



Funding Policy
of the
Fort Worth Employees' Retirement Fund Staff Plan

The fundamental objective of the Board of Trustees (the "Board") for the Fort Worth Employees' Retirement Fund (the "Fund" or "FWERF") Staff Plan, a governmental defined benefit pension (the "Staff Plan"), is to fund the long-term cost of benefits promised to the Staff Plan participants. To maintain the Staff Plan's sustainability, adequate resources for future benefit payments should continue to be accumulated in a systematic and disciplined manner during the active service life of the beneficiary employees. Additionally, the Board believes that an ideal benefit design includes annual cost of living adjustments (COLA) to counteract the erosion of purchasing power caused by inflation. The purpose of this Funding Policy is to establish a framework for achieving these objectives.

Funding Goals

Implementation of the Staff Plan Funding Policy should address the following objectives:

1. Ensure funding plans are based on actuarially determined contributions.
2. Build funding discipline into the policy to ensure promised benefits can be paid.
3. Maintain intergenerational equity.
4. Require clear reporting to show how and when the Staff Plan will be adequately funded.

Funding Valuation Elements

Among others, the following existing Staff Plan elements bear on the Staff Plan Funding Policy objectives:

1. The entry age normal cost method is used to actuarially value the pension costs and contributions over an employee's working career utilizing economic assumptions based upon the most recent experience study. The current economic assumptions are as follows:
 - a. Investment rate of return: 7.00%
 - b. Assumed inflation rate: 2.50%
 - c. Payroll growth rate: 2.50%
 - d. COLA
 - i. For retirees who vested as of February 24, 2016, but who terminated employment with FWERF prior to February 24, 2016, a compounding ad-hoc percent based on amortization period:
 - a) 18 years or less = 4% COLA
 - b) 18.1 to 24 years = 3% COLA
 - c) 24.1 to 28 years = 2% COLA
 - d) More than 28 years = no COLA
 - ii. For retirees who were active employees of FWERF on or after February 24, 2016, 2% COLA on base pension.



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2. Investment returns and market value of assets are “smoothed” over a five-year period.
3. The Actuarially Determined Contribution is based on a 30-year closed period with level-dollar amortization payments for the unfunded actuarial accrued liability as of December 31, 2018 and additional 30-year closed period layers with level-dollar amortization payments for actuarial gains and losses in future years. Additionally, the Actuarially Determined Contribution shall never be less than the normal cost plus the anticipated administrative expenses.

Annual Actuarial Metrics

In addition, the following annual actuarial metrics, which are reviewed by the Board each year on the actuarial valuation date, will also bear on the Staff Plan Funding Policy objectives. The Board recognizes, however, that a single year's results may not be indicative of long-term trends or projected results and is cognizant of the importance of analysis over a full economic cycle.

1. Funded Ratio
 - a. The actuarial funded ratio is based on the actuarial value of plan assets divided by the Staff Plan's actuarial accrued liability (AAL).
 - b. The target funded ratio for the Plan is 100%, with a 20% corridor in either direction.
2. Funding Period
 - a. A funding period is the amortization period required to pay off the unfunded accrued actuarial liability (UAAL) considering the resources available.
 - b. Funding should be adequate to amortize the unfunded actuarial accrued liability over a period not to exceed 40 years. Ideally, the target funding/amortization period is 25 years or less. (source: Texas Pension Review Board Guidelines for Actuarial Soundness, date)

Guidance for Variances in Funding

1. If, and only if, the funded ratio of the Staff Plan reaches and remains 120% or more and the funding period reaches and remains less than 5 years for two calendar years, the Board may consider the following actions, provided that the funded ratio does not fall below 100% and the funding period does not exceed 25 years after consideration of the proposed change(s):
 - a. Examination and possible action of de-risking the Plan.
 - b. Reduction in the contribution rate, after the annual COLA is incorporated in the funding assumptions.
 - c. Adoption of benefit enhancements, after the annual COLA is incorporated in the funding assumptions.
 - d. Adoption of a temporary contribution holiday.
 - e. Adoption of a temporary 13th retirement payment in a given year.



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Except with respect to shared administrative expenses, Staff Plan funding, including such excess funding as described above in this paragraph 1, shall not be used to fund the administrative expenses, severance, or buyout plans, post-employment benefits, or any other past, present, or future liabilities of the Fund.

2. If, and only if, the Staff Plan funded ratio reaches and remains 80% or less and the funding period exceeds and remains beyond 28 years for two calendar years, the Board may consider the following actions:
 - a. An increase in the employee contribution rate, which shall require a participant election with majority agreement on such increase.
 - b. A non-recurring lump sum cash infusion to attain 80% or higher funded status.
 - c. Adoption of benefit reductions, after the annual COLA is incorporated in the funding assumptions.

Governance Processes

All aspects of the Staff Plan Funding Policy are subject to the review and approval of the Board of Trustees and are subject to change in accordance with applicable law if deemed by the Board to be appropriate and in the best interests of the beneficiary participants of the Staff Plan. Given that Staff Plan assets are commingled with the Fund's assets, periodic assessment of actuarial soundness may be driven by the Fund's valuation requirements. To this end, the following periodic actuarial and/or funding-related studies for the Staff Plan should be commissioned by the Board at the frequencies described:

1. Actuarial valuation: perform annually.
2. Funding Policy review: perform every three years or when changes in actuarial assumptions or benefit changes occur.

Revised and Adopted by the Board of Trustees on August 28, 2019.