

An Update on the Texas Municipal Retirement System

for

Town of Addison

June 28, 2016

Presented by

Eric Davis, Deputy Executive Director

David Rodriguez, Senior Regional Manager



TMRS History & Membership*

- 866 cities participate in TMRS (not Houston, Dallas, Ft. Worth, Austin, El Paso, or Galveston).
- TMRS has approximately 107,000 active member accounts and 56,500 annuitants.
- Governed by 6-member Board appointed by Governor with Senate approval.
- Participating cities vary in size from over 6,000 employees (San Antonio non-uniformed employees) to just 1 employee (15 TMRS cities).

TMRS Funding Basics

- TMRS is a “hybrid” **cash-balance defined benefit plan** with statutory regulations in place that ensure oversight and responsible funding.
- TMRS has a **strong funding policy** and a healthy funded ratio around 86% with approximately \$24 billion in assets.*
- TMRS’ investment return assumption is **6.75%**, one of the lowest among large public plans.
- Several changes have been made since 2007 to ensure **long-term, advance funding** of all benefits; except Ad Hoc adoptions of Updated Service Credit and COLAs.
- All changes have also helped **reduce volatility** of city contributions from year-to-year.

TMRS Makes Dollars & Sense to Cities

- Plan of choice for Texas cities; **voluntary** statewide retirement plan
- Benefits are funded by mandatory employee deposits, city contributions, and investment income
- Operates by local control: Each participating city controls employer costs by choosing its own options

TMRS Makes Dollars & Sense to Cities

- Each city is funded as separate entity; assets are pooled for investment purposes
- Each city has its own assets and liabilities and Funded Ratio
- TMRS increases a city's competitive edge in hiring
- TMRS benefits are effectively portable across participating cities to help attract experienced employees

GASB Statement No. 68

- Effectively “disconnected” pension reporting from pension funding. GASB 68 changes only affect financial reporting, NOT funding.
- The resources cities and their auditors need for GASB compliance are on the TMRS website’s “Eye on GASB” page and the City Portal.

GASB Statement No. 75

- Will significantly change accounting for Other Post-Employment Benefits (OPEBs), including the TMRS Supplemental Death Benefit
- Effective for fiscal years beginning after June 15, 2017
- TMRS will provide more information prior to that date

TMRS' Actuarial Funding

- A sound funding policy is the key to ensuring sustainable and secure retirement benefits over all generations of workers.
- The city's employer contribution determined annually under this funding policy is called the Actuarially Determined Employer Contribution (ADEC) and serves as the basis for determining the Full Retirement Rate contribution under TMRS.
- Three keys to a strong funding policy:
 - Actuarial cost method
 - Asset smoothing method
 - Amortization policy
- The TMRS [Actuarial Funding Policy](#) is posted on the TMRS website.

Addison Benefits

- 7% Employee Contribution
- 2 to 1 match from city
- 5 year vesting - survivor benefits
- Retirement at 20 years of service or age 60 with 5 years service
- Restricted Prior Service Credit
- Buy Back - Adopted November 1988
- Military Service Credit
- Supplemental Death Benefit - Actives and Retirees
- Updated Service Credits - 100% w/ Transfer, Annually Repeating
- COLA - 70% CPI, ad hoc last adopted effective 2015

Metroplex TMRS Cities Comparison

City	7% Emp Cont	2:1 City match	5-yr vesting	Ret 20 yr / age 60	Restr. Prior Svc Cr	Mil. Svc Cr	Supple. Death Benefit	Updated Svc Cr (repeating unless noted)	COLA Ann. Repeat	COLA Ad hoc
Addison	X	X	X	X	X	X	X	100% T		70% - 2015
Allen	X	X	X	X	X	X	X	100% T	70% CPI	
Carrollton	X	X	X	X	X	X		100% T	50% CPI	
Coppell	X	X	X	X	X	X	X	100% T	70% CPI	
Farmers Branch	X	X	X	25-yr		X		100% T	70% CPI	
Flower Mound	X	X	X	X	X	X	X	100% T		70% - 2007
Frisco	X	X	X	X	X	X	X	100% T	70% CPI	
Grapevine	X	X	X	X	X	X		100% T	70% CPI	
Irving	X	X	X	X	X	X	X	100% T	30% CPI	
Lewisville	X	X	X	X	X	X		75% T	70% CPI	
McKinney	X	X	X	X	X		X	100% T	70% CPI	
Plano	X	X	X	X	X	X		100% T	70% CPI	
Richardson	X	X	X	25-yr	X	X		50% T	50% CPI	
University Park	X	X	X	X	X			Ad hoc 2013		70% - 2013

Addison Actuarial Status

As of 12/31/2015

Actuarial Value of Assets	\$111,498,184
Unfunded Actuarial Accrued Liability	\$4,542,059
Funded Ratio	96.1%
Equivalent Single Amortization Period	14.8 years

Contribution Rates for Addison*

	Contribution Rate	Unfunded Actuarial Accrued Liability	Funded Ratio
2013	10.69%	\$1,948,935	97.9%
2014	10.39%	\$307,535	99.7%
2015	10.33%	\$3,868,875	96.3%
2016	9.50%	\$2,450,142	97.8%
2017	10.44%	\$4,542,059	96.1%
2017 w/ 70% Ad Hoc COLA	10.74%	\$5,074,634	95.6%

* Full Rates for retirement and Supplemental Death Benefits

TMRS COLAs

- Ad hoc or automatically repeating, adopted or changed by city ordinance
- Options are 30%, 50%, or 70% of change in CPI since member retired
- Annually repeating COLAs are advance funded and reflected in city rates
- Reducing the COLA percentage may mean that some retirees will not receive a COLA for several years
- TMRS Advisory Committee will study COLAs this interim

Ad Hoc COLA Adoptions

- Ad hoc COLAs are funded over a 15-year period using level dollar amortization
- Repeated adoptions of Ad hoc COLAs will cause a city contribution rate to increase steadily
- Regular adoption of Ad hoc COLAs will be reflected in financial disclosures as automatically repeating COLAs
- TMRS encourages all cities that wish to provide a COLA to adopt on an automatic basis

QUESTIONS?

