

To the Mayor and Members of the City Council

July 26, 2011

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SUBJECT: PENSION UPDATE

The purpose of this IR is to provide the City Council with an update related to the pension plan. In order to allow enough time for an in depth discussion, a workshop is being scheduled to address pension issues . Staff is planning to schedule the workshop in early October and anticipates it will have two components, an educational piece and a policy setting piece. It is further anticipated that a knowledgeable and neutral expert will be selected jointly by the City Manager and the Executive Director of the Employees' Retirement Fund (the Fund), to facilitate the workshop. Based on the direction from the policy setting discussion, alternatives will be developed and presented at a subsequent workshop, anticipated by the end of the calendar year.

As you know, the City Council has made several changes to the fund in recent years, including increasing contributions and reducing benefits for general employees hired on or after July 1, 2011. Those steps allow the City and the Fund an opportunity to now focus on specific objectives related to benefits and costs, and to identify the desired metrics for each objective.

By way of background, a Five-Step Plan was created earlier, and is outlined below:

- STEP 1:** Increase Contributions to the Retirement Fund (completed)
- STEP 2:** Benefit Reductions for General Employee New Hires (completed)
- STEP 3:** Conduct Ad Hoc Cost of Living Adjustment (COLA) Selection
- STEP 4:** Conduct Employee Contribution Election
- STEP 5:** Evaluate Impact of Steps 1-4; Consider Additional Benefit Reductions for Non-Vested Employees and Vested Employees, if Needed,

As indicated above, Steps 1 and 2 have been completed and Step 3 was scheduled for this summer. However upon receipt of the 2011 actuarial valuation, the City Manager believed it was prudent not to take any further action until a workshop could be conducted with the full Council. As a result, the timeline for Steps 4 and 5 will depend on the outcome of the workshop.

The Board of the Employees' Retirement Fund discussed this topic at their meeting on July 21st, and would be happy to meet with Council for a workshop, and to facilitate a more open dialogue between Council and the Board.

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Additionally, a letter to employees from the City Manager will be sent this week to provide an update on this new direction.

If you have any questions, please contact Karen Montgomery, Assistant City Manger at 817-392-6222 or Greg Jordan, Assistant Financial Management Services Director at 817-392-8843.

A handwritten signature in cursive script, appearing to read "Tom Higgins".

Tom Higgins
Interim City Manager