



**AGENDA MEMO**  
2/7/2017 Agenda

**TO:** Honorable Mayor and City Council

**FROM:** Robbie Corder, City Manager

**SUBJECT:** Consider Resolution Supporting Legislation to Amend the Texas Local Fire Fighters Retirement Act specific to University Park

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**BACKGROUND:**

The University Park Firemen's Relief and Retirement Fund (FRRF) was created in 1941 to provide a retirement plan for University Park Fire Department employees. The FRRF plan receives its legislative authority from a State law known as TLFFRA, the Texas Local Fire Fighters Retirement Act. The defined benefit plan fully vests after 20 years of credited service, and members of the plan may draw on the plan at age 50. At retirement, the monthly benefit equals sixty percent (60%) of the highest 60-month average salary plus \$80 per month for each year of service in excess of 20 years. As of the last actuarial valuation in January 2015, there were 35 active contributing members and 43 individuals – retirees, spouses, alternates, and children – receiving benefits.

As of the most recent actuarial valuation, the plan has an unfunded actuarial accrued liability in excess of \$11.2 million. Over the years, due to growing liability and the escalating costs of the fund, the City has explored various options to close the FRRF plan, and eventually place all firefighters in the Texas Municipal Retirement System (TMRS). All other University Park employees participate in TMRS, which is a hybrid cash-balance retirement plan. As opposed to the standalone FRRF plan, TMRS has nearly 850 cities participating with over 100,000 active contributing members. Historically, overall contribution costs for TMRS have been lower compared to FRRF.

During the past few months, the City has worked closely with the Fire Department to find a two-pronged solution to guarantee that current FRRF members receive the benefits they are due, and that the City can eventually exit or close the plan. The FRRF Board of Trustees, the City's Finance Advisory Committee, and the City Council have spent considerable time and attention studying this issue. Based on that effort, the attached resolution formally recognizes the City Council's support for legislation that would give the City the authority to close the FRRF plan to new entrants and place all new hires within TMRS.

To gain firefighter support for the proposed legislation and going forward, to eliminate all benefit enhancements to the plan, the City has recommended the following actions:

1. Cap the contributions of the fire fighters who remain in the current FRRF at 10%;
2. The City will guarantee the plan benefits as currently offered provided the firefighters remaining in the plan not implement any future plan changes, including new benefits, unless required by law;
3. Maintain the qualified status of the plan under IRS regulations;
4. Continue to contract for actuarial and audit services as required by law; and
5. Close the plan to all new hires.

Based on these commitments, more than 70% of the active members of the FRRF plan have voted to move forward with this plan. The City will work with its local State lawmakers for consideration of these changes during the 85<sup>th</sup> Legislative Session. Staff also recommends the FRRF Board of Trustees and the City's Finance Advisory Committee consider this item.

#### **RECOMMENDATION:**

Staff recommends approval of the Resolution.