

To the Mayor and Members of the City Council**September 1, 2015**

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**SUBJECT: PENSION REVIEW COMMITTEE**

On July 21, 2015, the City Council held a joint meeting with the Employees' Retirement Fund Board of Directors. The bodies received the January 1, 2015 valuation data. In addition, they received an analysis prepared by Gallagher Benefit Services that evaluated the results of the benefit changes and COLA selection processes that have occurred over the last several years.

By most measures, the changes made in the past several years have improved the financial position of the retirement fund and more accurately computed future liabilities. At the same time, there remains an unfunded gap or liability. For example, the amortization period to address the unfunded liability is reported at 55.7 years, exceeding the industry standard of 30 years. As a result, several members of the City Council requested that the City Manager form a committee, including employee representation, to determine what additional steps may be necessary to manage the risk of the plan and improve the overall financial condition.

The City Manager's recommended approach is summarized below:

Committee Composition (7 members)

- City Manager David Cooke
- Fund Executive Director Joelle Mevi
- Fort Worth Police Officers' Association
- International Fire Fighters Association #440
- A general employee representative
- (2) Representatives of businesses/taxpayers/municipal financial advisors

Committee's Charge

The committee will be charged with:

- Defining and assessing the long-term sustainability of the Fort Worth Employees' Retirement Fund (ERF) and evaluating options to improve the current position of the retirement fund, without directly or indirectly – requiring additional contributions from taxpayers/ratepayers.

In order to meet the charge, the Committee will conduct the following:

- Discussion and agreement in how long-term sustainability will be defined (as it relates to amortization period; discount rates; funded ratios, etc.)
- Evaluation of the competitiveness of the City's pension plan in the context of total compensation with the goal of maintaining competitive recruitment and retention. Total compensation will include salary, pension, healthcare, and other benefits such as paid leave.

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- Evaluation of the pension marketplace to include other Texas stand-alone plans and the Texas Municipal Retirement System (TMRS) to include, at a minimum, the following data.
 - Financial condition of other plans
 - Vesting
 - Benefit formula (multiplier, final salary calculation, overtime, etc.)
 - Employer/Employee Contributions
- Submitting a report to the Mayor and City Council detailing the results of the evaluation and identifying options that the City Manager may recommend to the City Council to improve the condition of the retirement fund.

Related Work & Considerations

At the same time this Committee will be completing its charge, we must consider other work which will be underway or occurring during the Committee timeframe, including:

- City will commence Police Meet and Confer process in October 2015.
- Retirement Fund will perform an Experience Study, beginning in January 2016.

Timeline

- Establish Committee: September 2015
- Define/understand goals and data collection needs and methodologies: October 2015
- Data Collection/Benchmarking: November/December 2015
- Identify Scenarios for Evaluation: December 2015/January 2016
- Discuss/Recommend changes and consider implications of upcoming Experience Study and Valuation: January/February 2016

We will update the City Council as specific committee members are identified and agree to participate. In the meantime, please let me know if you have any additional questions.

David Cooke
City Manager