

Pension Lunch & Learn

LOCAL PROBLEM = LOCAL SOLUTION

Meeting Presenter:

Brian Dickerson, Director Human Resources

Meeting Reminders

- Please show the meeting presenter respect at all times
- Please write down your questions during the presentation so you can ask them at the end of each section or during the Q&A portion.
- Please wait until **after** the meeting to ask very specific or personal pension questions.
- Questions can also be emailed to pension@fortworthtexas.gov if you do not wish to ask it out loud or cannot wait until the end of the presentation

Thank you for taking the time to attend this meeting update to learn more about the changes to the Pension Plan, effective July 20, 2019

PENSION 101

Understanding the how the
City of Fort Worth Pension Plan works

The City has a **defined benefit plan**, consistent with large cities in Texas, allowing Fort Worth to be competitive.

You can retire when your age + years of service = 80 or at age 65 with 5 years of service. Police Officers can retire after 25 years of service.

What Group Are You?

GENERAL EMPLOYEE

Group I

Hired before
July 1, 2011

Group II

Hired on or after
July 1, 2011

POLICE OFFICER

Group III

Hired before
January 1, 2013

Group IV

Hired on or after
January 1, 2013

FIRE FIGHTER

Group V

Hired before
January 10, 2015

Group VI

Hired on or after
January 10, 2015

What's My Pension Formula?

BLUE SERVICE

3% x years of service x high three years' salary (including overtime) and applies to all service credit earned prior to pension reform for each employee group below:

- Group I General
- Group III Police
- Group V Fire

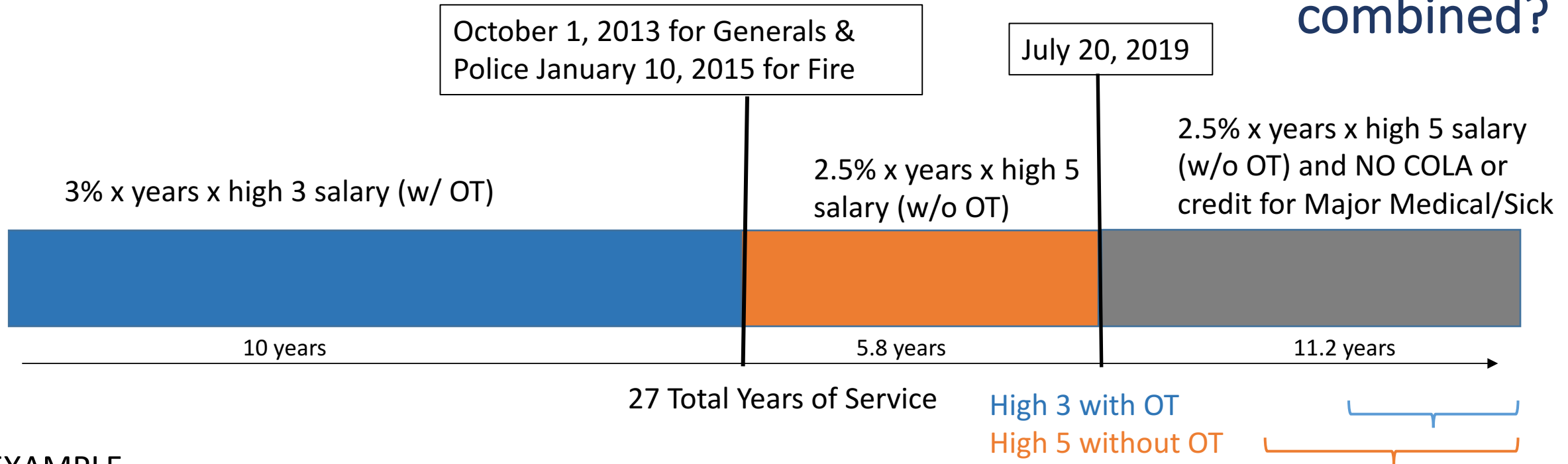
Employees with Blue Service also have a survivor benefit included at no cost

ORANGE SERVICE

2.5% x years of service x high five years' salary (excluding overtime).

Every group has orange service.

How is pension calculated for employees with orange and blue service combined?

