SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-F**

FROM: Steve Mack, General Manager

Meeting Date : February 3, 2011

SUBJECT: UPDATE ON PROPOSAL TO PAY OFF PERS SIDE FUND

RECOMMENDED ACTION: Consider paying off PERS Side Fund.

FISCAL IMPACT: $213,658 paid in one installment in FY 2011-12 versus bi-weekly installments over 20 years plus interest at a rate of 7.75%.

DISCUSSION:

As discussed at the January meeting, one option the District should consider as part of our transfer from the 2% at 60 Pool to the 2% at 55 Pool is the possibility of paying off our Side Fund in a lump sum rather than making payments and paying interest on this amount over a period of 20 years.

Roughly speaking, the Side Fund represents the difference between the cost to buy into the 2% @ 55 Pool and what we have available to pay. When we transfer to the 2% @ 55 Pool, our Side Fund is projected to increase to $213,658* from its current amount of $90,754.

This month we talked with PERS Actuary Barb Ware about the mechanics of paying off the side fund. She said it is definitely an option and a simple form to complete, but we should e-mail a request to her only after we have completed the transfer to the 2% at 55 Pool, which should be mid-May (see timeline below). Therefore, a final decision on this issue can be deferred until then.

Staff recommends paying off the Side Fund in a lump sum using our undesignated reserves. Doing so will decrease our future annual retirement costs to PERS, and the interest we are earning on our reserves is much less than the 7.75% interest we are paying on our Side Fund balance.

Update on the Contract Amendment: Staff submitted the Contract Amendment Request Form on January 24, which sets in motion the timeline for transferring to the 2% at 55 Pool. Our timeline will look like this:

---

* This amount may be somewhat higher. The $213,658 figure is as of June 30, 2010.

April 7: Actuary Barb Ware will be available by phone at our Board meeting to answer questions we might have. She would appreciate being able to consider those questions in advance. At this meeting, The Board will consider adopting a Resolution of Intent.

May 5: The Board will consider adopting a Final Resolution.

May 12: Proposed effective date of the transfer to the 2% at 55 Pool.