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August 30, 2019

Fort Worth Employees' Retirement Fund  
3801 Hulen St.  
Suite 101  
Fort Worth, TX 76107

Re: Funding Soundness Restoration Plan (FSRP)

Texas Government Code §802.2015 requires the governing body of a public retirement system and the associated governmental entity formulate an FSRP if the public retirement systems actuarial valuation shows the system's amortization period exceeds 40 years for three consecutive annual actuarial valuations, or two consecutive actuarial valuations if the system conducts valuations less frequently.

Our records indicate an FSRP was required to be formulated for Fort Worth Employees' Retirement Fund based on the following actuarial valuations:

Actuarial Valuation	Amortization period
12/31/2016	Infinite
12/31/2015	72.5 years
12/31/2014	55.7 years

An FSRP formulated under these requirements must:

1) be developed by the public retirement system and the associated governmental entity in accordance with the system's governing statute; and

2) be designed to achieve a contribution rate that will be sufficient to amortize the unfunded actuarial accrued liability within 40 years not later than the 10<sup>th</sup> anniversary of the date on which the final version of the FSRP is agreed to.

**The Texas Pension Review Board (PRB) has received and reviewed the FSRP** submitted April 11, 2019. Based on the FSRP as provided, and the analysis provided in the December 31, 2018 actuarial valuation, we have determined the FSRP triggered by the December 31, 2016 actuarial valuation **is in compliance with the FSRP requirements** specified in Government Code §802.2015.

Please continue to provide updates regarding the progress the FSRP has towards achieving the required amortization period of 40 years by the 10<sup>th</sup> anniversary of the date on which the original FSRP was agreed. The submission of an updated actuarial valuation in accordance with §802.101 that illustrates an amortization period within the original deadline as outlined in item 2 above will serve as sufficient notification under §802.2015.

A revised FSRP will be required to be formulated within six (6) months of adoption of any future actuarial valuation that indicates the current FSRP is no longer sufficient to achieve the required amortization period.

This letter pertains solely to the FSRP requirement in Government Code §802.2015. The findings contained herein are separate from, and do not prevent the PRB from, conducting additional reviews of retirement systems, per its Actuarial Review Policy.

Please feel free to contact our office if you have any questions regarding the information shown.

Sincerely,

Texas Pension Review Board

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## Fort Worth Employees' Retirement Fund Plan Changes – Summary

### Contributions:

- City increased by 4.5% (effective January 2019):
  - For General & Fire members, increased from 19.74% to 24.24%.
  - For Police members, increased from 20.46% to 24.96%.
- Members:
  - Group I general employees increased from 8.25% to 9.35% plus 0.7% until the earlier of retirement, termination or service after June 2019 equals years of service earned prior to October 2013, effective July 2019.
  - Group II general employees increased from 8.25% to 9.35%, effective July 2019.
  - Police contributions increased from 8.73% to 10.53% in 2019, 12.53% in 2020, and 13.13% in 2021.
  - Fire contributions increased from 8.25% to 10.05% in 2019, and 12.05% in 2020.
  - All employees will contribute on overtime, effective July 2019.

### Benefit Changes:

- COLA
  - Eliminate COLA for all future service (for those currently eligible) for service on or after July 20, 2019.
  - Maintain the existing COLA for all retirees who were eligible and all eligible active employees who retire or enter the DROP by January 1, 2021.
  - Adoption of a variable COLA for eligible employees who continue to work for the City and have not entered DROP by January 1, 2021, for those who are eligible with the following criteria.
    - No COLA unless actuarial valuation results more favorable than target to meet the annually required contribution based on specific criteria
    - Council may select lifetime COLA or 13th check if:
      - Actuarially Determined Contribution (ADC) equal to or less than fixed contributions for last 3 years.
      - Same based on market value of assets.
      - Full cost of benefit is funded.
      - No COLA if auto risk-sharing contribution increases have been triggered and are still in effect or if discount rate is outside of average reported by similar funds.
      - Increase in any single year may not exceed 4% increase of base pension.
- Extended maximum DROP period to six years.
- Eliminated future accruals of major medical and excess sick leave toward service and Final Average Compensation.

### Risk Sharing:

The City adopted a funding objective/ADC to contribute an amount necessary to eliminate the unfunded liability over a closed 30-year period beginning on December 31, 2018. If this objective is not met, both the members and City are required to make risk-sharing contributions to the plan. If the contribution rate is less than the actuarially determined contribution (ADC) rate for two consecutive years:

- City and employee contributions will be increased up to 4% of pay (no more than 2% of pay in one year), split 60% City/40% Employee.
- Risk sharing contributions cannot begin prior to January 1, 2022.
- City Council can reduce risk sharing contribution increases if ADC will be met for two consecutive years without the increases.
- If maximum allowed contribution is applied and ADC is still not met, city council must consider additional benefit reductions.