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October 28, 2024

**Via E-Mail: [scrow@mfrf.com](mailto:scrow@mfrf.com)**

Board of Trustees  
Midland Firemen's Relief and Retirement Fund  
c/o Ms. Shera Crow, Administrator  
P.O. Box 4296  
Midland, TX 79709

Re: Additional Special Studies

Members of the Board of Trustees:

We have studied the individual effects and combined effect on the fund's December 31, 2023 actuarial valuation of a second set of potential changes in benefit provisions described below. The first set was included in an August 2, 2024 report to the board. The goal would be to have two sets of potential changes to present to the firefighters in a secret ballot election that would each have a combined effect of approximately 5% of payroll.

**Description of the Changes:**

1. Change the normal form of retirement benefits from joint and 75% to the surviving spouse to a life only annuity. The plan would offer actuarially equivalent options to protect the spouse, e.g., joint and 100%, joint and 75%, and joint and 50%. These optional forms would reduce the monthly benefit to the retiring member electing one of the options. For example, the joint and 75% option would reduce the monthly benefit by 6.5% so that it would be 93.5% as much as the standard life only form.
2. Change the optional DROP plan benefits with this package of changes
  - a. Increase by two years the minimum age and service requirements for all of the DROP plan benefits (from age 50/20 years to age 52/22 years and from 25 years at any age to 27 years). So the earliest age and service to get the maximum 36-month RETRO DROP lump sum would be age 55/25 years or 30 years of service.
  - b. Discontinue the crediting of interest in the determination of a DROP lump sum.
  - c. Exclude firefighter contributions from the determination of a DROP lump sum.
3. Discontinue the supplemental benefit of \$500 per month for those retiring after the plan change effective date at age 50 or above.

4. Change the benefit formula from 75% of final average salary for the first 20 years of service plus \$80 for each year of service above 20 years to a set of graded percents of final average salary that will reduce the benefit for the first 20 years and increase the benefit for years above 20 years (**3.4%** per year for the first 20 years, **2.1%** per year for years 21-30, and 1.0% per year for years above 30), but **not to exceed 93%** of the final average salary.

The above benefit formula included in this study is increased but in the same formula design as proposed in the August 2 letter. The August 2 letter benefit formula is **3.3%** per year for the first 20 years, **2.0%** per year for years 21-30, and 1.0% per year for years above 30, with **NO** maximum percent of final average salary. (A maximum percent could be added to the August 2 letter package with not much effect on the study results.)

In the December 31, 2023 actuarial valuation, the shortfall expressed as an increase in the city contribution rate as of January 1, 2025 was 19.8% in order to have an amortization period of 25 years. For purposes of disclosing the individual effect of each of the potential changes, we are using the equivalent reduction in the 19.8% contribution rate shortfall.

Plan Changes	Effective Decrease in the 19.8% of Payroll Shortfall
1. Life only annuity normal form	1.7%
2. Package of DROP plan benefits changes	1.9
3. No extra \$500 monthly benefit	1.4
4. Graded percents benefit formula	0.6
5. Combined effect of all above items 1-4	5.1

**Please note that the sum of the four individual decreases (5.6%) is not the same as their combined effect (5.1%). This is because of the interaction of the plan changes.**

We assumed that the effective date of each of the changes would be January 1, 2025. Just as the transition for the changes that were effective January 1, 2024 had a grandfathered group, we have assumed that the transition for the changes effective January 1, 2025 would protect the same group. So, the firefighters eligible for normal retirement as of December 31, 2023 or who will become eligible for normal retirement if they continue with the fire department until December 31, 2025 would not be affected by the January 1, 2025 changes in benefit provisions. There were 26 such firefighters in the December 31, 2023 actuarial valuation.

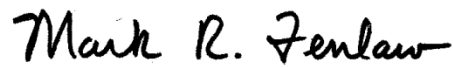
For the items modifying the normal retirement benefit (Items 1 and 4), all of the other active firefighters would have a frozen vested accrued benefit determined with the present plan provisions, based on the service and pay history as of December 31, 2024. It would be a minimum benefit and would have the current joint and 75% to surviving spouses form of benefit. At retirement, a member would get the greatest of (1) the minimum benefit as of December 31, 2024, (2) the frozen accrued minimum benefit as of December 31, 2023, and (3) the normal service retirement benefit under the new plan effective January 1, 2025.

The definition of “vested accrued benefit” in Section 2(11) of TLFRA specifically excludes optional forms of payment such as one of the DROP plans. So the package of DROP plan benefits changes would be effective for all except the 26 grandfathered active members. In addition, the definition of the \$500 supplemental retirement benefit in Section I of the present plan document excludes it from being part of a frozen vested benefit for an active firefighter.

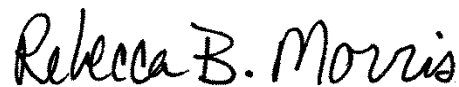
We changed the assumed retirement rates for plan changes 2 and 4 and the combination of 2 and 4 included in item 5. Appendix A compares the assumed rates for the plan as of January 1, 2024 to the assumed rates for the plan changes.

Please let us know if you have any questions or would like to discuss these results further.

Sincerely,



Mark R. Fenlaw, F.S.A.



Rebecca B. Morris, A.S.A.

MRF/RBM:nlg

Enclosures

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## Appendix A

### Midland Firemen's Relief and Retirement Fund

#### Assumed Rates of Retirement per Year for Firefighters Eligible to Retire

Age	January 1, 2024 Plan of Benefits	DROP Changes (Item 2)	New Benefit Formula (Item 4)	Combined (Items 2 and 4)
50	30%	25%	25%	15%
51	10	10	8	5
52	10	20	8	20
53	40	10	35	10
54	25	20	25	25
55	25	50	25	50
56-59	50	50	50	50
60	100	100	100	100
Average Age	53.6	53.8	53.9	54.2

This Appendix A is part of an October 28, 2024 report to the board of trustees.