

**To the Mayor and Members of the City Council**

August 19, 2021

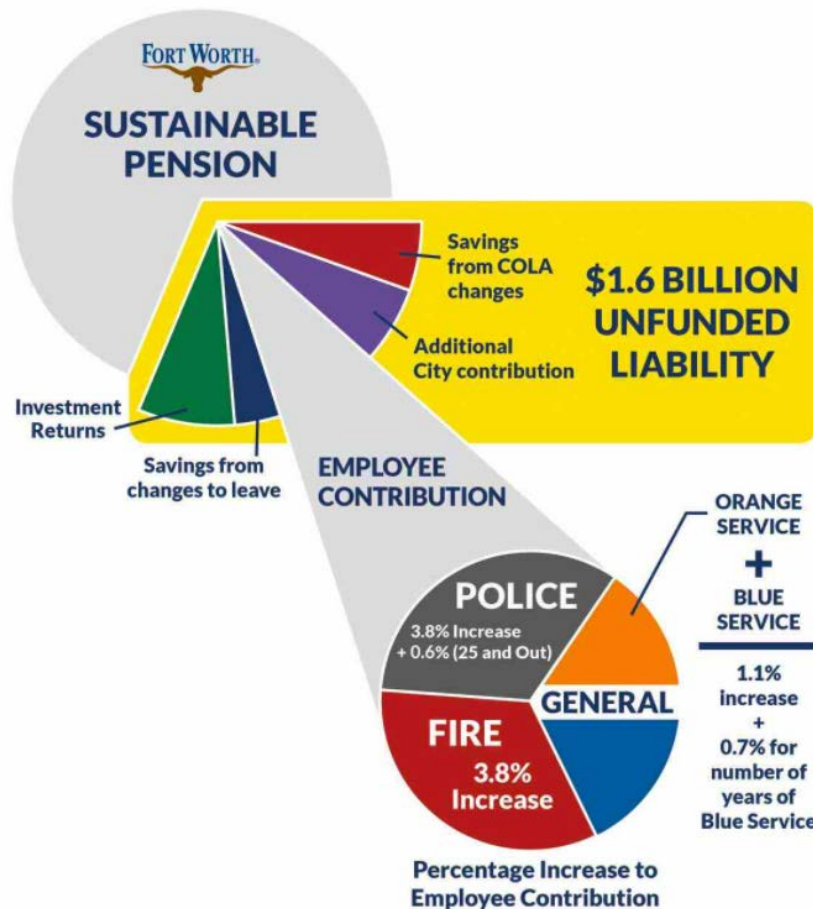
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**SUBJECT: Pension Contributions**

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 two years since the Council adoption and then employee vote, held in February, 2019, 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. The following shows a summary of the unfunded liability and the changes that were made over the last two years:



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Since the employee vote passed, the initial contribution increases have all have taken effect. The initial contribution changes for General, Fire, and Police employees began on July 20<sup>th</sup>, 2019, with additional phased in increases over the last two years for Police and Fire.

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 still exceeds 40 years. 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.

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

						
Summary of Contribution Changes						
	January 1, 2019	July 12, 2019	January 1, 2020	January 1, 2021	Risk Sharing	
	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%

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The following illustrates trends associated with pension contributions and covered payroll between fiscal years 2010 and 2020, where covered payroll is the actual payroll on which contributions are based.

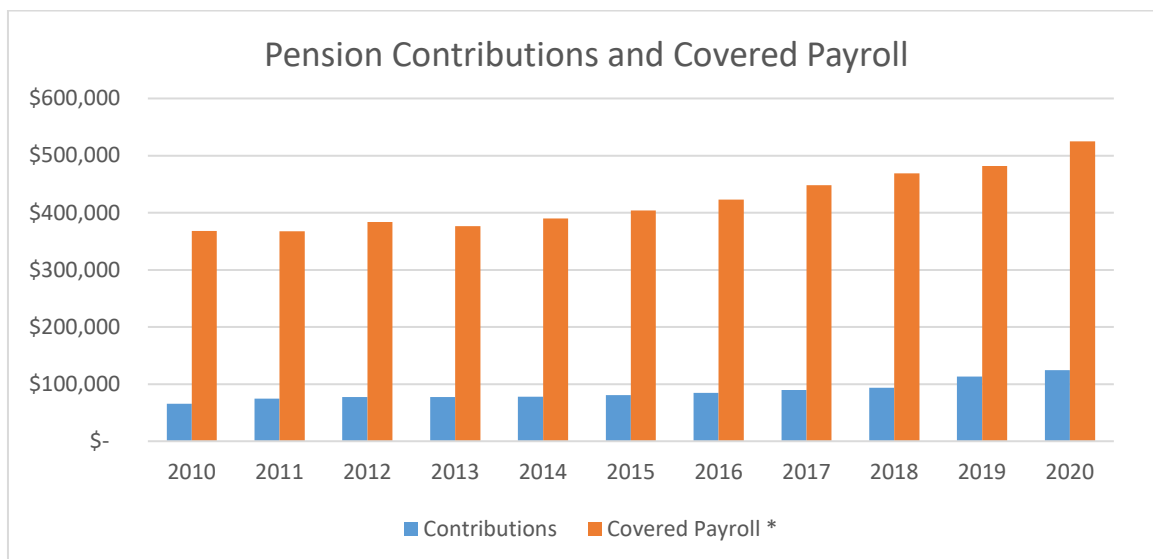
City of Fort Worth, Texas

Pension Contributions and Covered Payroll

(in 000's)

Fiscal Year	Contributions	Covered Payroll *	Percentage
2010	\$ 65,573	\$ 368,300	17.80%
2011	74,577	367,600	20.29%
2012	77,265	383,800	20.13%
2013	77,567	376,300	20.61%
2014	77,993	390,128	19.99%
2015	80,671	403,772	19.98%
2016	84,566	422,977	19.99%
2017	89,756	448,313	20.02%
2018	93,648	468,803	19.98%
2019	113,120	481,898	23.47%
2020	124,458	524,728	23.72%

\*Covered payroll is the actual payroll on which contributions are based.





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

**David Cooke**  
**City Manager**