

# DRAFT

## OFFICIAL ACTIONS OF THE ADDISON CITY COUNCIL

July 17, 2017

Addison Town Hall, 5300 Belt Line Rd., Dallas, TX 75254

4:00 PM Special Meeting

Present: Mayor Chow; Mayor Pro Tempore Hughes; Deputy Mayor Pro Tempore Duffy; Councilmember Angell; Councilmember Braun; Councilmember Walden; Councilmember Ward

### SPECIAL MEETING

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1. Presentation And Discussion Regarding The **Texas Municipal Retirement System**.

Human Resources Director Passion Hayes introduced Eric Davis, Deputy Executive Direction of the Texas Municipal Retirement System (TMRS). Eric Davis began the presentation with a brief overview of TMRS. Council Member Tom Braun asked how many inactive members exist. Mr. Davis responded that there are about 52,000 inactive members that either have a vested benefit that are not eligible to retire or are non-vested. Mr. Davis then discussed the funding basics of TMRS and the optional updated service credit provision that the Town has adopted. Mayor Pro Tempore Ivan Hughes asked what interest rate is used when calculating the hypothetical balance for the updated service credit. Mr. Davis responded that it is 3%.

Mr. Davis then discussed TMRS' investment return assumption at 6.75% and the smoothing policy that occurs if the return comes in higher or lower than the assumption. Council Member Walden asked the reason for the delta between the Town's contribution of 14% and the 10% that TMRS charges the Town. Mr. Davis responded that not everyone that works for the city retires with the city, but the Town contributes every year. If someone is has not reached the vesting milestone when they leave and take a refund, the city's money is left

on the table, and the actuarial gain is redistributed among those that are still in the plan and it can help lower the cost, unless the individual goes to another city that participates in TMRS.

Mr. Davis stated that an employee account balances grow at 5% annually whether TMRS returns 5% or not.

Mr. Davis then gave an overview of Addison benefits through TMRS. Mayor Pro Tempore Hughes clarified that the average of last 3 years at 3% interest included prior service from other cities in calculating the updated service credit. Mayor Joe Chow stated that for two years the Town did not have any COLA for 2016 and 2017. Mr. Davis confirmed that this was correct.

Mr. Davis then discussed a comparison with the Town's comparator cities. He stated that not a lot of diversity existed in benefits due to all cities competing on a benefit level.

Mr. Davis then explained the calculation of the COLA. It is calculated by measuring the change in the CPI from the December prior to the individual's retirement to the December that is 13 months prior to the effective date. Council Member Walden asked if Mr. Davis could speak to how many times Social Security has not granted a COLA. Mr. Davis did not know the answer but confirmed that it is not automatic every year. Mr. Davis then discussed the difference in funding between the ad-hoc and annual repeating COLA. Council Member Walden asked if Mr. Davis could speak to the list of comparison cities and how many of them have opted out of Social Security. Mr. Davis stated that Plano, Irving, and Coppell have.

Mayor Pro Tempore Hughes stated an outstanding question he still had was how some of the other Metroplex cities are able to have both TMRS and Social Security and their percentage of cost spent on personnel is equivalent to Addison. He questioned how the other cities are able to achieve that.

City Manager Wes Pierson stated that staff was looking into how those cities were able to accomplish that and if there are any benefit differences to fund that option.

Mr. Davis continued the presentation and stated the TMRS Advisory Committee studied the COLA during the past Interim. He stated the committee suggested no changes to the COLA as it stands, but the opportunity for a "no catch-up" COLA is still discussed as an option for future legislation.

TMRS still encourages cities who wish to provide COLA's to do so on an annual repeating basis.

Mr. Davis discussed the pension plan in Dallas and the investment strategy used there, the "drop-plan" option for employees and payments that were not made in full in the past.

Mr. Pierson asked if the "drop-plan" was an option for employees as the TMRS system exists today.

