



# FIREFIGHTER'S RELIEF AND RETIREMENT FUND

DS-20-002

January 7, 2020

# Retirement System Overview

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- ❑ Texas Municipal Retirement System (TMRS)
  - ▣ Covers all employees except for firefighters
  - ▣ Administered by TMRS
  - ▣ City is financially liable
- ❑ Firefighter's Relief and Retirement Fund
  - ▣ Only covers firefighters
  - ▣ Administered by 7 member board
  - ▣ City and retirement system are financially liable

# 2018 Retirement Plan Summary

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| Description           | Firefighter's    |           | TMRS            |            |
|-----------------------|------------------|-----------|-----------------|------------|
| Members               | Active           | 225       | Active          | 956        |
|                       | Retirees         | 72        | Retirees        | 525        |
|                       | Inactive         | <u>10</u> | Inactive        | <u>551</u> |
|                       | Total            | 307       | Total           | 2,032      |
| Contribution rate     | City - 13.0%     |           | City - 11.8%    |            |
|                       | Employee - 11.0% |           | Employee - 7.0% |            |
| Net pension liability | \$18.9 million   |           | \$77.9 million  |            |
| Amortization period   | 39.8 years       |           | Infinite        |            |
| Funded ratio          | 69%              |           | 67%             |            |

# Texas Pension Review Board

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- ❑ Provides Pension Funding Guidelines
  - ▣ Establishes minimum funding standards to meet long-term pension obligations
- ❑ Changes that became effective June 30, 2017
  - ▣ Preferred amortization period between 10-25 years
  - ▣ Max amortization period reduced from 40 to 30 years
  - ▣ Retirement plans greater than 30 years have grace period through June 30, 2025

# Firefighter's Relief and Retirement Fund

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- Amortization period increased 19 years from 2016
- 2018 plan experience changes increased amortization period by 2.7 years
  - ▣ Actual investment return, and payroll increased less than assumed
- 2018 assumption changes increased amortization period by 16.3 years
  - ▣ Investment return rate lowered – added 6.0 years
  - ▣ Updated mortality table – added 5.6 years
  - ▣ Updated expected compensation increase through retirement and deferred retirement option plan (DROP) use – added 4.7 years

# Alternatives

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- ❑ Do nothing and rely on increased investment returns
- ❑ Increase contributions by 1% - estimated to reduce amortization period to 30 years (\$150,000 annually)
- ❑ Increase contributions by 2% - estimated to reduce amortization period to 25 years (\$300,000 annually)
- ❑ Increase contributions by 1% or 2%, and share between the City and firefighters
- ❑ Reduce benefits to meet the desired amortization period, or in combination with a contribution increase alternative

# Next Steps

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- Firefighter's Relief and Retirement Board
  - ▣ Requested actuary firm prepare a letter to City Council requesting an increase in contributions
  - ▣ Requested permission to address City Council