

Pension Recommendation

to
City Council
by
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November 6, 2018

Background

- ◆ Numerous combinations of increased City contributions, increased employee contributions, and benefit changes have been considered to solve the funding gap and generate discussion.
- ◆ A preliminary City Manager recommendation was presented to City Council in August.
- ◆ A revised recommendation by the City Manager was presented to City Council in September which meets the funding objectives set by the Pension Review Committee. It maintained a portion of the COLA for current and future retirees and increased the City's contributions.
- ◆ Other compromises have been attempted.
- ◆ The structure and timing of the automatic risk-sharing features have been recommended for the different scenarios.

Overall Goals

- Make the pension fund sustainable
- Plan for a successful employee vote
- Avoid “Going to Austin”

Evolution of Proposals

Increased City Contributions	Changes to Benefits/Eligibility	Increased Employee Contributions
<div style="border: 1px solid black; padding: 5px; display: inline-block;">City Manager Recommendation in August</div>		
<p>3.0%</p>	<p style="text-align: center;">5.2%</p> <ul style="list-style-type: none"> • Provide 2% COLA on \$30,000 of pension for employees with 25 years of service in lieu of current 2% simple and Ad Hoc COLAs • One year delay in COLA for active employees • Eliminate service credit for future accruals of major medical and sick leave • Establish minimum retirement age (55) for Fire and General employees with less than 15 years of service 	<p style="text-align: center;">2.3%</p> <ul style="list-style-type: none"> • General: 1.0% + 0.5% (<i>Blue Service</i>) • Police/Fire: 2.8% • Police 25 & out: 1.5%
<div style="border: 1px solid black; padding: 5px; display: inline-block;">City Manager Recommendation in September</div>		
<p>4.0%</p>	<p style="text-align: center;">3.9%</p> <ul style="list-style-type: none"> • Replace 2% simple and Ad Hoc COLAs with 1% simple COLA • Eliminate COLA for future service • Eliminate service credit for future accruals of major medical and sick leave • Establish minimum retirement age (55) for future service of Fire and General employees 	<p style="text-align: center;">2.6%</p> <ul style="list-style-type: none"> • General: 1.1% + 0.7% (<i>Blue Service</i>) • Police/Fire: 3.8% • Police 25 & out: 0.9% • Commence employee contribution increases May 1, 2019 and phase in over two years for Fire and three years for Police

Automatic Risk-Sharing Mechanism

The City Manager recommends **additional changes to be automatically implemented** if required following the successful implementation of immediate reforms:

- **If the contribution is less than the actuarially determined contribution (ADC)** for two consecutive years based on the actuarial valuation:
 - **The City and employee contributions will be increased** by City Council as required to meet two-thirds of the deficit up to 2% of pay in one year or 4% of pay in total –in a 60%/40% proportion (City /employee)
 - **The COLA will be reduced** as required to meet one-third of the deficit
 - **Such contribution increases may be unilaterally reduced** by City Council, without approval of members, if two consecutive actuarial valuations indicate the ADC will be met without those contributions
- If the maximum contribution increase and COLA reduction have been applied, and the following actuarial valuation indicates the actual contribution is still insufficient to meet the ADC, the City Council must consider **additional benefit reductions**

Compromise Proposal Discussed by Mayor with Associations

Increased City Contributions	Changes to Benefits/Eligibility	Increased Employee Contributions
<p>4.5%</p>	<p>3.1%</p> <ul style="list-style-type: none"> • Replace 2% simple and Ad Hoc COLAs with 1% simple COLA • Current retirees with at least 25 YOS retain 2% COLA on first \$30,000 of benefit • Eliminate COLA for future service • Eliminate service credit for future accruals of major medical and sick leave • Establish minimum retirement age (55) for future service of Fire and General employees 	<p>2.6%</p> <ul style="list-style-type: none"> • General: 1.1% + 0.7% (<i>Blue Service</i>) • Police/Fire: 3.8% • Police 25 & out: 0.9% • Commence employee contribution increases May 1, 2019 and phase in over two years for Fire and three years for Police

Comparison of Compromise Proposal with latest FWPOA Proposal

	Compromise Proposal (10.2%)	FWPOA October Proposal (10.1%)
Increased City Contribution	4.5% (in exchange for support of modified COLA reduction for existing retirees and past service)	4.5%
Changes to Benefits/Eligibility	<p style="text-align: center;">3.1%</p> <ul style="list-style-type: none"> • Replace 2% simple and Ad Hoc COLAs with 1% simple COLA • Current retirees only with at least 25 YOS retain 2% COLA on first \$30,000 of benefit • Eliminate COLA for future service • Eliminate service credit for future accruals of major medical and sick leave • Establish minimum retirement age (55) for future service of Fire and General employees 	<p style="text-align: center;">2.5%</p> <ul style="list-style-type: none"> • Eliminate COLA for future service • Eliminate service credit for future accruals of major medical and sick leave • Establish minimum retirement age (55) for future service of Fire • Establish minimum retirement age (62) for future service of General • Increase DROP maximum period to 8 years
Increased Employee Contributions	<p style="text-align: center;">2.6%</p> <ul style="list-style-type: none"> • General: 1.1% + 0.7% (<i>Blue Service</i>) • Fire: 3.8% • Police: 3.8% + 0.9% (<i>25 and out</i>) • Commence employee contribution increases May 1, 2019 and phase in over two years for Fire and three years for Police 	<p style="text-align: center;">3.1%</p> <ul style="list-style-type: none"> • General: 1% + 2% (<i>Blue Service</i>) • Fire: 4.5% • Police: 4.1% + .9% (<i>25 and out</i>)

Path Forward

Date	Action
11/13	Adopt proposed changes
11/14 – 12/14	Workforce and retiree education
January	Contribution Election for employees
April/May	Implementation of employee contributions

Questions?