Mr. Davis stated that option is not available through the TMRS system. There is a partial lump sum distribution that is available to employees. This option allows an employee to take a portion of their individual reserve in cash at retirement. TMRS has never had a forward-drop or reverse-drop option which are present in the plans in Dallas as discussed previously.

Mayor Pro Tempore Hughes asked if the lump sum amount is a modest amount.

Mr. Davis stated the lump sum could be up to 75% of the employee's balance. Depending on the length of service and the reserve total accumulated, the benefit differs. The total benefit is reduced by the amount of the lump sum taken.

Mr. Davis presented information on the Ad Hoc COLA adoptions and how the city contributions changes with different options.

Mr. Davis stated TMRS has a sound funding policy to ensure sustainable and secure retirement benefits over all generations of workers. He stated the 3 keys to a strong fund policy are: actuarial cost method, asset smoothing method and amortization policy. Mr. Davis stated the amortization policy is the only key that may change. He stated the change would be moving the policy from 25 years to 20 years.

Councilmember Walden asked what would be the affect of reducing the policy from 25 to 20 years.

Mr. Davis stated the change has already been in effect. TMRS had been making the change as part of the normal flow of the plan. Mr. Davis stated the change would not be significant at all. He stated if it was done all at once, the effect would be more significant but since TMRS was already trending that way with the contributions and returns, the effect will not be as noticeable to cities and employees.

Mr. Davis gave the funding information for the Town of Addison.

Councilmember Walden asked Mr. Davis to speak to the funding ratio.

Mr. Davis stated the funding ratio is a point in time measurement. The critical part of the number is the direction. Mr. Davis stated Addison was going in the right direction with a number improvement. He stated 96% at any single point of time is great. He stated it was fairly unrealistic to think a funding level at 100% should be attainable in the long run.

Council discussed options with funding levels of COLA's at various levels, how the changes affect the Town's contribution rate and the unfunded liability and options to other TMRS benefits.

Council agreed the information was informative and would be helpful when making a decision on the COLA later this year. Council stated they would like to see the information staff gathers from other cities funding levels and benefits.

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2. **Present, Discuss And Consider Action On Recent Actions Taken By The Dallas Area Rapid Transit (DART) Board Of Directors And How The Town Might Communicate And Promote Addison's DART Priorities Regarding The Cotton Belt.**

City Manager Wes Pierson gave a review of the timeline over the last year of the actions of the DART Board in regards to the Cotton Belt project. Mr. Pierson stated recently some issues had arisen for the timeline for the Cotton Belt project to move forward. There were concerns that both the Cotton Belt project and the Dallas D2 project would be able to be completed as first indicated.

Mr. Pierson stated the meetings in August and September would be very important for the future of the project. He stated decisions would be made concerning the project and funding. Mr. Pierson stated that staff would attend the meetings on behalf of the town. If needed, the Council would attend the DART meetings to voice concern on behalf of the Town and its' citizens. Many times the meetings are on the same day as regularly scheduled Council meetings. If needed, the Council meetings will be rescheduled to accommodate Council attending the DART meetings as necessary. Mr. Pierson stated a bus would be available for citizens if a Town

presence is needed.

Council agreed the plan mentioned by the City Manager is acceptable at this time.

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Adjourn Meeting

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NOTE: The City Council reserves the right to meet in Executive Session closed to the public at any time in the course of this meeting to discuss matters listed on the agenda, as authorized by the Texas Open Meetings Act, Texas Government Code, Chapter 551, including §551.071 (private consultation with the attorney for the City); §551.072 (purchase, exchange, lease or value of real property); §551.074 (personnel or to hear complaints against personnel); §551.076 (deployment, or specific occasions for implementation of security personnel or devices); and §551.087 (economic development negotiations). Any decision held on such matters will be taken or conducted in Open Session following the conclusion of the Executive Session.

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Mayor-Joe Chow

Attest:

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City Secretary-Laura Bell