

**DALLAS FORT WORTH INTERNATIONAL AIRPORT BOARD
OFFICIAL BOARD ACTION/RESOLUTION**

Date 08/06/2015	Committee Retirement & Investments	Subject Approve Funding Policy for Defined Benefit Plans	Resolution # 2015-08-139
---------------------------	--	--	------------------------------------

Action

That the Airport Board approves the attached funding policy for DFW Airport's Defined Benefit Plans.

Description

- "Pension Funding Policy Guidelines" for state and local governments directs that the governing plan sponsors should adopt a funding policy for defined benefit plans.
- The purpose of this new policy is to assure that pension benefits will remain sustainable and that adequate resources will be available for future benefit payments.
- The Airport Board has traditionally funded its defined benefit plans based on the amounts of actuarially determined contributions and in some years have funded additional contributions.
- This policy formalizes the Airport Board's unwritten policy of establishing annual contribution rates actuarially determined to be sufficient to fund normal costs plus amortize any unfunded liabilities for each eligible plan.

Justification

- This policy will formalize the intent of the Board to adequately fund the defined benefit plans and address any future audit issues regarding the funding intent of the Board.

D/S/M/WBE Information

- N/A - Not subject to the goal per the Board's SBE Policy due to the nature of the procurement (Board Policies).

Contract #	Agreement #	Purchase Order #	Action Amount	Revised Amount
			\$0	\$0
For Information contact	Fund	Project #	External Funding Source	Amount
M. Phemister 3-5447				\$0

Additional Information

Additional Attachments: **Y**

BE IT RESOLVED BY THE DALLAS-FORT WORTH INTERNATIONAL AIRPORT BOARD

That the Airport Board hereby approves the attached Funding Policy for DFW Airport's Defined Benefit Plans.

Approved as to Form by



Rodriguez, Elaine
Legal Counsel
Jul 22, 2015 4:04 pm

Approved as to Funding by



Underwood, Max
VP Finance
Finance
Jul 23, 2015 7:24 am

Approved as to M/WBE by



Lee, Tamela
VP Business Diversity & Dev
Business Diversity and
Development
Jul 22, 2015 1:40 pm

SIGNATURE REQUIRED FOR APPROVAL

Approved by



Department Head
Jul 21, 2015 1:42 pm



Chief Executive Officer

Aug 6, 2015 3:25 pm

Date

Dallas/Fort Worth International Airport Defined Benefit Plans Funding Policy

Background

The fundamental financial objective of a public employee defined benefit pension plan is to fund the long-term cost of benefits promised to the plan participants. In order to assure that pension benefits will remain sustainable, the governmental plan sponsor should accumulate adequate resources for future benefit payments in a systematic and disciplined manner during the active service life of the benefitting employees. In pursuit of this objective, the Dallas/Fort Worth International Airport Board has adopted a funding policy targeting a 100 percent funded ratio.

Objectives

The Board believes that its funding policy and its implementation meet the recently released “Pension Funding Policy Guidelines” for state and local governments which address the following general policy objectives:

1. Provide funding discipline to ensure that future contributions and current plan assets are sufficient to provide for all benefits expected to be paid to members and their beneficiaries
2. Ensure funding of pension plans are based on actuarially determined contributions
3. Seek to manage and control future contribution volatility to the extent reasonably possible, consistent with other policy goals.
4. Support the general public policy goals of accountability and transparency.
5. Require clear reporting to show how and when the pension plans will be adequately funded

Implementation of Funding Policy

In order to actualize the aforementioned funding policy, the Board will establish the contribution rates required to fully fund promised benefits utilizing the following principles:

1. The annual actuarially determined contribution for each plan will be calculated by a nationally recognized actuarial firm and will include a factor for normal cost for current service and a factor to amortize any underfunded liability for each eligible plan.
2. The Board will budget and set rates and charges sufficient to fund the calculated actuarially determined contribution rates for each eligible plan
3. Normal cost will be calculated using the entry age normal funding method utilizing the following:

- a. Economic assumptions based upon the latest applicable quinquennial experience study.
 - i. Assumed investment rate of return of 7.25%
 - ii. Assumed future salary increases at a graded rate of 6.25% to 3.75% for general employees and 11.50% to 3.75% for DPS employees, based on years of service
 - b. Non-economic assumptions based upon the latest applicable quinquennial experience study including the following:
 - i. Probability of terminations
 - ii. Probability of disabilities
 - iii. Probability of retirements
 - iv. Probability of mortalities
4. Amortization of any unfunded status will be determined based upon the following:
- a. Actuarial returns will be determined using a five-year smoothing method
 - b. The amortization period for the General Employee Plan will be over a closed 30 years period, which began on January 1, 2004 and ends on December 31, 2034.
 - c. The amortization period for the DPS Plan will be over a closed 30 years period, which began on January 1, 2004, until it reaches 15 years. At that time (January 1, 2020) a closed 15-year amortization base of the unfunded liability as of that date will be established. Each subsequent valuation a new closed 15 year amortization base will be established for any unanticipated changes in the unfunded liability from the prior year.
 - d. The amortization payment for the General Employee Plan will be determined on a level dollar basis while the amortization payment for the DPS plan will be determined on a level percentage of payroll basis assuming that payroll will grow at 3.75% per year.
5. The Board will annually furnish information on the actuarially determined contributions and the actual contributions and a schedule of funding progress based on the above actuarial principles and assumptions.

All aspects of the funding policy and the individual factors in the calculation of the employer contribution rate which is the resultant of the above process are subject to the review and approval of the Board. This policy is subject to change when deemed appropriate and in the best interest of the Plans and their participants.