

PENSION REFORM UPDATE

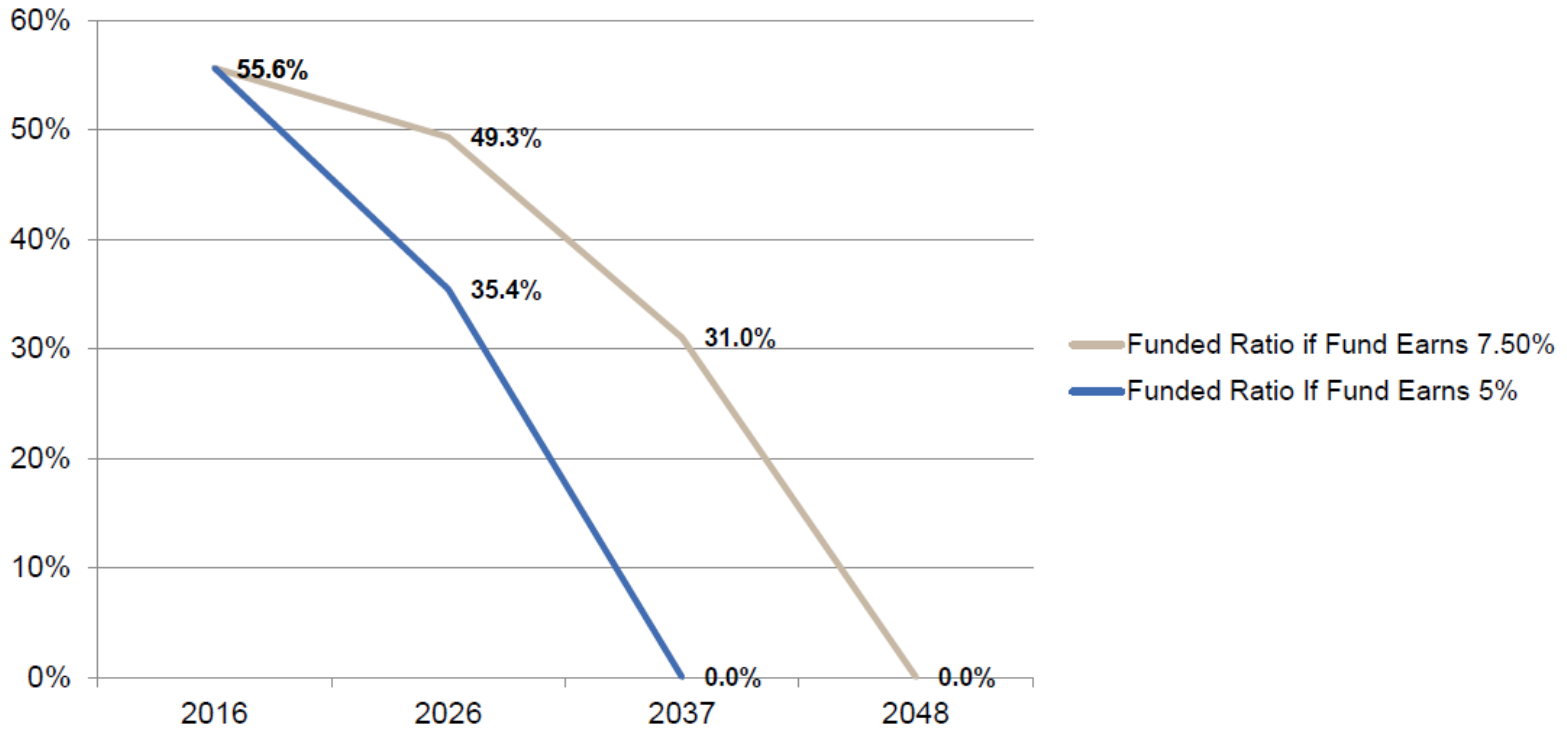
David Cooke
City Manager

Kevin Gunn
Interim CFO

June 25, 2019

Status Quo

Projected Funded Ratios: No Additional Changes



December 2018 Proposal

Final Proposal (Combined Impact of 10.3% of Pay)	
Increased City Contributions	<p style="text-align: right;">4.5%</p> <p style="text-align: center;"><u>Contingent</u> on successful employee vote</p>
Changes to Benefits/Eligibility	<p style="text-align: right;">2.9%</p> <ul style="list-style-type: none"> • Eliminate COLA for future service effective 7/20/2019 (1.0%) • Retain current 2% simple COLA or ad hoc 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 (1.6%) • Eliminate service credit for future accruals of major medical and sick leave (.3%) <p><u>Contingent</u> upon successful employee vote:</p> <ul style="list-style-type: none"> • Six-year DROP upon successful employee vote (0%)
Increased Employee Contributions (subject to employee vote)	<p style="text-align: right;">2.9%</p> <ul style="list-style-type: none"> • General: 1.1% + 0.7% (<i>Blue Service</i>) (.5%) • Police/Fire: 3.8% (1.9%) • Police 25 & out: 0.6% (.2%) • Commence employee contribution increases summer 2019 and phase in over two years for Fire and three years for Police (-.1%) • Employee contributions restored for all overtime (.4%)

City of Fort Worth Actions

M&C G-19423

December 2018

- Enacted City's Reform measures
- Called for employee election

Employee approve increases

February 2019

- 74% of all employees vote
- 80% of voters approve increases
- 59% of all employees approved

Risk Sharing

Summary of Contribution Changes

	January 1, 2019	July 12, 2019	January 1, 2020	January 1, 2021	January 1 2022	January 1, 2023
City		Increase 4.5% Retroactive January 1			Increase 1.2%	Increase 1.2%
General Employees		Increase 1.1% +0.7% for Blue Service			Increase 0.8%	Increase 0.8%
Police		Increase 1.8%	Increase 2%	Increase 0.6%	Increase 0.8%	Increase 0.8%
Fire		Increase 1.8%	Increase 2%		Increase 0.8%	Increase 0.8%

FWERF Actions March 2019

2016 – 2018 Actuarial Experience Study

Adopted actuarial assumptions changes

Price inflation changed from 2.75% to 2.50%

Investment return assumption changed 7.75% to 7.00%

Adopted Public Sector Life Expectancy Tables

Misc. other minor changes

Pension Reform Planning targets