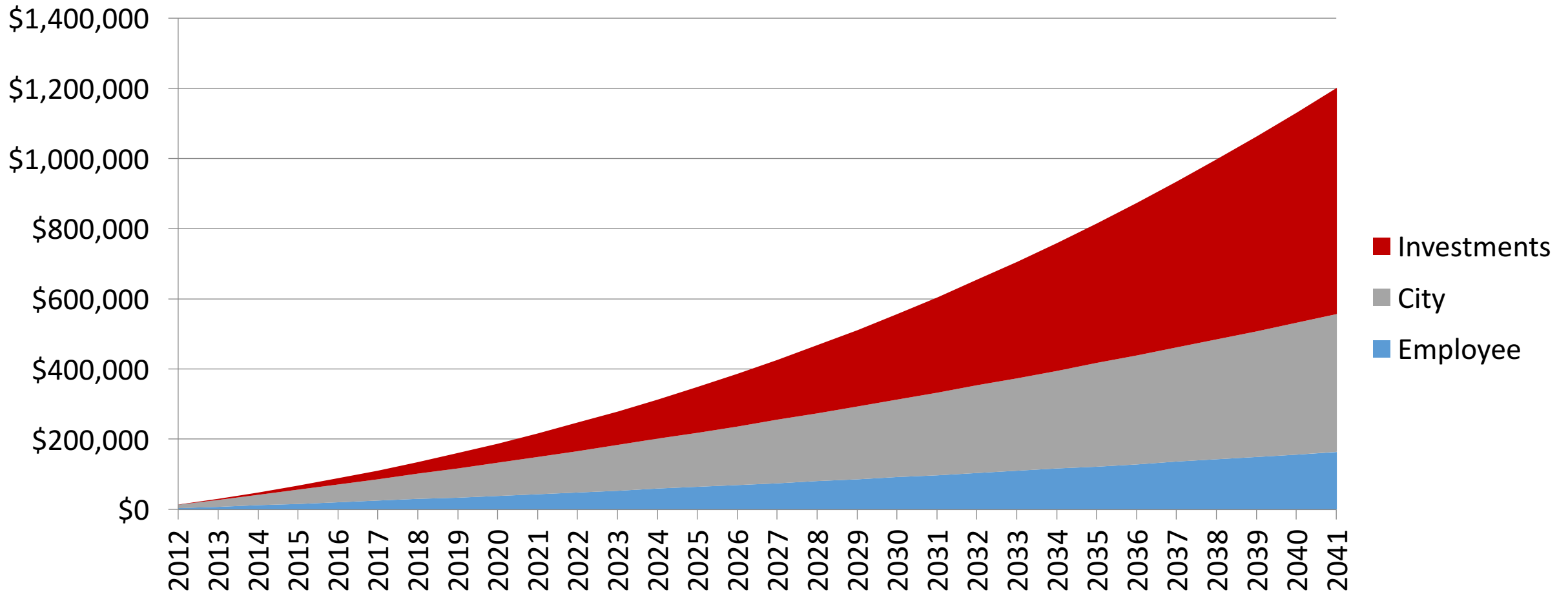


EXAMPLE

10 years x 3.0% x \$67,923 (high 3 w/ OT)	=	\$20,377
17 years x 2.5% x \$63,437 (high 5 w/o OT)	=	\$26,961
Total annual pension		\$47,338

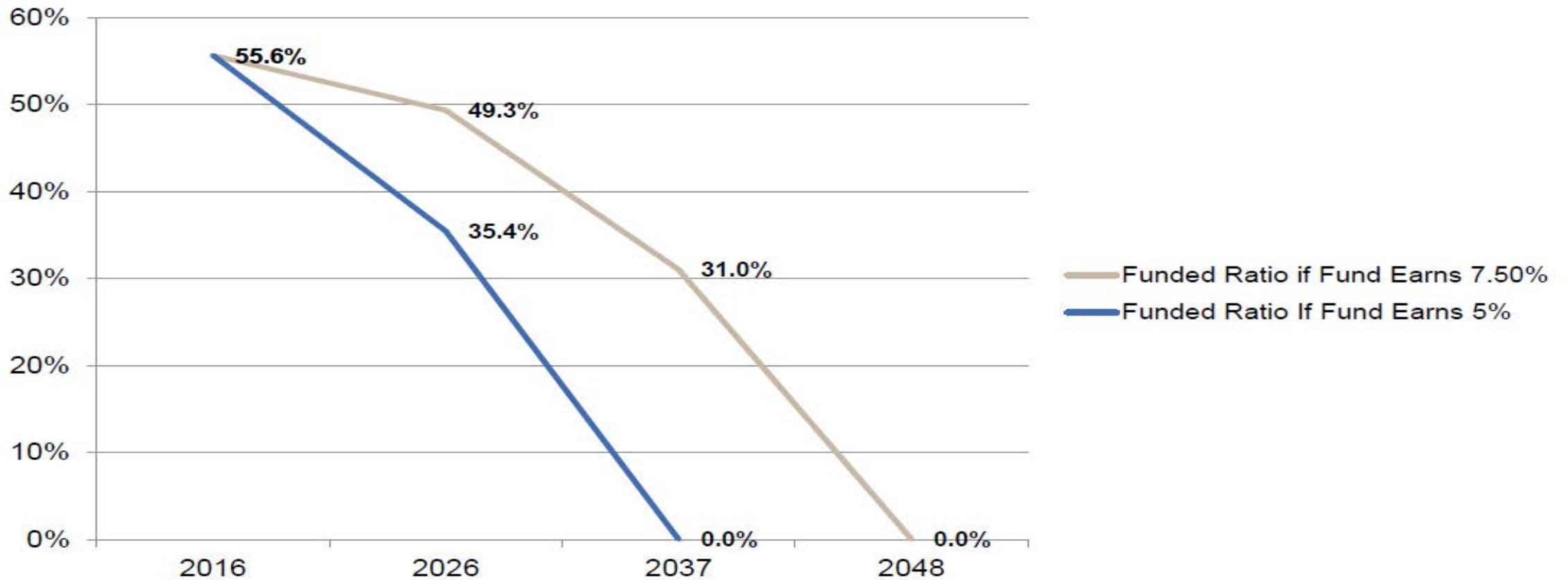
How does the City fund the pension plan?

Example: \$50,000 General Employee Hired in 2012; Works 30 Years



How Much of the Plan is Funded?

Projected Funded Ratios: No Additional Changes



City of Fort Worth Pension Investment Returns

The City and member contributions, combined with the investment returns, result in the funds available to pay benefits. The Fund uses a 7.75% rate of return, which is down from 8.5% in the past.

Market Value	MTD	QTD	CYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception
\$2.2B	1.02%	1.93	-0.19%	0.68%	6.87%	5.52%	8.43%	8.49%	Sept. 1, 1983

Every percent the fund doesn't earn that it should is currently the equivalent of \$22 million. The current year is projected to end flat at 0%, which is the equivalent of missing earnings of \$170 million this year alone.

Accumulating an unfunded liability is sort of like a credit card...



- With the pension, we are taking on a debt that **we won't begin paying in benefits** until many years in the future
- Failure to pay enough results in an **unfunded liability**---so similar to a credit card it's like only paying the minimum balance each month never paying it off

...but paying off the unfunded liability is sort of like a mortgage



- We have a projected unfunded liability of over \$1.6 billion
- The amount of time anticipated to pay off the liability is known as the “**amortization period**” and is commonly recommended to be around 30 years

TEXAS PENSION SYSTEM

What do other cities
in Texas contribute?



