

To the Mayor and Members of the City Council

February 6, 2024

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SUBJECT: FORT WORTH EMPLOYEE RETIREMENT FUND - ACTUARIAL IMPACT OF PROPOSED ASSUMPTIONS

The purpose of this informal report is a follow up to the letter emailed November 17, 2023 regarding the Actuarial Impact of Proposed Assumptions. The letter outlined proposed changes in the actuarial assumptions to be used in connection with the December 31, 2023, actuarial valuation of the Fort Worth Employee Retirement Fund (Fund). Actuarial assumptions are projections of future events that affect the cost and funding conditions of a pension plan. Gabriel Roeder Smith & Company (GRS) performed an experience investigation for the four-year period ending December 31, 2022 on behalf of the Fund. As a result of this study, GRS recommended several changes to the actuarial assumptions that were approved by the Fund's Trustees at the December 20, 2023, Board meeting noted below. An actuarial assumption that is not shown, then the original assumption remains unchanged.

**Employees' Retirement Fund of the City of Fort Worth
Proposed Assumptions for the December 31, 2023, Actuarial Valuation**

ASSUMPTION	DECEMBER 31, 2022 ASSUMPTIONS	DECEMBER 31, 2023 PROPOSED
Administrative Expenses	\$6.6 million in the year beginning December 31, 2022, adjusted annually as appropriate based on inflation and experience	This amount is reviewed annually based on input from FWERF staff.
Salary Scale (average rates for employees with 5+ years of service)	General Employees: 3.8% Police: 5.0% Fire: 4.2%	General Employees: 4.2% Police: 5.0% Fire: 4.2%
Overtime, Other Pay, and Final Pay Adjustments	General Employees: 3.50% for O/T pay, 0.00% for Final Pay Police Officers: 7.00% for O/T Pay, 2.00% for Final Pay Firefighters: 18.00% for Unscheduled O/T Pay, 6.00% for Final Pay	General Employees: No Change Police Officers: 7.5% for O/T Pay, 2.00% for Final Pay Firefighters: 25.00% for Unscheduled O/T Pay, 6.00% for Final Pay
Sick Leave Loads	General Employees: 3.75% Police Officers: 2.00% Firefighters: 2.50%	Remove current loads, and value sick leave service conversions explicitly for each member going forward.
Mortality	Applicable Pub-2010 mortality table for pre-retirement, disabled annuitants, and healthy annuitants for general employees and public safety. Generational mortality improvements projected from the year 2010 using ultimate mortality improvement rates in the MP tables.	No change to base mortality tables. Mortality improvement rates updated to use the ultimate rates in the MP-2020 tables.
Duty Disability	General Employees: 0% Police Officers: 40% Firefighters: 15%	General Employees: 10% Police Officers: 70% Firefighters: No Change
Withdrawal	Separate tables for the three employee groups; general employee tables are age-based and sex-distinct, in a five-year select and ultimate framework; the public safety tables are unisex and service-based	Updated tables for all three employee groups; all three employee group tables are now unisex and service based.
Retirement from Active Employment	Unreduced: Separate tables for all employee groups based on the number of years member has been eligible for Unreduced Retirement Reduced: A table of rates from 50 to 64 for General Employees; no reduced retirement assumed for public safety	Updated tables for all three employee groups based on recent experience. No change for reduced retirement for General Employees.

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Assumptions with No Change

The following assumptions remained the same: Interest Rate, Inflation, Payroll Growth, Duty Death, Disability, DROP Participation, Retirement from Inactive Status, Percent Married, Spousal Age Difference, Ad-Hoc COLA, Actuarial Cost Method, and Actuarial Asset Method. Details of these assumptions are outlined in the November 17, 2023 letter.

Estimated Fiscal Impact of Proposed Assumptions

The following results are based on the valuation as of December 31, 2022. The new assumptions will first be effective for the December 31, 2023, valuation.

Assumptions	Current Assumptions	Recommended Assumptions
Total Normal Cost Rate	15.86%	15.56%
UAAL (millions)	\$2,257.3	\$2,267.1
Funded Ratio	54.8%	54.7%
30-Year ADEC₁	31.59%	31.22%
Funding Period₂	36 years	35 years

1. Based on statutory contribution rates and zero liability for future Ad Hoc and Variable COLAs

2. Incorporating risk-sharing contributions and payment of Ad Hoc COLAs

For any questions on this report, please contact Linda Webb, Executive Director, Fort Worth Employee Retirement Fund (817) 632-8909, or Dianna Giordano, Human Resources Director, at (817) 392-7783, as both are available to answer any questions.

David Cooke
City Manager