

# A Resolution

NO. \_\_\_\_\_

**TO NOTIFY THE BOARD OF TRUSTEES OF THE EMPLOYEES' RETIREMENT FUND OF THE CITY OF FORT WORTH THAT THE FORT WORTH CITY COUNCIL INTENDS TO CONSIDER AND VOTE ON AMENDMENTS TO THE RETIREMENT ORDINANCE FOR NON-CIVIL SERVICE EMPLOYEES HIRED BEFORE JULY 1, 2011, POLICE OFFICERS HIRED BEFORE JANUARY 1, 2013, AND POLICE OFFICERS HIRED ON OR AFTER JANUARY 1, 2013, THAT WILL REDUCE A NON-ACCRUED BENEFIT PROVIDED BY THE RETIRMENT SYSTEM – COST OF LIVING ADJUSTMENTS**

**Whereas**, Article 6243i of the Texas Revised Civil Statutes applies to the City of Fort Worth and the Employees' Retirement Fund of the City of Fort Worth ("the Fund"); and

**Whereas**, Section 4.03 of Article 6243i of the Texas Revised Civil Statutes requires of the City Council to notify the Board of Trustees of the Fund of City Council's intent to consider and vote on any amendment to the administrative rules governing the Fund that would reduce a benefit provided by the retirement system; and

**Whereas**, the City's analysis projects the Fund to have an infinite funding period for the accrued unfunded liability (market value) if more conservative investment returns are assumed even without booking future potential ad hoc cost-of-living-adjustments (COLAs); and

**Whereas**, the City and the tax payers of Fort Worth currently have the State constitutional obligation to honor earned benefits for employees should the Fund become insolvent and therefore have a critical interest in the affordability of the benefits that are offered to employees; and

**Whereas**, the City controls, within Constitutional constraints and as limited by collective bargaining and meet and confer agreements, the retirement benefits that are offered to employees; and

**Whereas**, the Employee Retirement Fund Board has the legal authority over the investment strategy and management oversight of the contributions once remitted to them; and

**Whereas**, the City Council has endorsed the goal of preservation of a defined benefit plan for employees; and

**Whereas**, the City Council has demonstrated its commitment to this goal by increasing the City's contributions to the Fund by 5% of payroll in 2007, by 4% of payroll in 2010 and by making a one-time contribution of \$7 million in 2010; and



**Whereas**, these funding commitments have nearly doubled the City's annual financial commitment to the Fund over a period of four years, representing a \$39 million increased annual expense in FY2012 compared to FY2007; and

**Whereas**, the City Council reduced retirement benefits for General employees hired after July 1, 2011, with a pledge to consider the same for Police Officers and Fire Fighters during their subsequent contract negotiations; and

**Whereas**, the City may not unilaterally reduce the funding commitment to the Fund per State law; and

**Whereas**, the City is unwilling to make additional financial contributions to the Fund due to risks to the City's long-term sustainability in terms of operations, staffing, infrastructure and tax rate competitiveness; and

**Whereas**, one of the impediments to improving the health of the Fund is the structure of the ad hoc cost-of-living adjustment (ad hoc COLA) option that was offered in 2007; and

**Whereas**, the ad hoc COLA was originally intended to allow retirees to share in the risk and reward of investment returns with an annual adjustment of 0-4% depending on the amortization period of the unfunded liability each year; and

**Whereas**, ad hoc COLA's to date have been triggered by the City's subsequent contribution increases and benefit reductions for future General employees---not investment returns as intended---diluting the effectiveness of those efforts to improve the health of the Fund; and

**Whereas**, there will be no ad hoc COLA awarded for 2013 based on the recent actuarial valuation of the Fund, and based on projections by the Fund's actuary an ad hoc COLA will not be awarded for the next 21 years even if current Fund assumptions are met and no other changes are made; and

**Whereas**, current retirees who have the Ad Hoc COLA would have been materially the same since the inception of the program with a simple 2% COLA and all employees would be well-served from a predictable COLA during retirement; and

**Whereas**, the Fund will be able to more accurately project and book the cost of a simple 2% COLA to allow more accurate analysis of benefit modifications that can improve the health of the Fund; and

**Whereas**, in principle, the City believes it is important for employees to have a predictable COLA to facilitate long-term financial planning; and

**Whereas**, the opportunity for any additional attempts to improve the health and security of the Fund for the members and the City cannot be considered until the ad hoc COLA dilemma is resolved, and

**Whereas**, the City Council intends to consider and vote at a meeting, to be held on or after October 16, 2012 on an amendment(s) to the Retirement Ordinance that will reduce benefits.



**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS:**

That this Resolution serve as Notification to the Board of Trustees of the Employees' Retirement Fund of the City of Fort Worth that the Fort Worth City Council intends to consider and vote on amendments to the Retirement Ordinance, at a meeting to be held on or after October 16, 2012, as follows:

**That, in the event the City Council adopts benefit reductions outlined in Resolution**

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1. **The City intends to modify benefits to assign a 2% guaranteed annual adjustment for future accrued years of service for the following employees who are currently under the ad hoc COLA:**
  - a. **Active General Employees hired before July 1, 2011;**
  - b. **Active Police Officers hired before January 1, 2013;**
2. **All active General Employees hired before July 1, 2011 and all active Police Officers hired before January 1, 2013 who are subject to the ad hoc COLA will be offered the opportunity to select the 2% simple guaranteed annual adjustment for their past service accrual;**
3. **All Retirees (General, Police and Fire) and beneficiaries who are subject to the ad hoc COLA will be offered the opportunity to select the 2% simple guaranteed annual adjustment based on their starting pension amount with the first payment occurring in January 2014;**
4. **All Police Officers hired on or after January 1, 2013 will be assigned a 0% annual adjustment;**
5. **In recognition of the current Collective Bargaining Agreement with the International Association of Firefighters Local 440 that represents Fort Worth Fire Fighters, the City will enter into new contract negotiations with the Local 440 beginning after October 1, 2012 with the intent to allow their members to participate in the above changes thereafter, subject to the results of the negotiations.**

**ADOPTED** this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

ATTEST:

By: \_\_\_\_\_

Mary J. Kayser, City Secretary