Texas City Comparison Chart

FY2017

Employee Contributions – including Social Security

	General	Fire	Police
Fort Worth	8.25%	8.25%	8.73%
Austin	14.20%	18.33%	19.20%
Dallas	13.32%	13.50%	13.50%
El Paso	15.15%	15.28%	13.89%
Houston	9.20%	10.50%	10.50%
San Antonio	TMRS	18.52%	18.52%

Employer (CITY) Contributions including Social Security

	General	Fire	Police
Fort Worth	19.74%	19.74%	20.46%
Austin	24.24%	18.33%	27.51%
Dallas	22.68%	34.50%	34.50%
El Paso	21.15%	18.50%	18.50%
Houston	14.37%	31.89%	31.77%
San Antonio	TMRS	30.84%	30.84%

Note: Cities highlighted in yellow also pay into Social Security

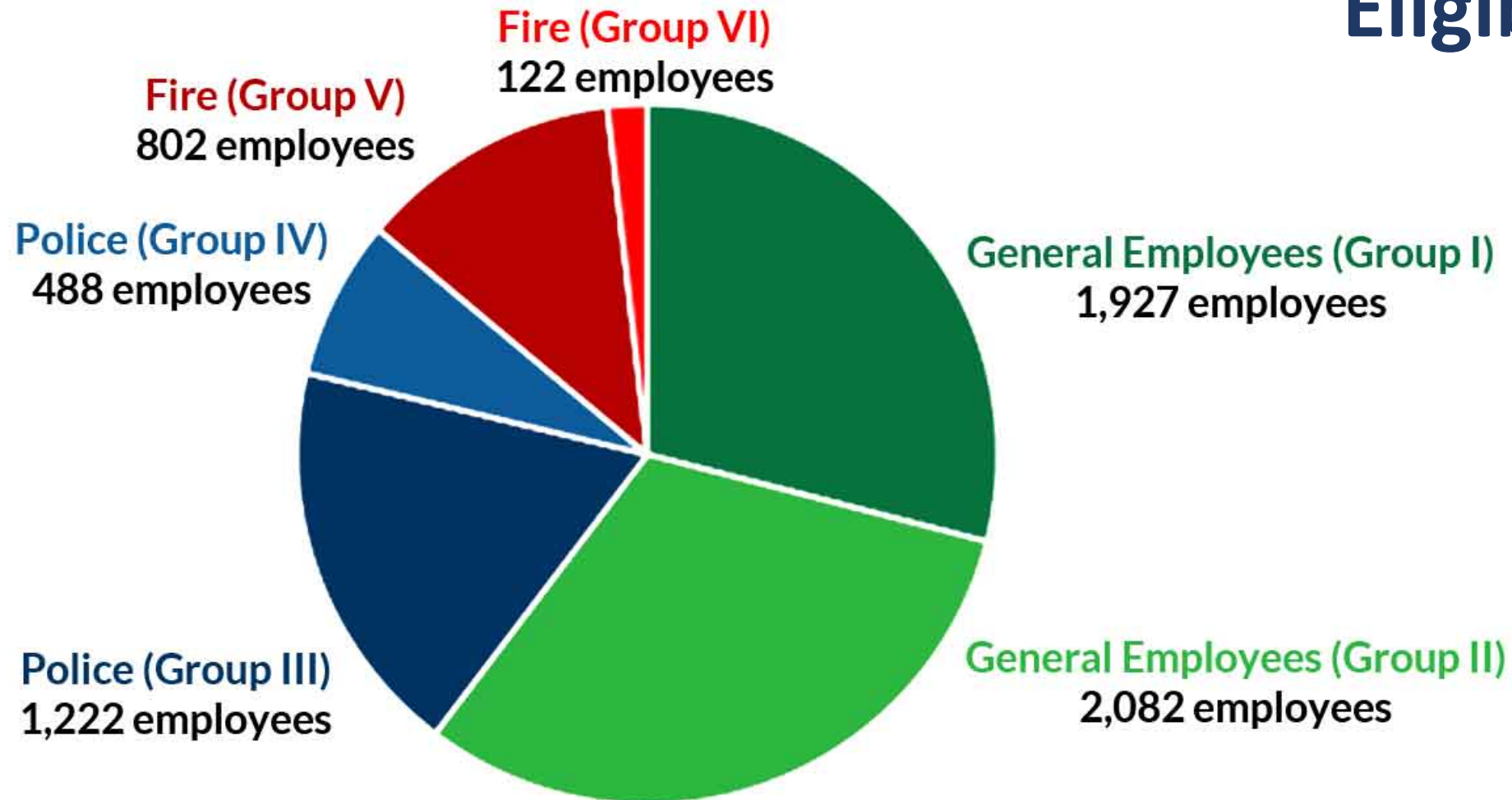
THE SOLUTION FOR THE FUTURE OF FORT WORTH

An aerial photograph of the Fort Worth skyline, featuring several prominent skyscrapers and a mix of urban development. The sky is clear and blue. In the foreground, there are green spaces and a bridge with a distinctive white arch design.

