



City of Denton

City Hall
215 E. McKinney Street
Denton, Texas
www.cityofdenton.com

AGENDA INFORMATION SHEET

DEPARTMENT: Finance

ACM: Cassey Ogden

DATE: January 14, 2025

SUBJECT

Consider adoption of an ordinance of the City of Denton, Texas approving the Denton Firemen's Relief and Retirement Fund actuarial valuation as of December 31, 2023; and providing an effective date.

BACKGROUND

The City of Denton participates in the Texas Municipal Retirement System (TMRS) and the Denton Firemen's Relief and Retirement Fund (DFRRF) pension plans. The DFRRF plan covers firefighters in the Denton Fire Department, and the TMRS plan covers all other City of Denton employees except temporary positions.

The DFRRF Board, the Denton Firefighters Association, and the City entered into an agreement in 2019. Below are the key provisions of this agreement:

- 1) The DFRRF will develop and adopt a funding policy that achieves a 100% funding ratio over a closed 25-year amortization period.
- 2) The City increased its contribution rate to the DFRRF to 18.5% effective with the first pay period beginning after the agreement was approved. Each subsequent year of the agreement, the City's contribution rate will be adjusted to the rate needed to amortize the unfunded liabilities over the 25-year closed period. The City's contribution rate will not fall below the TMRS contribution rate.
- 3) No benefit enhancements will be approved by the Board during the term of this agreement.
- 4) The investment rate of return assumption will be conservatively estimated depending upon investment expectations (currently 6.75%).
- 5) It was agreed in 2019 that if the deficiency cannot be corrected, the report will not be approved by the City Council, but the City's contribution would not be less than the contribution rate to TMRS or the minimum rate established by law.

The agreement also requires the DFRRF to commission an actuarial analysis every two years, and the City Council will be provided a formal opportunity to approve the report. Therefore, under the 2019 agreement, the purpose of this item is to approve the actuarial valuation for the period ending December 31, 2023 (see Exhibit 3).

Overall, the results of the actuarial report are very positive. The funded ratio has increased to 91.1% in 2023 from 88.8% in 2021 this ratio is indicative of a healthy and well-funded pension. Additionally, the

amortization period has decreased to 6.5 years from 9.1 years in 2023 which is below the stated 25-year closed amortization period.

Staff recommends maintaining the City's contribution rate at its budgeted rate of 18.88% effective January 2025. The funds are currently budgeted for this purpose and already assumed in the adopted budget delivered to City Council in September of 2024. The overall health of the fund is good and the City's contribution is in line with the agreement. The City is contributing in excess of the normal cost resulting in an expected amortization period of 6.5 years.

RECOMMENDATION

Staff recommends that the City Council proceed with approving the 2023 actuarial variation.

EXHIBITS

Exhibit 1 – Agenda Information Sheet

Exhibit 2 – Ordinance

Exhibit 3 – DFRRF 2023 Actuarial Study

Respectfully submitted:
Jessica Willaims
Chief Financial Officer