



Meeting Date: 11/16/10

ACTION	TYPE OF ITEM
<input type="checkbox"/> Approved Recommendation	<input checked="" type="checkbox"/> Info/Consent
<input type="checkbox"/> Ord. No(s). _____	<input type="checkbox"/> Report
<input type="checkbox"/> Res. No(s). _____	<input type="checkbox"/> Public Hearing (Info/consent)
<input type="checkbox"/> Other _____	<input type="checkbox"/> Other Council Business

Prepared By: James Cameron *J.C.* Agenda Item No. I-6
 Reviewed By: City Manager *[Signature]* City Attorney *S.M.F.* Finance *J.C.* Other (Specify) _____

DATE: November 8, 2010

TO: City Council

FROM: James Cameron *James Cameron*
Chief Financial Officer

SUBJECT: Agreement with Pacific Life for the purchase of an annuity to fund the Early Retirement Incentive Program (ERIP)

RECOMMENDATION

That City Council:

1. Approve the purchase of an annuity from Pacific Life Insurance Company, for the funding of the ERIP, consisting of five annual payments not to exceed \$640,000 each.
2. Authorize the City Manager to take appropriate action and execute required documents on behalf of the City to implement the annuity purchase.

DISCUSSION

On July 13, 2010, the City Council approved Resolution 13,893 authorizing implementation of the ERIP administered by the City's PARS Trust administrator, Phase II Systems. The agreement with PARS calls for funding the ERIP over five years, with an estimated annual contribution of approximately \$690,000, for a five-year total of \$3.45 million, assuming an investment return of 3%.

The proposed agreement with Pacific Life is for the purchase of an annuity to fund the ERIP, allowing the City to lock in current investment rates and eliminate future investment risk. Pacific Life is used by the trust administrator for similar programs with other agencies. If City Council approves this agreement, the annual premium would not exceed \$640,000, for a five-year total of \$3.2 million.

FINANCIAL IMPACT

The ERIP program is projected to save more than \$2.6 million in fiscal year 2010-11, with future savings dependent on an evaluation of ERIP positions and related programs.