**A Successful Employee Vote
Occurred February 4 - February 22**

Votes were certified on February 27

Breakdown of Employee Groups Eligible to Vote



Pension Vote Results

There were **6,589 city employees**
total who were eligible to vote



of employees who participated in the vote

4,907

74%



of employees who voted to approve the contributions and other changes

3,920

59%

CONTRIBUTION INCREASES EFFECTIVE

Increases Effective July 20, 2019

and will first show up for employees
on the August 9, 2019 paycheck

Total Contributions

(As approved by the successful employee vote)

	Current	7/20/2019*	2020	2021
General	8.25%	9.35% (increase by 1.1% for Group II General Members) 10.05% (increase by 1.1% + .7% for years of blue service Group I General Members)		
Police**	8.73%	10.53% (1.8%)	12.53% (2%)	13.13% (.6%)
Fire	8.25%	10.05% (1.8%)	12.05% (2%)	
Tax Payers (City)	19.74% (General & Fire) 20.46% (Police)	24.24% (General & Fire) 24.96% (Police)		

*Retroactive to PP1 of calendar year 2019 for City

****Higher contributions for Police to retain the 25 and out benefit**

Risk Sharing

(As approved by the successful employee vote)

Additional contribution changes to be automatically implemented if required:

- As early as 2022, **if the City and employee contribution is less than the** actuarially-determined contribution (**ADC**) for two consecutive years **Contributions will be increased** as required to meet up to 2% of pay in one year or 4% of pay in total in a 60%/40% proportion (City/employee)
 - City = 1.2% in one year or 2.4% total
 - Employee = 0.8% in one year or 1.6% total
- **Increases may be unilaterally reduced** by City Council, without additional approval of members, if two consecutive actuarial valuations indicate the ADC will be met without those contributions
- If maximum contribution increase has been applied and the following actuarial valuation indicates the actual contribution is still insufficient, the City Council may consider **additional benefit reductions**

Total Contributions

(As approved by the successful employee vote)

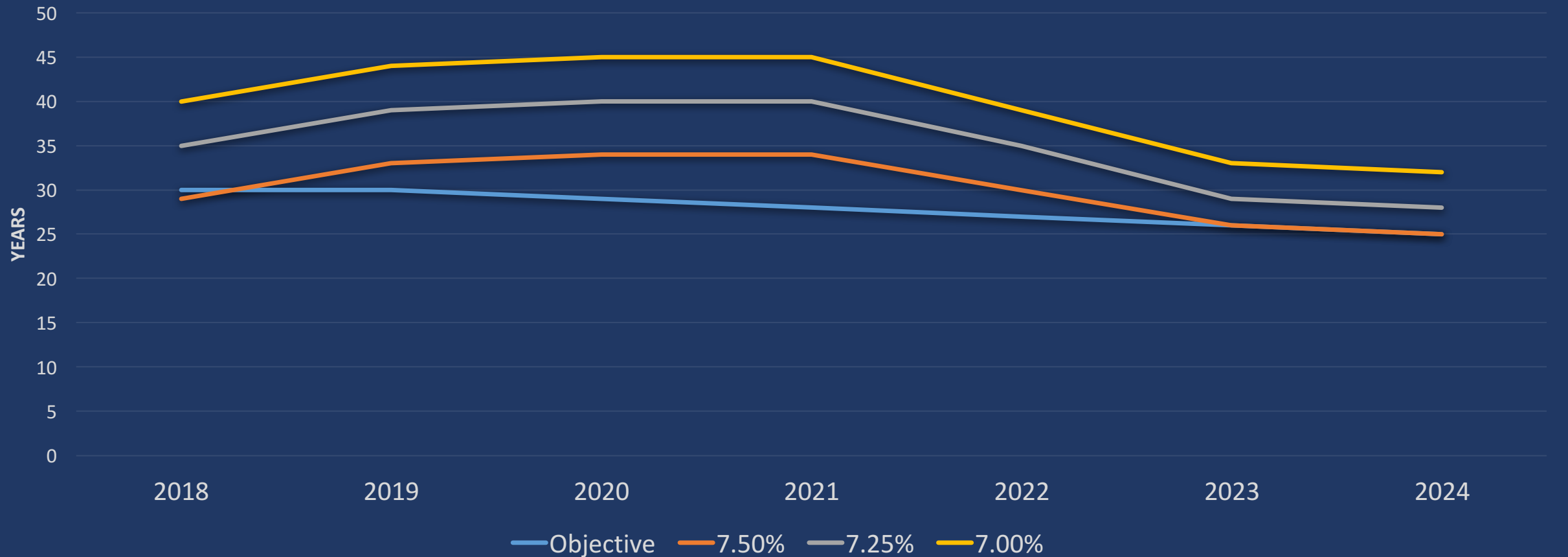
	Current	7/20/2019*	2020	2021	Risk Trigger 2022 (probable)	Risk Trigger 2023 (probable)
General	8.25%	9.35% (increase by 1.1% for Group II General Members) 10.05% (increase by 1.1% + .7% for years of blue service Group I General Members)			10.15% (.8% - max for Group II General Members) 10.85% (.8% - max for Group I General Members)	10.95% (.8% - max for Group II General Members) 11.65% (.8% - max for Group I General Members)
Police**	8.73%	10.53% (+1.8%)	12.53% (+2%)	13.13% (+.6%)	13.93% max (.8%)	14.73% max (.8%)
Fire	8.25%	10.05% (+1.8%)	12.05% (+2%)		12.85% max (.8%)	13.65% max (.8%)
Tax Payers (City)	19.74% (General & Fire) 20.46% (Police)	24.24% (General & Fire) 24.96% (Police)			25.44% (Gen. & Fire) 26.16% (Police)	26.64% (Gen. & Fire) 27.36% (Police)

*Retroactive to PP1 of calendar year 2019 for City

****Higher contributions for Police to retain the 25 and out benefit**

Solution Results

**Estimated Amortization Periods at Different Investment Return Assumptions
after Changes are Implemented and Automatic Adjust Feature**



Contributions on Overtime

- With the exception of built-in overtime for firefighters, **employees do NOT currently make contributions** on earned overtime.
- The **City makes contributions** on all overtime earned by employees who have any blue service; the City does not make contributions on overtime earned by employees with only orange service.
- The successful election means that **employees will now begin making contributions on all overtime**, effective July 20, including members with only orange service.

