Possible Benefit Changes

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Possible Benefit Changes

- GRS was asked to look at possible benefit modifications for future City of Dallas employees
- Current employees and retirees would not be impacted
- As you will see some proposed changes have significantly more impact than others

#1 – Retirement Eligibility

- Current eligibility for unreduced retirement benefit is Age 60 or Rule of 78
- Proposed eligibility for unreduced retirement would be age 65 with 5 years
- Addition of reduced retirement eligibility at Rule of 80
  - Full actuarial reduction from age 65
- Largest impact of all changes that were studied

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#2 – Cost of Living Adjustments

- Current COLAs are tied to increases in the Consumer Price Index capped at 5%
- Proposed COLAs are also tied to increases in the Consumer Price Index but are capped at 3.00%
  - Valued as a 2.5% COLA

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#3 – Average Monthly Earnings

- Current Average Monthly Earnings is based on 3 years
- Proposed Average Monthly Earnings is based on 5 years
- Separate proposal to base benefits on base pay only

#4 – Normal Form of Payment

- Married members receive Joint and 50% Survivor annuity with 120 payments guaranteed
- Single members receive Life annuity with 120 payments guaranteed
- Proposal would pay Life annuity to all members
  - Other forms of payment available with actuarial adjustment

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#5 – Elimination of Health Supplement

- All retiring members with at least 5 years of service receive $125 per month health supplement benefit
- Proposal would eliminate this benefit

#6 – Benefit Multiplier

- Current benefit multiplier is 2.75% for all years of service
- Proposal would reduce benefit multiplier to 2.50% for all years of service

Combination Studies

- The next few slides discuss studies where we combine the previously discussed benefit modifications
- The overall goal of the combinations is to produce savings while still providing a reasonable retirement benefit for a career employee

#7 – Combination Study

- This study combined all of the previous studies #1 - #6
- Impact of combined studies is less than the sum of the individual studies due to interaction among the modifications
  - An example is interaction between retirement eligibility and COLA

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#8 – Combination Study

- This study combines studies #1, #2, #3, #4, and #6 plus adds two new modifications
- Graded health supplement
  - $125 for 20 or more years of service
  - $62.50 for 10 or more years of service
  - $0 for less than 10 years of service
- Unreduced retirement if member has 40 years of service

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#9 – Combination Study

- This study uses the same benefit provisions as Combination Study #8
- Except benefit multiplier is reduced from 2.50% to 2.25%

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Cost Impact of Studies

Dallas Employees' Retirement Fund

Possible Benefit Changes for New Hires

Preliminary Normal Cost Rate (NC%) as of 12/31/2014 20.29%

Description of Benefit Modification	Decrease in NC%	Percentage Decrease
1. Age 65 with 5 years of service Normal Retirement and Rule of 80 Early Retirement with full actuarial reduction	4.38%	21.6%
2. CPI COLA, with maximum of 3.00% (valued as 2.50% COLA)	0.62%	3.1%
3. Average Monthly Earnings period changed from 3 to 5 years	0.65%	3.2%
4. Normal Form of payment changed to life only annuity	1.15%	5.6%
5. Elimination of $125 health supplement	0.71%	3.5%
6. Benefit multiplier changed from 2.75% to 2.50%	1.60%	7.9%
7. Combination of all prior Scenarios	7.61%	37.5%
8. Scenario 7, Service-Based Health Supplement*, and Unreduced 40 years of service provision	7.39%	36.4%
9. Scenario 8, with benefit multiplier lowered to 2.25%	8.42%	41.5%

Combinations	Scenario 7	Scenario 8	Scenario 9
NC% as of 12/31/2014 valuation	20.29%	20.29%	20.29%
NC% Combination Study Savings	7.61%	7.39%	8.42%
NC% for new hire	12.68%	12.90%	11.87%

*In Scenario 8, the health supplement provides 100% of the supplement for members with 20 or more years of service, 50% of the current health supplement for members with less than 20 years of service, and eliminates the supplement for members with less than 10 years of service.

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Comparison to Other Texas Cities

Comparison of Retirement Provisions for New Muncipal Employees of Large Texas Cities

City	NC%	Member Rate	Multiplier	Normal Retirement	Auto COLA	Soc Sec
Austin	12.35%	8.00%	2.50%	62&30	No. Ad hoc	Yes
Ft. Worth	12.57%	8.25%	2.50%	65&5, R80 age 55	No	No
HMEPS	5.85%	0.00%	1.8% for 25, 1% thereafter	62&5	No	Yes
San Antonio	12.25%	6.00%	TMRS*	60&5, 20&out	No. Ad hoc	Yes
El Paso	14.20%	8.95%	2.25%	60&7, 35 YOS	No. Ad hoc	Yes

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