Projected December 31, 2018 Valuation Results

	Current Plan	Current Plan	Pension Modifications
Discount Rate	7.75%	7.50%	7.50%
Ultimate Contribution Rates <i>(prior to risk-sharing)</i>			
• Members*	8.41%	8.41%	11.75%
• City	19.99%	19.99%	24.49%
Additional Revenue from Blue Service General Employee Contributions Expected in Year 1	N/A	N/A	\$780,000
Total Normal Cost Rate*	12.70%	13.49%	12.69%
UAAL (millions)	\$1,733.8	\$1,850.5	\$1,709.5
Funded Ratio	56.8%	55.2%	57.1%
Funding Period**	Infinite	Infinite	29 years
30-Year ADEC**	28.44%	30.02%	24.02%
Year UAAL Eliminated***	Not Applicable	Not Applicable	2050

* Underlying payroll basis for member contributions and normal cost rate also increased by approximately 5.7% due to the inclusion of overtime

** Based on new statutory contribution rates and zero liability for future Ad Hoc and Variable COLAs

*** Incorporating risk-sharing contribution increases and payment of Ad Hoc COLAs

- The plan actuary prepared an initial assessment of the modifications on January 18, 2019, following Council approval but prior to the conclusion of the employee vote
 - Assessment confirmed the plan closed the funding gap and reduced the amortization period to less than the target of 30 years, when applied to a carry-forward of the 2017 valuation results
 - Met desired results with a reduced discount rate of 7.5%
 - Reduced unfunded liability by over \$140 million based on 7.5% rate

Fund Valuation After Assumption Changes and Reform Measures

	December 31, 2018	December 31, 2017
Membership		
• Number of		
- Active members	6,589	6,579
- Retirees and beneficiaries	4,583	4,391
- Inactive, vested	375	375
- Inactive, nonvested	660	724
- Total	12,207	12,069
• Member Contributory Payroll*	\$ 494,152,294	\$ 442,444,781
• City Contributory Payroll	\$ 485,336,445	\$ 460,564,650
Effective Contribution Rates		
• Members (after phase-in)	11.10%	8.41%
• City	24.48%	19.99%
Actuarially Determined City Contribution		
• % of City Contributory Payroll	31.43%	28.11%
• Amortization Period	30 years	30 years
Actuarial Information on AVA (smoothed)		
• Normal cost % (exclude admin)	15.97%	12.70%
• Total normal cost	\$ 78,916,121	\$ 56,190,487
• Actuarial accrued liability	\$ 4,438,326,161	\$ 3,956,724,359
• Unfunded actuarial accrued liability (UAAL)	\$ 2,113,627,945	\$ 1,668,459,190
• Funded ratio	52.4%	57.8%