COLA

Cost of Living Adjustment

Adjustments to COLA and Eligibility Dates

Retain current COLA level for service through 7/19/2019 for members who are retired or entered DROP by 1/1/2021, including early retirement

Convert COLA of remaining active, **eligible** employees for service through 7/19/2019 to a variable COLA based on Fund performance

With the successful vote, COLA has been eliminated for future service, effective 7/20/2019

Variable COLA

Current employees that have a combination of Blue and Orange Service **who do not retire or enter the DROP by January 1, 2021,** will move to a variable COLA.

This means the COLA will fluctuate based on the performance of the fund.

- Increase in any single year may not exceed 4% increase of base pension
- Fund returns would need to consistently be 9-10% in order for a COLA to be triggered, **which is highly unlikely**

ENTERING THE DROP AND MAJOR MEDICAL

DROP (Deferred Retirement Option Program)

- A member who is eligible to retire may enter the DROP, while they continue to work and draw a regular paycheck.
- Upon entering DROP the pension amount is calculated and is frozen, as if the employee has retired. Future years of service and pay increases will not be added to the pension benefit
- The pension amount is deposited into an account that the member can withdraw upon retirement.
- **The effective date for the extension of the DROP from 5 to 6 years is 7/20/2019.**

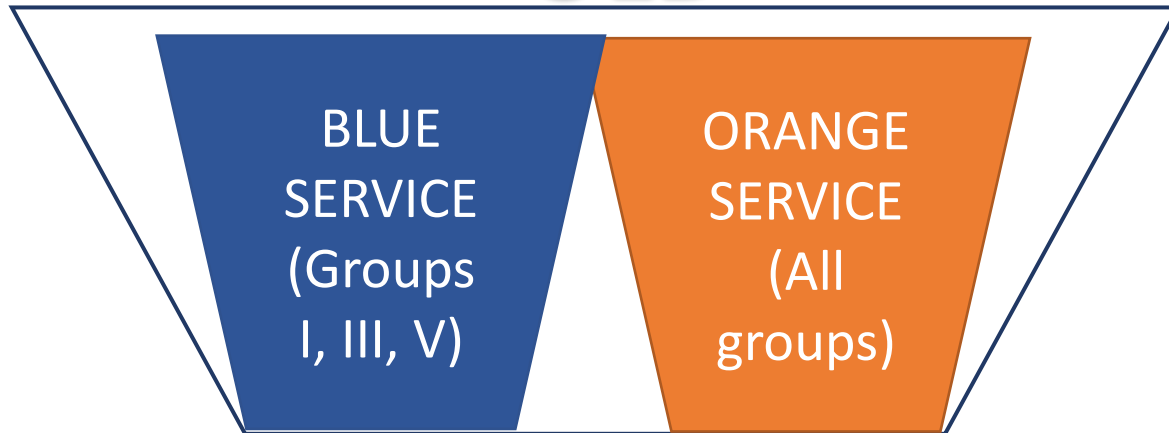
Major Medical Leave

(or Sick Leave for Police Officers)

- The old policy allowed unused sick leave (civil service) and major medical leave (general) to be applied as service credit at retirement
- Effective **July 20, 2019** any future earned sick/major medical leave that is accrued thereafter will not convert to service credit upon retirement
- Upon retirement all unused sick/major medical leave balances that were accrued prior to July 20, 2019 will continue to convert to service credit

How Sick/Major Medical Leave Will Be Used

OLD



NEW



Upon retirement, unused major medical or sick leave hours will be calculated and applied as service credit based on the *salary formula* when the *Major Medical leave or Sick leave hours* were earned. **However, any unused major medical or sick leave accrued after July 20, 2019 will no longer be applied as service credit.**

Example calculations:

- 1,040 hours (6 months) earned during Blue Service = $\frac{1}{2}$ of one year x 3.0% x high 3
- 520 hours (3 months) earned during Orange Service = $\frac{1}{4}$ of one year x 2.5% x high 5
- 130 hours (1 month) earned after July 20, 2019 = 0

HOW TO TRACK PENSION CONTRIBUTIONS AND THE HEALTH OF THE FUND

The Fort Worth Retirement Fund
administers the city's pension fund

Retirement Fund Website

<http://www.fwretirement.org/>

Fort Worth Employees' Retirement Fund

BOARD ▾ BENEFITS ▾ RETIREES ▾ FINANCIAL ▾ FORMS ▾ ABOUT US ▾ SEARCH

SCROLL TO EXPLORE

ACTIVE MEMBERS
LEARN MORE →

RETIRED MEMBERS & BENEFICIARIES
LEARN MORE →

FINANCIAL INFORMATION & INVESTMENTS
LEARN MORE →

NEWS
LEARN MORE →

Windows taskbar: I'm Cortana. Ask me anything. 2:42 PM 1/4/2019

Member Portal



Member Name : Maiya Nicole Hollie [Logout](#)

[Home](#)

Personal Information ▶

Employment ▶

Calculator ▶

Forms Calculator

Glossary

Questions

[Contact Us](#)

[Change Profile](#)

Summary

Results

History

Welcome to the **Fort Worth Employees' Retirement Fund Member Portal**. Keeping track of your personal pension information and planning for retirement has never been easier, thanks to your Member Self-Service Portal.

The Member Portal is currently available to all members.

