

To the Mayor and Members of the City Council

August 12, 2022

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SUBJECT: PENSION CONTRIBUTIONS - REVISED

The City of Fort Worth has a defined benefit plan, which is consistent with other large cities in Texas, allowing Fort Worth to be competitive for talent and meet the retirement needs of its employees. The plan enables an employee to retire when their age plus years of service equal 80 or at the age of 65 with at least 5 years of service. Police Officers can retire after 25 years of service.

It has been over three years since the Council adoption and then employee vote, held in February, 2019, that passed in favor of pension reform in order to strengthen the Fort Worth Employee Retirement Fund. The goal of the changes was that the Fund would no longer be insolvent and the strengthened actuarial assumptions would reduce the long-term risk.

Since the employee vote passed, the initial contribution increases have occurred according to the approved schedule. The final increase will occur on January 1, 2023 (1.2% of payroll from the City; 0.8% for all employees). The initial contribution changes for General, Fire, and Police employees began on July 20, 2019, with additional phased in increases over the last three years for Police, Fire, and General employees.

	July 20, 2019	January 1, 2020	January 1, 2021	January 1, 2022	January 1, 2023	Total Risk Sharing Increases
City	Increase 4.5% Retroactive January 1	No Increase	No Increase	Increase 1.2%	Increase 1.2%	6.9%
General Employees	Increase 1.1% +0.7% for Blue Service	No Increase	No Increase	Increase 0.8%	Increase 0.8%	2.7% (3.4% Blue Service)
Police	Increase 1.8%	Increase 2%	Increase 0.6%	Increase 0.8%	Increase 0.8%	6.0%
Fire	Increase 1.8%	Increase 2%	No Increase	Increase 0.8%	Increase 0.8%	5.4%

However, the challenges with the pension fund are not fixed. After the employee vote, the Fort Worth Retirement Fund lowered the investment return assumption from 7.75% to 7.00%, and in tandem with other actuarial adjustments, the period required to fully fund the plan is now 37 years as of the December 31, 2021 actuarial analysis. As a result, the City was notified to continue forward with the additional risk-sharing contributions, adopted as part of the pension reform plan, for fiscal years 2022 and 2023. To fully meet the 30-year funding goal, additional changes in contributions or benefits will be required in the future.

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The following shows a full summary of the contribution increases and when they began/will begin for the City and each employee group:

Group	Prior Contribution Rate	Rate Starting July 20, 2019 ¹	Rate Starting with First Paycheck of 2020	Rate Starting with First Paycheck of 2021	Risk-Sharing in 2022 (Maximum)	Risk Sharing in 2023 (Maximum)
City Contributions						
CFW Police Only	20.46%	24.96%	24.96%	24.96%	26.16%	27.36%
CFW for All Others	19.74%	24.24%	24.24%	24.24%	25.44%	26.64%
Employee Contributions						
Police Officers ²	8.73%	10.53%	12.53%	13.13%	13.93%	14.73%
Firefighters	8.25%	10.05%	12.05%	12.05%	12.85%	13.65%
General w/ 3% Multiplier ³	8.25%	10.05%	10.05%	10.05%	10.85%	11.65%
General w/o 3% Multiplier	8.25%	9.35%	9.35%	9.35%	10.15%	10.95%

¹City made a lump sum payment so that the city increases are effective with first paycheck issued in 2019.

²Police Officers can retire with full benefits following 25 years of service; contribution rate is higher to reflect greater benefit level.

³A General Employee will only contribute at this rate for a period of time equal to the number of months that are subject to a 3% multiplier, after which the 0.7% surcharge will cease.

The following table presents the City's contribution to the pension plan for fiscal years 2021, 2022, and 2023, by employee group.

Employee Group	FY2021	FY2022	FY2023
General	24.24%	25.44%	26.64%
Fire	24.24%	25.44%	26.64%
Police	24.96%	26.16%	27.36%

The following illustrates the relationship between pension contributions and covered payroll for fiscal years 2021, 2022, and 2023, where covered payroll is the actual payroll on which contributions are based.

	FY2021 Actual	FY2022 Estimated	FY2023 Estimated
Pensionable Payroll	\$537 million	\$549 million	\$559 million
City Contributions	\$128 million	\$139 million	\$153 million
Total Percentage	23.84%	25.32%	27.36%

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Fort Worth’s pension plan is unique in the State of Texas because it covers all employee groups. In the other large cities, it is common to have different plans for public safety. The tables below present a comparative look at other entities.

General Employees – REVISED

	Total Employer Contribution	Employee Contribution	Actuarial or Statutory
Austin	18.0%	8.0%	Statutory
Dallas	14.39% to Plan + 8.29% for POB debt service	13.32%	Statutory
El Paso	14.05%*	8.95%*	Statutory
Fort Worth	25.44%	10.85%	Statutory
Houston	29.09% (FY2021)	3.0%* (1.0% for cash balance)	Actuarial (with corridor)
San Antonio	11.98%* (2021)	6.0%*	Statutory

*Employer and employees make additional contributions of 6.2% of pay to Social Security

Police

	Total Employer Contribution	Employee Contribution	Actuarial or Statutory
Austin	25.52%*	15.0%*	Actuarial (with corridor) 2022 first year of 3-year phase-in shown
Dallas	34.5% + \$13 million	13.5%	Statutory
El Paso	18.25% (18% + an additional amount as a percentage of total wages of members hired above age 29)	17.178% (9/1/2021-8/31/2022), 18% (9/1/2022 onward)	Statutory
Fort Worth	26.16%	13.93%	Statutory
Houston	31.84% (FY2021)	10.5%	Actuarial (with corridor)
San Antonio	24.64%	12.32%	Statutory

*Employer and employees make additional contributions of 6.2% of pay to Social Security

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Fire

	Total Employer Contribution	Employee Contribution	Actuarial or Statutory
Austin	22.05%	18.7%	Statutory
Dallas	34.5% + \$13 million	13.5%	Statutory
El Paso	18.25% (18% + an additional amount as a percentage of total wages of members hired above age 29)	16.912% (9/1/2020-8/31/2021), 17.456% (9/1/2021-8/31/2022), 18% (9/1/2022 onward)	Statutory
Fort Worth	25.44%	12.85%	Statutory
Houston	31.89% (FY2021)	10.5%	Actuarial (with corridor)
San Antonio	24.64%	12.32%	Statutory

If you have questions concerning this information, please contact Dianna Giordano, Human Resources Director, at 817-392-7883.

David Cooke
City Manager