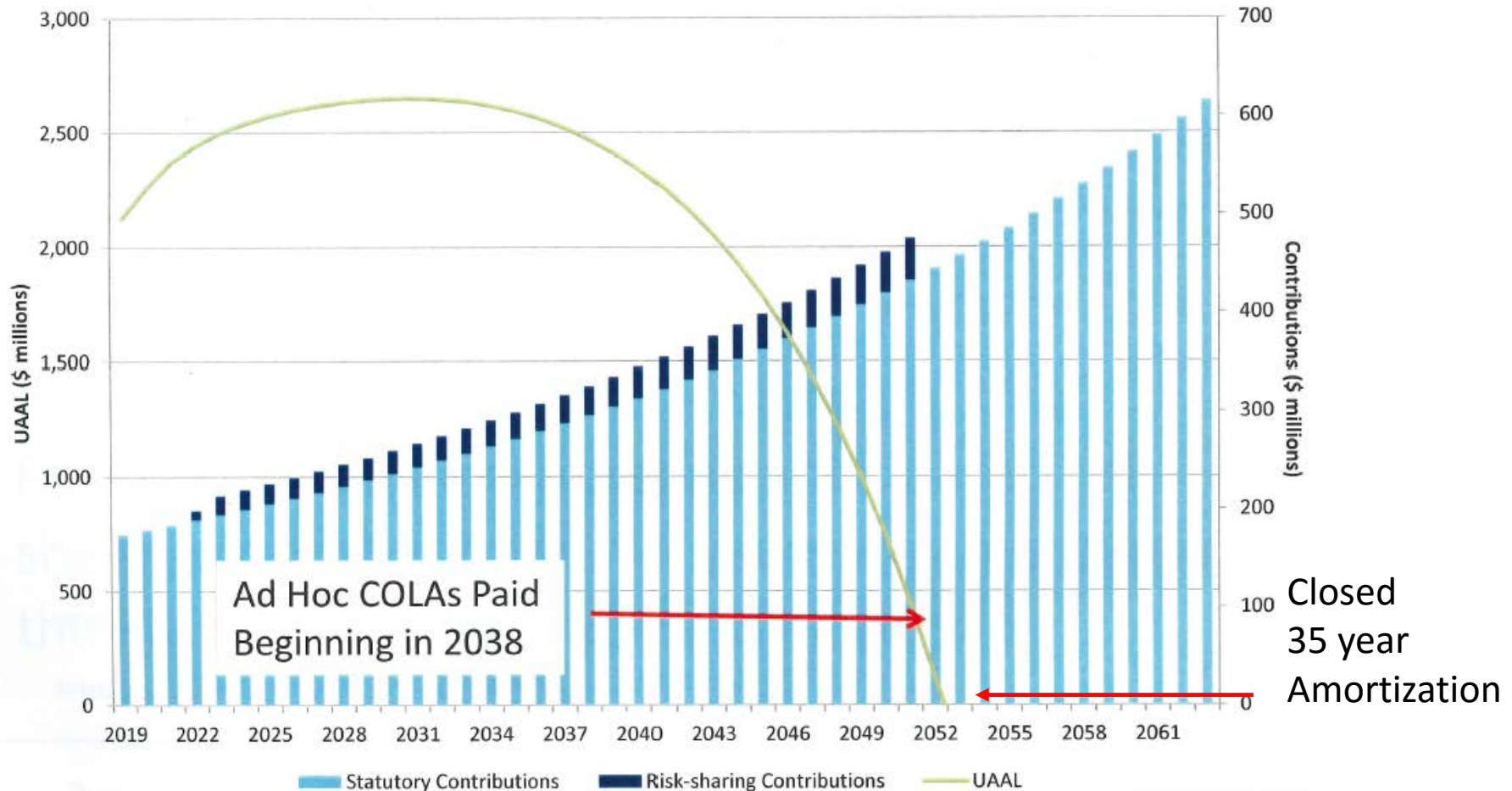
Funding Period Incorporating Projected Risk