ACTIVE AND VESTED TERMINATED MEMBERS
can

- Look up your employment history with the City of Fort Worth and see
 - Years of service
 - Retirement-eligible wages
 - Contributions made to the Retirement Fund
- Check your contact information
- Check the name of your beneficiary
- Print a Statement of Contributions letter
- Calculate your future benefit

6 ACTIVE DROP MEMBERS can

- Determine the number of months or years you have been in DROP
- See your DROP account balance
- Calculate your benefit at retirement

RETIREES can

- See your monthly payment and deductions
- Print a Verification of Income letter
- Change your contact information
- Check the name of your beneficiary
- Change your tax withholding or banking information

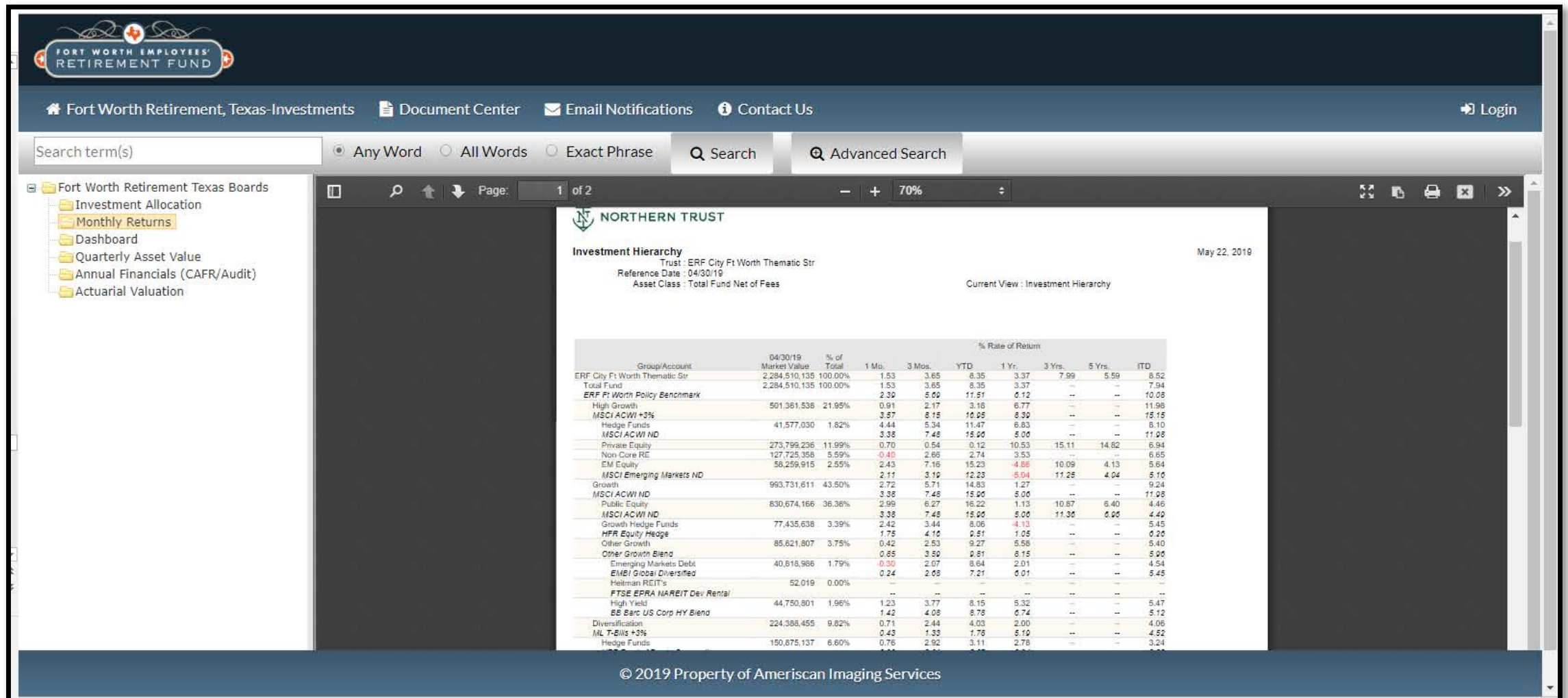
RETIRED DROP MEMBERS can

- See your DROP account balance
- See your DROP account transactions

In addition, you can easily access the following on our website:

<https://fwerf.arivos.com/MemberPortal/DefinedBenefits/Calculator/FWERF/Summary.aspx>

Financial Returns Available Online



FORT WORTH EMPLOYEES' RETIREMENT FUND

Fort Worth Retirement, Texas-Investments | Document Center | Email Notifications | Contact Us | Login

Search term(s) | Any Word | All Words | Exact Phrase | Search | Advanced Search

Fort Worth Retirement Texas Boards

- Investment Allocation
- Monthly Returns
- Dashboard
- Quarterly Asset Value
- Annual Financials (CAFR/Audit)
- Actuarial Valuation

NORTHERN TRUST

Investment Hierarchy

Trust : ERF City Ft Worth Thematic Str
Reference Date : 04/30/19
Asset Class : Total Fund Net of Fees

