

**CITY OF EL PASO, TEXAS
REQUEST FOR COUNCIL ACTION (RCA)**

DEPARTMENT: City Manager
AGENDA DATE: November 18, 2008
CONTACT PERSONS/PHONE: William F. Studer, Deputy City Manager, 541-4215
DISTRICT(S) AFFECTED: ALL DISTRICTS

SUBJECT:

APPROVE a resolution / ordinance / lease to do what? **OR AUTHORIZE** the City Manager to do what? Be descriptive of what we want Council to approve. Include \$ amount if applicable.

Discussion and Presentation on the Firemen and Policemen Pension Fund of El Paso.

BACKGROUND / DISCUSSION:

Discussion of the what, why, where, when, and how to enable Council to have reasonably complete description of the contemplated action. This should include attachment of bid tabulation, or ordinance or resolution if appropriate. What are the benefits to the City of this action? What are the citizen concerns?

Council requested a briefing on the Investment Performance and Administration of the Fund.

PRIOR COUNCIL ACTION:

Has the Council previously considered this item or a closely related one?

N/A

AMOUNT AND SOURCE OF FUNDING:

How will this item be funded? Has the item been budgeted? If so, identify funding source by account numbers and description of account. Does it require a budget transfer?

N/A

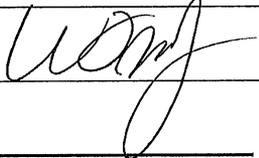
BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

LEGAL: (if required) _____

FINANCE: _____

DEPARTMENT HEAD:  _____

APPROVED FOR AGENDA: _____

CITY MANAGER: _____

DATE: _____



EL PASO FIREMEN & POLICEMEN'S PENSION FUND

City Council
El Paso, Texas
November 18, 2008



Governing Authority



- ▶ Statutorily established and maintained pursuant to Article 6243b, Vernon's Annotated Texas Statute.
- ▶ Two divisions, the Firemen's Fund, and the Policemen's Fund.
- ▶ Managed by common Board of Trustees and administrative staff pursuant to statute.
- ▶ Board of Trustees mandated to administer the Plan in accordance with state law.



Board of Trustees



- ▶ Mr. Michael Calderazzo, Chairman
- ▶ Mr. Mark Austin, Vice Chairman
- ▶ Mr. Ralph Johnson, Elected Fire Representative
- ▶ Mr. Matt Widtfeldt, Elected Fire Representative
- ▶ Mr. Robert Feidner, Elected Police Representative
- ▶ Mr. Stanley Hayes, Elected Police Representative
- ▶ Dr. Robert Tollen, Mayoral Appointment
- ▶ Mr. John Davis, III, Mayoral Appointment
- ▶ Mr. Presi Ortega, Mayoral Appointment
- ▶ Ms. Terri Garcia, City Manager Appointment
- ▶ Mr. William Studer, City Manager Appointment



Plan Type/Participation/Contribution Rates



- ▶ Defined Benefit Plan – Plan that promises to pay a specified amount to each person who retires after a number of years of service.
- ▶ Participation in the Plan by the City’s firemen & policemen is a condition of employment.
- ▶ Employee contributions to the Plan are mandatory and automatically taken from wages.
 - Fire 15.25%
 - Police 13.89%
 - City 18.50%
- ▶ Member eligibility, benefits and contribution rates are all set forth under the Plan pursuant to statute.



Plan Changes & Benefits For Members Hired Prior To July 1, 2007



Plan Changes

- ▶ From highest month wage to a 3-year average
- ▶ Police Officers contribution rate increased from 11.89%
13.89% of pay

Current Benefits for both Fire & Police

- ▶ 2.75% accrual rate
- ▶ Age 45 with 20 years of service retirement eligibility
- ▶ 100% automatic survivor benefits
- ▶ 36-month average for final wages



Benefits For Members Hired After July 1, 2007



- ▶ 2.50% accrual rate
- ▶ Age 50 with 25 years of service retirement eligibility
- ▶ 75% automatic survivor benefit
- ▶ 36-month average for final wages
- ▶ No automatic COLA



Governance Changes



Board Composition

- ▶ 3 Police
- ▶ 3 Fire
- ▶ 3 Mayoral Appointments
- ▶ 2 City Manager Appointments

Approval Process for Benefit Improvements

- ▶ Approved by City Council, if not
- ▶ Citizens of El Paso through Charter Referendum

El Paso Firemen and Policemen's Pension Fund

BUCK

December 31, 2007 Actuarial Valuation

November 18, 2008

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Review of December 31, 2007 Actuarial Valuation

- ❖ Changes from Prior Valuation
- ❖ Plan Demographics
- ❖ Valuation Results
- ❖ Impact of July, 2009 City Contribution

Changes from Prior Valuation

❖ Plan Changes

- Members hired before July 1, 2007
 - 3-year average compensation period
 - Police officer contribution rate of 13.89% of pay
- Members hired on or after July 1, 2007
 - 3-year average compensation period
 - Police officer contribution rate of 13.89% of pay
 - 2.50% accrual rate
 - Age 50 with 25 years of service retirement eligibility
 - 75% survivor benefit
 - No automatic post-retirement increases

Changes from Prior Valuation

❖ Assumption Changes

- Only to reflect different retirement eligibility for members hired on or after July 1, 2007

❖ Other Changes

- City contributed \$100,000,000 in July, 2007
- City will contribute \$110,000,000 in July, 2009

Participant Demographics – December 31, 2007

	<u>Police</u>	<u>Fire</u>
Active Participants		
Number	1,098	784
Average Age	37.8	37.6
Average Credited Service	10.4	10.9
Total Valuation Compensation	\$ 56,840,063	\$ 41,165,230
Average Valuation Compensation	\$ 51,767	\$ 52,507
Deferred Vested Participants		
	13	1
Retirees and Beneficiaries		
Number	734	562
Average Age	61.2	64.1
Total Annual Benefits	\$ 25,035,166	\$ 19,024,469
Average Annual Benefit	\$ 34,108	\$ 33,851

December 31, 2007 Valuation Results - Fire

	<u>December 31, 2005</u>	<u>December 31, 2007</u>
Actuarial Accrued Liability	\$ 374,484,359	\$ 431,938,611
Actuarial Value of Assets	215,036,027	317,924,960
Unfunded Accrued Liability	159,448,332	114,013,651
Funded Ratio	57.4%	73.6%
Normal Cost Rate*	31.6%	29.9%
Years to Fund	Infinite	Infinite

* After adjustment for overtime.

December 31, 2007 Valuation Results - Police

	<u>December 31, 2005</u>	<u>December 31, 2007</u>
Actuarial Accrued Liability	\$ 547,072,188	\$ 613,942,215
Actuarial Value of Assets	388,533,219	515,354,403
Unfunded Accrued Liability	158,538,969	98,587,812
Funded Ratio	71.0%	83.9%
Normal Cost Rate*	31.9%	30.4%
Years to Fund	Infinite	Infinite

* After adjustment for overtime.

December 31, 2007 Valuation Results – Impact of July, 2009 City Contribution of \$110,000,000

	<u>Fire</u>	<u>Police</u>
Actuarial Accrued Liability	\$431,938,611	\$613,942,215
Actuarial Value of Assets*	382,965,963	548,320,391
Unfunded Accrued Liability	48,972,648	65,621,824
Funded Ratio	88.7%	89.3%
Years to Fund*	17	17

* Assumes 8% rate of return on assets for all years after 2007 and July, 2009 contributions of \$73,000,000 for Fire and \$37,000,000 for Police.