Sharing Contributions and Ad Hoc COLAs

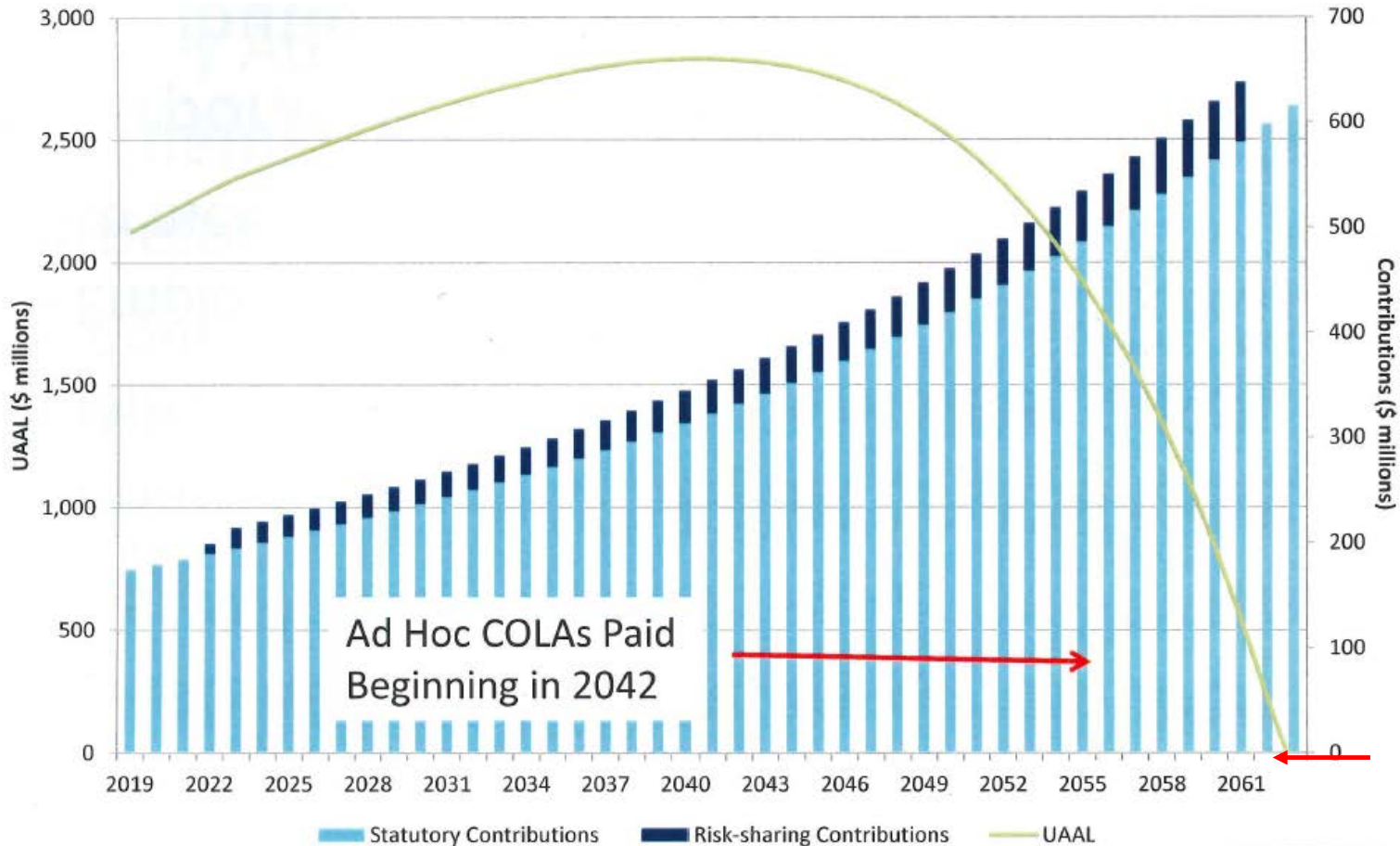
Based on Actuarial Value of Assets

	2018	2017
	44 years	Infinite

UAAL estimate before FWERF action



UAAL estimate after FWERF action



Closed
44 year
Amortization

Questions?