,728	100%	-
6/30/12	2,653,654	1,520,659	2,155,394	100%	-

(15) Police 1% Supplemental Retirement Plan

Plan Description: The City of Costa Mesa joined the CalPERS 3% @age 50 benefit plan for police employees on December 31, 2000. Prior to that date the City sponsored the retirement plan for safety employees of the City of Costa Mesa providing a 2% @age 50 benefit plan and the Police Officer Separation Incentive Plan providing an additional 1% @age 50 benefit plan. This section presents the actuarial valuation information for the Police Officer Separation Incentive Plan which has been in effect since July 1, 1993 for sworn members of the City of Costa Mesa Police Department. This Plan currently has only retired participants as all active employees were transferred to the CalPERS 3% @age 50 benefit plan. The number of participants as June 30, 2012 was twenty-two with an average age of 66.3. The average monthly benefit being paid is \$871.09. There are no trust financial statements applicable to this plan.

Funding Policy: The City has not adopted a funding policy for this supplemental retirement plan and accordingly plan benefits impact financial resources as benefits are paid.

Actuarial Methods and Assumptions: The ARC for the plan was determined as part of the June 30, 2012 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Projected unit credit
Amortization method*	15 years of UAAL
Actuarial assumptions:	
Investment return	4.50%
Retirement	Age 50 and 5 years
Cost of living adjustments	None
Future healthcare cost increases	4.5% to 10.1%

* The initial unfunded liabilities are amortized over a closed period.

CITY OF COSTA MESA, CALIFORNIA

Notes to the Basic Financial Statements

(Continued)

(15) Police 1% Supplemental Retirement Plan (Continued)

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date, the funded status of the plan was as follows: estimate of the life expectancy of remaining participants.

Actuarial accrued liability (AAL)	\$2,770,839
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$2,770,839</u>
Funded ratio (actuarial value of plan assets/AAL)	00.0%
Covered payroll	<u>\$0</u>
UAAL as a percentage of covered payroll	00.0%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

Employer Contributions: The Annual Pension Cost (APC), percentage of APC contributed, and the NPO for the plan for the current year and each of the two preceding years were as follows:

<u>Date</u>	<u>Annual Pension Cost</u>	<u>Employer Actual Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$140,503	\$229,179	84.6%	\$2,624,382
6/30/11	140,503	229,966	84.8%	2,534,919
6/30/12	136,038	229,966	89.1%	2,440,991

Determination of Net Pension Obligation as of June 30, 2012

Annual required contribution	\$ 258,003
Interest on Net Pension Obligation	114,071
Adjustment to Annual Required Contribution	<u>(236,036)</u>
Annual Pension Cost	136,038
Less: Employer Contributions	<u>(229,966)</u>
Increase (decrease) in Net Pension Obligation	(93,928)
Net Pension Obligation, beginning of year	2,534,919
Net Pension Obligation, end of year	<u>\$ 2,440,991</u>

100% Reserved in
General Fund

(16) Other Post Employment Benefits Plan (Defined Benefit)

Plan Description: The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. The plan covers employees hired before January 1, 2004 who retire directly from the City with 10 years of City service. The City provides a contribution up to a percentage of the lesser of \$500 per month or the premium for the most popular medical plan elected by the employees. The percentage varies by retirement date and years of City service. The City provides retiree life insurance of \$1,000 for the retiree and \$500 for the retiree's spouse.