

Submitted by: Chair of the Assembly at  
the Request of the Mayor  
Prepared by: Finance Department  
For reading: December 15, 2009

CLERK'S OFFICE  
APPROVED

1 Date: \_\_\_\_\_

1-12-10

2 ANCHORAGE, ALASKA  
3 AO No. 2009-140  
4

5 AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 3.88  
6 TO EXTEND THE TIME PERIOD FOR THE PRE-FUNDING INVESTMENT  
7 PROGRAM, TO UPDATE ADMINISTRATIVE RESPONSIBILITIES AND TO  
8 DELETE OUTDATED REFERENCES.

9  
10 THE ANCHORAGE ASSEMBLY ORDAINS:

11  
12 **Section 1.** Anchorage Municipal Code chapter 3.88 is hereby amended to read as  
13 follows (*the remainder of the chapter is not affected and therefore not set out*):

14  
15 **3.88.020 Municipal prefunding investment program.**

16  
17 A. It is the objective of the investment program that municipal assets be  
18 accumulated through a 27 [20] year prefunding program of regular  
19 annual deposits by the municipality and accumulated interest earnings  
20 so that the municipal obligation is fully funded, requiring no further  
21 deposits.

22  
23 \*\*\* \*\*

24 C. Annual municipal deposit to the investment program will be established  
25 and adjusted as necessary to ensure full funding at the end of the year  
26 2021 [2014], based on the results of actuarial valuations and  
27 recommendations of the investment board.

28  
29 D. An annual valuation of the municipality's obligation to the funding  
30 program and the funding status of the investment program will be  
31 completed every three years as a minimum, until such time as the  
32 investment program first achieves full funding status per the actuarial  
33 valuation.

34  
35 (AO No. 95-63, § 1, 3-7-95)

36  
37 **3.88.030 Municipal prefunding investment board.**

38  
39 \*\*\* \*\*

40  
41 E. Administrative staff support for the investment board and for the  
42 investment of funds shall be provided by the [EMPLOYEE RELATIONS  
43 DEPARTMENT AND] finance department [, RESPECTIVELY].  
44

\*\*\* \*\*

(AO No. 95-63, § 1, 3-7-95; AO No. 2001-131, § 1, 7-24-01; AO No. 2005-94, § 1, 8-23-05)

**3.88.040 Municipal prefunding investment board.**

A. The investment objective of the investment program is to achieve a return on investments which when combined with the amount and schedule of municipal deposits will be sufficient to accomplish the 27 [20]-year prefunding objective [AS SET FORTH IN SECTION 3.87.090]. The rate of return used to project the municipal obligation for the funding program was eight percent.

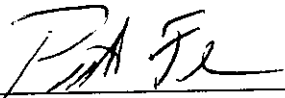
\*\*\* \*\*

[D. THE INVESTMENT BOARD MAY REQUEST THAT THE RETIREMENT BOARD ESTABLISHED UNDER SECTION 3.85.040 FOR THE POLICE AND FIRE RETIREMENT SYSTEM AMEND ITS TRUSTEES AND INVESTMENT MANAGEMENT CONTRACTS TO PROVIDE THAT THE SYSTEM'S TRUSTEE AND INVESTMENT MANAGER MANAGE, INVEST AND OPERATE THE FUNDS OF THE INVESTMENT PROGRAM.]

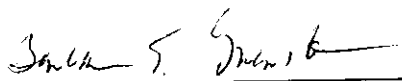
(AO No. 95-63, § 1, 3-7-95)

**Section 2.** This ordinance shall become effective immediately upon passage and approval by the Anchorage Municipal Assembly.

PASSED AND APPROVED by the Anchorage Assembly this 12<sup>th</sup> day of January, 2010.

  
\_\_\_\_\_  
Chair of the Assembly

ATTEST:

  
\_\_\_\_\_  
Municipal Clerk

**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects - General Government**

AO Number: 2009-140 Title: **AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 3.88 TO EXTEND THE TIME PERIOD FOR THE PRE-FUNDING INVESTMENT PROGRAM, TO UPDATE ADMINISTRATIVE RESPONSIBILITIES AND TO DELETE OUTDATED REFERENCES.**

Sponsor: MAYOR  
 Preparing Agency: Finance Department  
 Others Impacted:

**CHANGES IN EXPENDITURES AND REVENUES:** (Millions of Dollars)

	FY10	FY11	FY12	FY13	FY14
Operating Expenditures					
1000 Personal Services					
2000 Supplies					
3000 Other Services					
4000 Debt Service					
5000 Capital Outlay					
<b>TOTAL DIRECT COSTS:</b>	0	0	0	0	0

Add: 6000 Charges from Others  
 Less: 7000 Charges to Others

**FUNCTION COST:**

<b>REVENUES:</b>	0	0	0	0	0
------------------	---	---	---	---	---

**CAPITAL:**

**POSITIONS:** FT/PT and Temp.

**PUBLIC SECTOR ECONOMIC EFFECTS:**

No financial effect. Extending the time period for pre-funding the liability associated with the Police/Fire Retiree Medical Trust by 7 years allows the Municipality to continue contributing the same annual amount that is currently built into the budget.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

None.



