



## Legislation Text

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### Agenda Information Sheet

**DEPARTMENT:** City Manager's Office

**CM/ ACM:** Bryan Langley

**Date:** February 14, 2017

#### **SUBJECT**

Receive a report, hold a discussion, and give staff direction regarding the Texas Municipal Retirement System and the Denton Firemen's Relief and Retirement Fund.

#### **BACKGROUND**

The City Council has requested a briefing on the overall status of the City's pension plans. Therefore, the purpose of this discussion is to provide the City Council with an overview of the funded status and funding progress for the Texas Municipal Retirement System (TMRS) and the Denton Firemen's Relief and Retirement Fund (DFRRF).

The City of Denton participates in two separate pension plans. The DFRRF covers firefighters in the Denton Fire Department. The TMRS plan covers all other City of Denton employees with the exception of temporary positions.

#### **TMRS Overview:**

TMRS was created in 1947 by the Texas Legislature. TMRS is a hybrid of a defined benefit and defined contribution plan. Under this approach, contributions are defined until the date of retirement. Upon retirement, the value of these contributions and investment earnings define the benefits for the retiree (also known as a cash balance plan). In this way, the unfunded liabilities associated with many defined benefit plans are minimized.

While TMRS is a state-wide retirement system, the plan does not receive any state funding. Rather, all funding associated with TMRS is provided by employers, employees, and investment earnings of the system. Further, individual cities determine the level of benefits that will be provided to their retirees.

As of December 31, 2015, the TMRS system had 866 cities that participate in the plan. Collectively, these cities have 106,894 active members and 56,481 retirement accounts. Specific information for the City of Denton's TMRS plan is provided in 2015 Actuarial Report which is included as Exhibit 1.

#### **DFRRF Overview:**

The Denton Firemen's Relief and Retirement Fund (DFRRF) covers firefighters in the Denton Fire Department,

and the Board of Trustees is the administrator of pension plan. The plan provides service, death, and disability benefits to members, and these benefits fully vest after 20 years of service. The normal service retirement benefit is equal to 2.59% of the highest 36-month average salary for each year of service under the plan.

As of December 31, 2015, the most recent biennial valuation, the plan served 176 active firefighters and 84 retirees or beneficiaries. Additionally, 2 inactive employees are entitled to benefits, but they are currently not yet receiving them. Specific information for the City of Denton's DFRRF plan is provided in 2015 Actuarial Report which is included as Exhibit 2.

### **SUMMARY:**

Public pensions continue to receive a great deal of media scrutiny. Despite this attention, most public pension plans in Texas continue to be appropriately funded. In Denton's case, both the TMRS and DFRRF plans are well funded and managed responsibly. Going forward, the funding ratios for these plans are expected to improve, and a financially sustainable funding mechanism is in place.

In 2016, staff prepared an Informal Staff Report on the status of Denton's pension plans, and this is included for reference as Exhibit 3. In Exhibit 4, a PowerPoint presentation is included which will be used to facilitate a high level discussion of each plan.

### **STRATEGIC PLAN RELATIONSHIP**

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

**Related Key Focus Area:**     **Organizational Excellence**

**Related Goal:**               **1.1 Manage financial resources in a responsible manner**

### **EXHIBITS:**

Exhibit 1:     2015 Actuarial Report - TMRS  
Exhibit 2:     2015 Actuarial Report - DFRRF  
Exhibit 3:     Informal Staff Report  
Exhibit 4:     PowerPoint Presentation

Respectfully submitted:

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