Current View : Investment Hierarchy

May 22, 2019

Group/Account	04/30/19 Market Value	% of Total	% Rate of Return						
			1 Mo.	3 Mos.	YTD	1 Yr.	3 Yrs.	5 Yrs.	ITD
ERF City Ft Worth Thematic Str	2,284,510,135	100.00%	1.53	3.65	8.35	3.37	7.99	5.59	8.52
Total Fund	2,284,510,135	100.00%	1.53	3.65	8.35	3.37	7.99	5.59	8.52
ERF Ft Worth Policy Benchmark			2.30	5.00	11.51	0.12	--	--	10.08
High Growth	501,361,535	21.95%	0.91	2.17	3.16	6.77	--	--	11.96
MSCI ACWI +3%			3.57	8.15	10.05	8.92	--	--	15.15
Hedge Funds	41,577,030	1.82%	4.44	5.34	11.47	6.83	--	--	8.10
MSCI ACWI ND			3.38	7.45	15.00	5.00	--	--	11.98
Private Equity	273,799,236	11.99%	0.70	0.54	0.12	10.53	15.11	14.62	6.94
Non Core RE	127,725,358	5.59%	-0.40	2.65	2.74	3.53	--	--	6.65
EM Equity	58,259,915	2.55%	2.43	7.16	15.23	-4.86	10.09	4.13	5.64
MSCI Emerging Markets ND			2.11	3.10	12.23	-5.04	11.26	4.04	5.10
Growth	993,731,611	43.50%	2.72	5.71	14.83	1.27	--	--	9.24
MSCI ACWI ND			3.38	7.45	15.00	5.00	--	--	11.98
Public Equity	830,674,166	36.36%	2.99	6.27	16.22	1.13	10.87	6.40	4.46
MSCI ACWI ND			3.38	7.45	15.00	5.00	11.36	5.00	4.42
Growth Hedge Funds	77,435,638	3.39%	2.42	3.44	8.06	-4.13	--	--	5.45
HFR Equity Hedge			1.75	4.10	2.51	1.05	--	--	0.20
Other Growth	85,621,807	3.75%	0.42	2.53	9.27	5.58	--	--	5.40
Other Growth Blend			0.65	3.50	0.81	8.15	--	--	5.00
Emerging Markets Debt	40,818,966	1.79%	0.30	2.07	8.64	2.01	--	--	4.54
EMBI Global Diversified			0.24	2.08	7.21	0.01	--	--	5.45
Helmman REIT's	52,019	0.00%	--	--	--	--	--	--	--
FTSE EPRA NAREIT Dev Rental			--	--	--	--	--	--	--
High Yield	44,750,801	1.96%	1.23	3.77	8.15	5.32	--	--	5.47
BB Bnc US Corp HY Blend			1.42	4.08	8.78	0.74	--	--	5.12
Diversification	224,388,455	9.82%	0.71	2.44	4.03	2.00	--	--	4.06
MIL T-Bills +3%			0.43	1.33	1.78	5.19	--	--	4.52
Hedge Funds	150,675,137	6.60%	0.76	2.92	3.11	2.76	--	--	3.24

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Fort Worth Employees' Retirement Fund Board

Board Trustees and Representation

Board Trustee Elections

Trustees are elected for a two-year term that begins
September 1

Voting is conducted by
mail, by phone or online

Elections for
places 1, 3, 5, and
7 are held in odd
years

Elections for places
2, 4, and 6 are held
in even years

Board Representation

The Fort Worth Employees' Retirement Fund Board of Trustees is composed of 13 members, as set forth in Senate Bill 976. Board meetings are monthly and are open to the public.



Active employees elect four representatives



Retired members elect three representatives



City Council appoints the remaining six trustees

Board Representation By Group

General Employees are represented by elections in the following groups:

GROUP C – PLACE 3

City Manager, City Secretary, Communications & Public Engagement, Financial Management Services, Human Resources, Internal Audit, Law, Municipal Courts, Performance & Budget, Planning & Development, Water and Waste Water, and non-Civil Service Employees of the Police Department

GROUP D – PLACE 4

Aviation, Code Compliance, Economic Development, IT Solutions, Library, Neighborhood Services, Park & Recreation, Property Management, Public Events, Transportation and Public Works, and non-Civil Service Employees of the Fire Department

HELP/COMMUNICATIONS

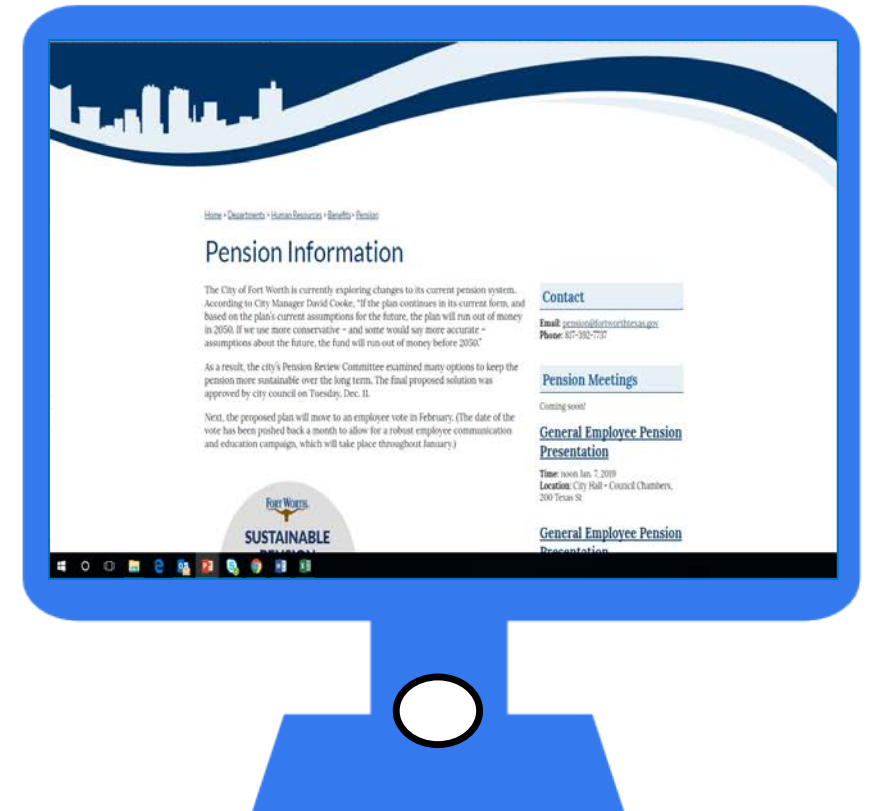
WHERE TO FIND MORE INFORMATION

Visit the City's Pension Page

<http://fortworthtexas.gov/benefits/pension/>

On the city's Pension webpage you can learn more about:

