

**RESOLUTION NO. 2018-69**

**RESOLUTION AUTHORIZING THE ASSIGNMENT OF FUND BALANCE IN THE  
GENERAL FUND FOR THE PURPOSE OF SMOOTHING FUTURE DEFINED  
BENEFIT RETIREMENT PLAN CONTRIBUTIONS**

**WHEREAS**, the City has a Defined Benefit Retirement Plan (Plan) to which it is required to make contributions to ensure that the benefits can be paid to retirees; and

**WHEREAS**, the City's contributions to that Plan can vary if the Plan does not earn the current assumed actuarial rate of return of 6.50%; and

**WHEREAS**, the City's actuaries have developed a funding amount that should remain level over the next seven years if the actuarial assumptions are met; and

**WHEREAS**, the Plan not meeting the earnings assumption is the main risk to the level funding plan; and

**WHEREAS**, the City would like to keep the contributions level so any available resources can be used for other purposes; and

**WHEREAS**, the City's General Fund currently has reserves in excess of the minimum required fund balance; and

**WHEREAS**, the City is proposing to assign \$900,000 of reserves above the minimum fund balance to use to keep contribution level in years where the Plan does not earn the assumed rate of return; and

**WHEREAS**, the Council needs to take action to assign the funds for that purpose.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF FOREST GROVE AS FOLLOWS:**

**Section 1:** In the General Fund, \$900,000 of Fund Balance in the General Fund is assigned for the purposes of smoothing future contributions to the City's Defined Benefit Retirement Plan in years where the contributions would be increased due to the Plan not meeting the actuarial assumed rate of return.

**Section 2:** In years where the Plan earns in excess of the actuarial assumed rate of return and the required contribution would be reduced, any reduction in contributions due to those earnings will be added to the assigned Fund Balance for use in future years.

**Section 3:** Any use of the assigned Fund Balance will be reviewed and approved during the annual budget process and included in the budget adopted by the City Council.

**Section 4:** This resolution is effective immediately upon its enactment by the City Council.

**PRESENTED AND PASSED** this 25<sup>th</sup> day of June, 2018.



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Anna D. Ruggles, City Recorder

**APPROVED** by the Mayor this 25<sup>th</sup> day of June, 2018.



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Peter B. Truax, Mayor



A place where families and businesses thrive.

CITY RECORDER USE ONLY:	
AGENDA ITEM #:	18
MEETING DATE:	6-25-18
FINAL ACTION:	Approved 6/25/18

**CITY COUNCIL STAFF REPORT**

TO: City Council

FROM: Jesse VanderZanden, City Manager

MEETING DATE: June 25, 2018

PROJECT TEAM: Paul Downey, Administrative Services Director

SUBJECT TITLE: Assigning General Fund Balance for Retirement Contribution

ACTION REQUESTED:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Order	<input checked="" type="checkbox"/> Resolution	<input type="checkbox"/> Motion	<input type="checkbox"/> Informational
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X all that apply

**ISSUE STATEMENT:** The City is establishing General Fund reserve policies. As part of the process, staff is proposing to set aside a portion of the fund balance in the General Fund as reserve for future defined benefit plan contributions. Staff has prepared a resolution for Council consideration that would set aside \$900,000 of fund balance in the General Fund to help smooth future defined benefit plan contributions due to fluctuations in earnings from retirement plan investments.

The Fund Balance Policy would establish 25% of annual operating expenditures in the General Fund as the minimum fund balance. As part of that process, the City reviewed the fund balance in the General Fund. That would require a minimum fund balance in the General Fund for FY 2018-19 of \$4,816,000. Beginning Fund Balance for the General Fund on July 1, 2018, is projected to be \$7,567,914. The \$900,000 of fund balance that would be set aside would be from funds above the minimum required fund balance.

**BACKGROUND:** The City's contributions to its Defined Benefit Plan is based on numerous actuarial assumptions. The City has made changes to many of those actuarial assumptions over the past several years. Using those assumptions, the Plan's actuaries have developed annual contributions that should be level over the next seven years based on those assumptions being met. The Council and Budget Committee have been involved in this process over the last few years.

One of the assumptions is that the Plan will earn 6.50% on its investments. This is the long-term earnings assumptions but the annual contributions will be affected by the Plan's gains or losses on an annual basis. If the Plan earns more than 6.50% in a year, the contributions to the Plan may be lowered. Conversely, if the Plan earns less than 6.50% in a year, the contributions to the Plan may be increased. The changes in required contributions will vary from year-to-year depending on investment performance.

The City's five-year General Fund Financial Projection assumes the defined benefit plan contributions will remain level during the next five years. To help contributions remain smooth during that time, staff is proposing to reserve a portion of the General Fund reserves for future use when earnings are less than the amount needed to meet the actuarial assumption and would otherwise cause the annual required contribution to increase. In years where the Plan earns in excess of the actuarial assumed rate of return and the required contribution would be reduced, any reduction in contributions due to those earnings are proposed to be added to the assigned fund balance to increase the reserve. How well this reserve would work to help keep the annual contribution level will depend on the actual performance of the investments over time.

Other funds contribute to the Defined Benefit Plan as well. This proposed assignment of fund balance is intended to help smooth the portion of the contributions attributable to the General Fund. The other funds would be responsible for funding their portion of the contribution. Whether the reserve will be used to help smooth the General Fund's contributions will be reviewed during the annual budget process.

The Council will be asked to assign \$900,000 in fund balance in the General Fund for this purpose. This is the technical term for the action being taken under Governmental Accounting Standards Board (GASB) Statement No. 54 which is the authoritative body that issues accounting standards for governments. Assignment means "amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority."

**FISCAL IMPACT:** The fiscal impact of assigning a portion of the Fund Balance in the General Fund will be dependent on the actual investment earnings of the Defined Benefit Plan over time.

**STAFF RECOMMENDATION:** Staff recommends the City Council approve the attached resolution.

**ATTACHMENT(s):** Resolution