

COUNTY OF SAN MATEO

Interdepartmental Correspondence

Date: June 21, 2001
Hearing Date: July 3, 2001

TO: Honorable Board of Supervisors
FROM: Tom Huening, Controller
SUBJECT: Prepayment of Employer Share of Retirement Contribution

RECOMMENDATION

Adopt a resolution authorizing the County Controller to prepay the County's estimated annual FY 2001/2002 contribution to the retirement fund, and authorize the Controller, in consultation with the County Manager, to prepay future years when it is financially advantageous. The 2001/2002 estimated savings for the county is \$400,000.

BACKGROUND

During the fiscal year 2000/2001, the Board authorized the Controller to make an advance payment of the entire County's estimated annual contribution to the retirement fund. The benefit of this prepayment resulted in over \$300,000 of savings to the County's General Fund. Since General Fund monies are unrestricted, they can be allocated at the discretion of the Board of Supervisors. Last year, the Board of Supervisors was able to use these funds to keep the financially strapped Belle Haven Clinic open to the community.

If this benefit were assured, we would seek your approval to institutionalize the practice of prepaying the County's retirement benefit. The benefit results when the actuarial estimated rate of return on SamCERA's investments is higher than the estimated earnings of amounts on deposit in the County's treasury. As market conditions and the financial positions of each County agency changes, this practice does not guarantee a benefit. An annual review is necessary to determine whether this practice will yield a benefit, and the value of that potential benefit.

DISCUSSION

In the spirit of collaboration and the practice of sound money management, the Controller, in consultation with the County Manager and the Treasurer, has determined that the County will earn an estimated \$400,000 in new 2001-2002 savings this fiscal year by prepaying the 2001/2002 retirement contribution. These would be revenue savings to the General Fund.

SamCERA is generally able to invest in higher yielding assets than the County Treasury. Treasury investment practices are legally proscribed and very conservative. By prepaying the retirement contribution this year, we will capitalize on that difference. The difference between SamCERA's actuarial estimated yield and the Treasurer's estimated yield, brought back to present dollars, represents a net financial benefit to the County. However, this is only true when the actuary's estimated yield for the retirement fund is greater than the estimated yield of the County's treasury. Hence, the need for an annual review and authorization.

FISCAL IMPACT

There is no change in Net County Cost. The General Fund will save an estimated \$400,000.

RESOLUTION NO. _____

**BOARD OF SUPERVISORS, COUNTY OF SAN MATEO,
STATE OF CALIFORNIA**

**RESOLUTION AUTHORIZING THE COUNTY CONTROLLER TO MAKE ADVANCE
PAYMENTS OF ALL OR PART OF THE COUNTY'S ESTIMATED ANNUAL
CONTRIBUTION TO THE RETIREMENT FUND FOR ANY PERIOD THAT WILL
PROVIDE A BENEFIT TO THE COUNTY**

WHEREAS, the Controller, in conjunction with the County Manager and Treasurer, has determined that depending on the year and economic conditions, there may be a financial benefit to the County's General Fund for the prepayment of all or part of the County's estimated annual contribution to the retirement fund; and

WHEREAS, as fiduciary officers of the County, the practice of strategic investment planning and money management to enhance the General Fund is a matter of prudent resource conservation and financial management; and

WHEREAS, depending upon future market conditions and the financial positions of each county agency, the practice of prepaying the retirement contribution may be financially advantageous to the County; and

WHEREAS, the Controller, by working collaboratively with the County Manager and Treasurer, may generate substantial savings for the County that can be used by the Board of Supervisors to provide the citizens and residents with necessary services at no additional taxpayer cost; and

WHEREAS, it is estimated that the prepayment of the County's annual retirement contribution for the Fiscal Year 2001-2002 will save the County \$400,000; so

NOW, THEREFORE, BE IT RESOLVED that the President of the San Mateo County Board of Supervisors does hereby authorize the Controller, in consultation with the County Manager, to make advance payments of all or part of the County's estimated annual contribution to the County's retirement fund for any period that will provide a benefit to the County, and the Clerk of this Board shall attest to the President's signature here to.