**MUNICIPALITY OF ANCHORAGE**  
**ASSEMBLY MEMORANDUM**

No. AM 732 -2009

Meeting Date: December 15, 2009

**FROM: MAYOR**

1 **SUBJECT: AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE**  
2 **CHAPTER 3.88 TO EXTEND THE TIME PERIOD FOR THE PRE-**  
3 **FUNDING INVESTMENT PROGRAM, TO UPDATE**  
4 **ADMINISTRATIVE RESPONSIBILITIES AND TO DELETE**  
5 **OUTDATED REFERENCES.**

6 This ordinance amends Anchorage Municipal Code (AMC) Chapter 3.88 to extend  
7 the time period for the pre-funding investment program in response to an updated  
8 actuarial study report finalized 9/1/09. In addition, the proposed ordinance  
9 updates administrative responsibilities and deletes outdated references with the  
10 current Code.

11  
12 Per chapter 3.88, the City is required to perform an actuarial update every three  
13 years for the Pre-Funding Investment Program, established in 1995 to pre-fund the  
14 liability associated with the Police/Fire Retiree Medical Trust (see chapter 3.87).  
15 The original language and plan design assumed the liability would be fully funded  
16 within 20 years (i.e., by 2014). This ordinance proposes to extend the time period  
17 for funding the liability by 7 years, from 2014 to 2021. By extending the time  
18 period, the City can make level annual contributions for at least the next 3 years,  
19 at which time the actuarial study requires an update, per Code. Additionally, once  
20 full funding is achieved, the requirement for an actuarial study every three years  
21 no longer applies.

22  
23 The remaining changes to chapter 3.88 are cleanup in nature. The reference to  
24 the role of Employee Relations in serving the Pre-Funding Investment Program is  
25 removed; that role was eliminated several years ago. The other change removes  
26 a clause from the original language, authorizing the Pre-Funding Investment  
27 program to commingle investments with the Police & Fire Retirement System  
28 investments; this option has never been exercised and it was subsequently judged  
29 to be in conflict with IRS rules requiring segregation of investments.

30  
31 The Pre-Funding Board reviewed and approved this ordinance at its November 24,  
32 2009 quarterly meeting.

33  
34 **Additional Background**

35  
36 The actuarial report is a source document used by the Municipality to determine  
37 the annual contribution requirement to the Medical Trust. The previous actuarial

1 study was performed in 2006 and the current actuarial study was finalized 9/1/09.  
2 In the current report, the actuary provides 3 funding illustrations for consideration  
3 by the City:

- 4
- 5 1. Continue the current annual contribution thru 2014 and then pay-as-you-
- 6 go;
- 7 2. Double the current annual contribution from \$1.87M to \$3.69M in order to
- 8 fully pre-fund the liability by 2014; or
- 9 3. Maintain the current annual contribution but extend the pre-funding
- 10 timeframe by 7 years, moving from a final fully funded date of 2014 to
- 11 2021.
- 12
- 13

14 Option 2 is the result of a 30% decline in 2008 of the market value of the Pre-  
15 Funding Investment Program investments. Due to the current fiscal issues faced  
16 by the City, option 3 is the preferred option at this time, as it continues to move  
17 toward full funding of the liability at a slower pace, by 2021, without negatively  
18 impacting the operating budget for at least the next 3 years, until an updated  
19 actuarial study is performed. Note, it is possible, within the next 3 years, for the  
20 market value to further rebound, to the point where the updated actuarial study  
21 results in a shorter required time period for reaching full funding status.

22  
23 **THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE**  
24 **AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 3.88 TO EXTEND**  
25 **THE TIME PERIOD FOR THE PRE-FUNDING INVESTMENT PROGRAM, TO**  
26 **UPDATE ADMINISTRATIVE RESPONSIBILITIES AND TO DELETE**  
27 **OUTDATED REFERENCES.**

28  
29 Prepared by: Daniel Moore, Municipal Treasurer & Admin. to Pre-  
30 Funding Investment Program  
31 Approved by: Lucinda Mahoney, CFO  
32 Concurrence: Dennis A. Wheeler, Municipal Attorney  
33 Concurrence: George J. Vakalis, Municipal Manager  
34 Respectfully Submitted: Daniel A. Sullivan, Mayor

**Content ID:** 008467

**Type:** Ordinance - AO

**Title:** AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 3.88 TO EXTEND THE TIME PERIOD FOR THE PRE-FUNDING INVESTMENT PROGRAM, TO UPDATE ADMINISTRATIVE RESPONSIBILITIES AND TO DELETE OUTDATED REFERENCES.

**Author:** maglaquijp

**Initiating Dept:** Finance

**Keywords:** Chapter 3.88, Pre-funding, Investment, Administrative, Responsibilities, Updates

**Date Prepared:** 12/1/09 1:12 PM

**Director Name:** Lucinda Mahoney

**Assembly Meeting Date:** 12/15/09

**Public Hearing Date:** 1/12/10

<b>Workflow Name</b>	<b>Action Date</b>	<b>Action</b>	<b>User</b>	<b>Security Group</b>	<b>Content ID</b>
Clerk_Admin_SubWorkflow	12/4/09 4:45 PM	Exit	Joy Maglaqui	Public	008467
MuniManager_SubWorkflow	12/4/09 4:45 PM	Approve	Joy Maglaqui	Public	008467
MuniManager_SubWorkflow	12/4/09 4:45 PM	Checkin	Joy Maglaqui	Public	008467
Legal_SubWorkflow	12/4/09 4:36 PM	Approve	Rhonda Westover	Public	008467
OMB_SubWorkflow	12/3/09 11:30 AM	Approve	Cheryl Frasca	Public	008467
Finance_SubWorkflow	12/3/09 9:52 AM	Approve	David Ryan	Public	008467
AllOrdinanceWorkflow	12/1/09 1:17 PM	Checkin	Nina Pruitt	Public	008467