

Fort Worth City Council Budget Workshop Employees Retirement Fund

September 7, 2018

Presented by David Cooke, City Manager

Pension: Process...so far

- Pension Review Committee
- Recommendation from City Manager: August 7, 2018
- Proposals from Police and Fire
- Follow-up Response from General Employee Representative on Pension Review Committee
- Numbers Verified by FWERF Actuary (GRS)

Revised Recommendation...

- Considers **alternative solutions** offered by other parties
- Considers possibility/probability of **successful employee vote**
- Attempts to **balance contributions** toward the solution by all groups
- **Increases City contributions** from 3% to 4% (City will increase annual contributions from \$92 million to \$110.7 million)

City Manager's Recommendation Discussed in August

Increased City Contributions	Changes to Benefits/Eligibility	Increased Employee Contributions
<p style="text-align: center;">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% + .5% (<i>Blue Service</i>) • Police/Fire: 2.8% • Police 25 & out: 1.5%

City Manager's Revised Recommendation

Increased City Contributions	Changes to Benefits/Eligibility	Increased Employee Contributions
<p style="text-align: center;">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 1% simple 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% + .7% (<i>Blue Service</i>) • Police/Fire: 3.8% • Police 25 & out: .9% • Commence employee contribution increases May 1, 2019 and phase in over two years for Fire and three years for Police

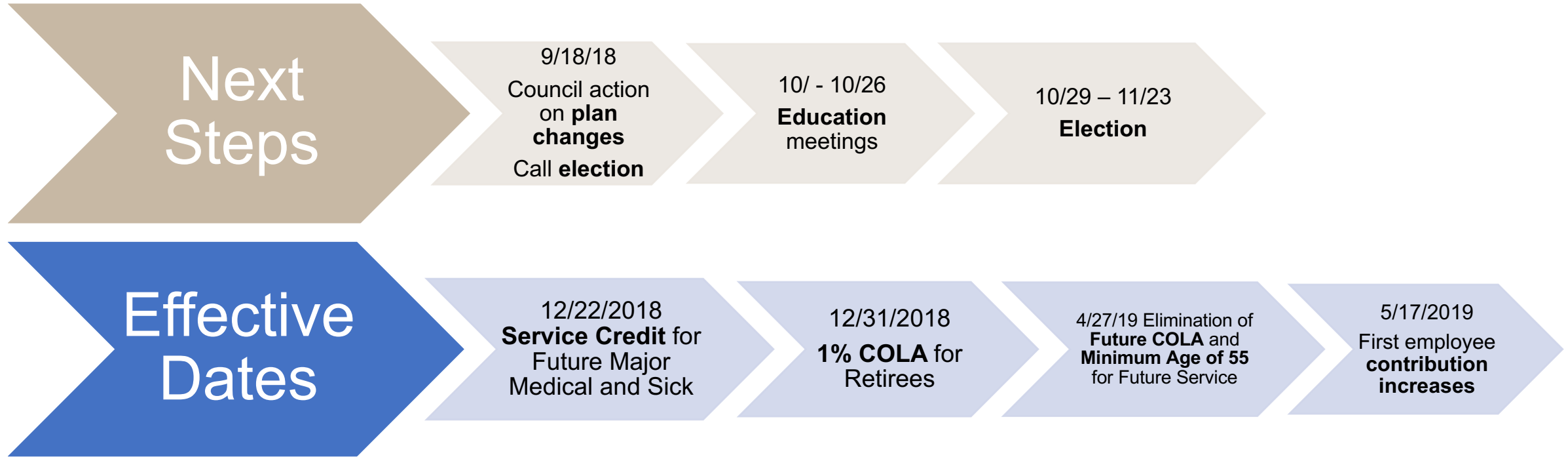
Automatic Risk-Sharing Mechanism

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

- **No sooner than 2023, if the contribution is less than the 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, the City Council must consider **additional benefit reductions**

Consideration of Benefit Improvements in Future

- **Based on recommendations** of the Board of Trustees and ratification by City Council
- May include **additional one-time only COLAs**
- **Considered only after** additional City/employee contribution increases due to automatic risk-sharing have been rescinded
- **Minimum financial criteria** before changes are considered:
 - The ADC is based on a closed 30-year funding of the Unfunded Liabilities beginning in 2018
 - The ADC is less than the fixed contributions for the last two years
 - The Funded Ratio exceeds 80% for the last two years based on both actuarial value and market value of assets
- The above **minimum financial criteria** are met after the improvement is fully recognized
- **Benefit improvements will not be considered** if the assumed rate of investment return for the Plan exceeds the average assumption reported for public employee retirement plans as reported by two independent sources agreed to by the City and Fund
- **Benefit increases only applicable** to members currently eligible and for service periods prior to the effective date of this change, unless City Council specifies otherwise



Questions?

“Fairness” Depends on Your Situation

	General	Fire	Police	Total
Retirees & Beneficiaries	2,807	657	1,000	4,464*
Employees hired before benefit changes	1,927	802	1,222	3,951
Employees hired after benefit changes	2,082	122	488	2,692