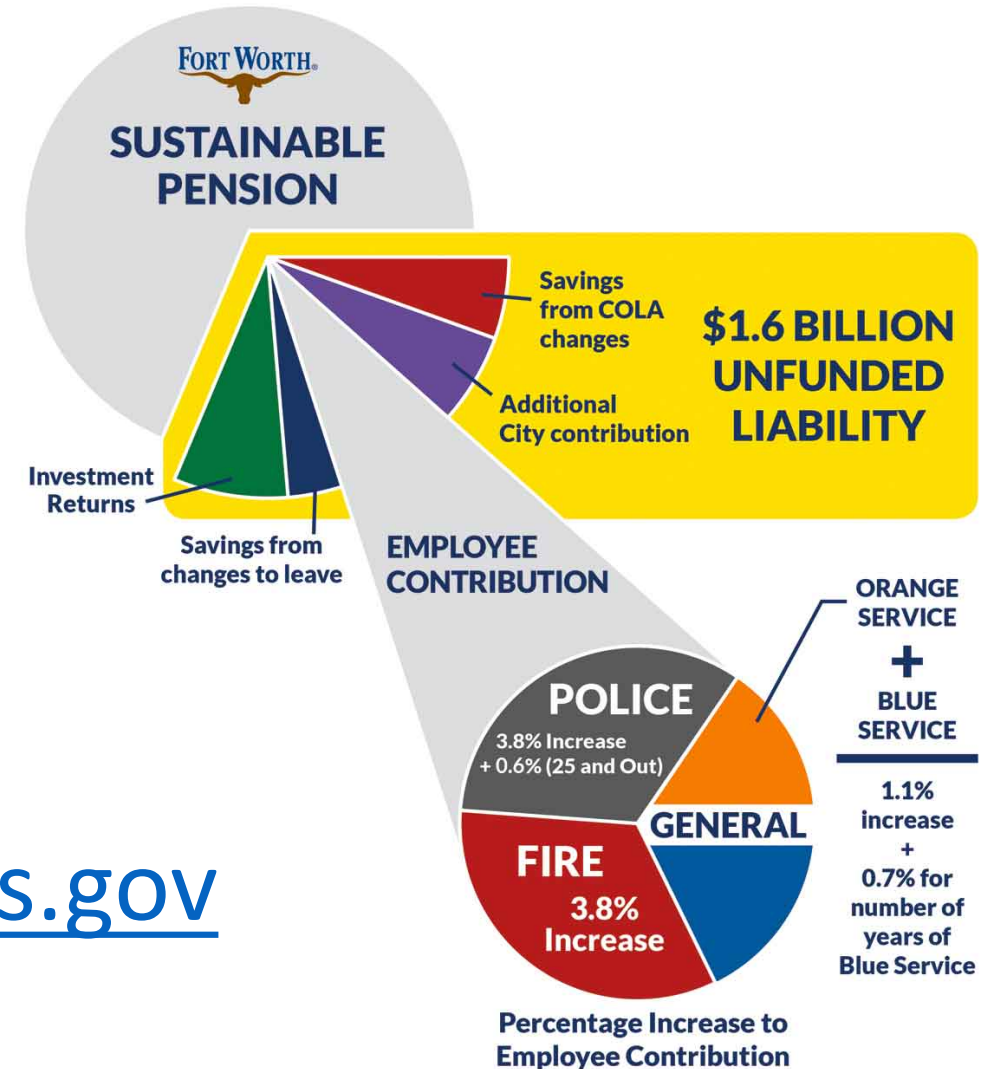
- ✓ Information on contribution changes for general employees, police officers and firefighters
- ✓ Pension Education Presentation (also on YouTube)
- ✓ Frequently Asked Questions (FAQs)
- ✓ Spanish translations of the pension presentation, pension glossary and handouts are available online



Where do I go to get
information about a
specific question I have
about my personal
pension?

Email: pension@fortworthtexas.gov

Phone: 817-392-7737





Important Points to Remember

Contributions to the Pension Fund are changing, but the benefit has been preserved and will remain the same



Employee contribution changes will be effective July 20, 2019



The first time employees will notice the contribution changes have taken effect will be on the August 9, 2019 paycheck

QUESTIONS



GLOSSARY

Important Pension Terms
You May Want To Know

Important Pension Terms to Know

- **Defined Benefit Plan** - a type of pension plan that promises a specified monthly benefit at retirement
 - **COLA** – Cost of living adjustment
 - **Ad Hoc COLA** - allows employees to share in the risks and benefits of investment returns.
 - **Simple COLA** - calculated on a fixed percentage rate. The simple COLA in the city's plan is 2%
 - **Variable COLA** - fluctuates based on the health/performance of the fund
- **DROP** – Deferred Retirement Option Program which allows an employee to defer retirement while accumulating a lump-sum benefit payable upon retirement
 - **Amortization Period** - the number of years in which the city will pay off the unfunded liability, if all plan assumptions are met, typically 30 years
 - **Rule of 80** - when combination of an employee's years of service, added to their age, equals 80. Once a General Employee or a Fire Employee reaches the Rule of 80, he or she is eligible to retire

457 PLAN

AN ADDITIONAL RETIREMENT
SAVINGS OPTION FOR EMPLOYEES

457 Deferred Compensation Plan TIAA

- Set aside pre-tax or post-tax (ROTH) money for retirement
- Minimum contribution \$10.00/pay period
- **Enroll online anytime through TIAA's website**
www.tiaa.org/fortworth
- Investment in a variety of funds available
- 2019 maximum \$19,000
- 2019 catch-up contribution
 - \$6,000 over age 50
 - Special catch-up contribution within 3 years of retirement
 - Contact Benefits or TIAA
- You can contribute a percentage of your salary for 2019

