



Board of Trustees Meeting Closed Plan Amortization Policy

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Action Item:

1. Amortization policy for closed TMRS plans



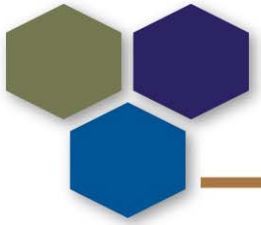
Actuarial Standards of Practice (ASOP)

- ◆ ASOP #4 states that when selecting the amortization method, the actuary should consider the timing and duration of the expected benefit payments [ASOP No. 4, 3.12]
- ◆ Further, the actuary should select a lower amortization period if the current policy is inconsistent with the plan accumulating adequate assets to make benefit payments when due [ASOP No. 4, 3.13]

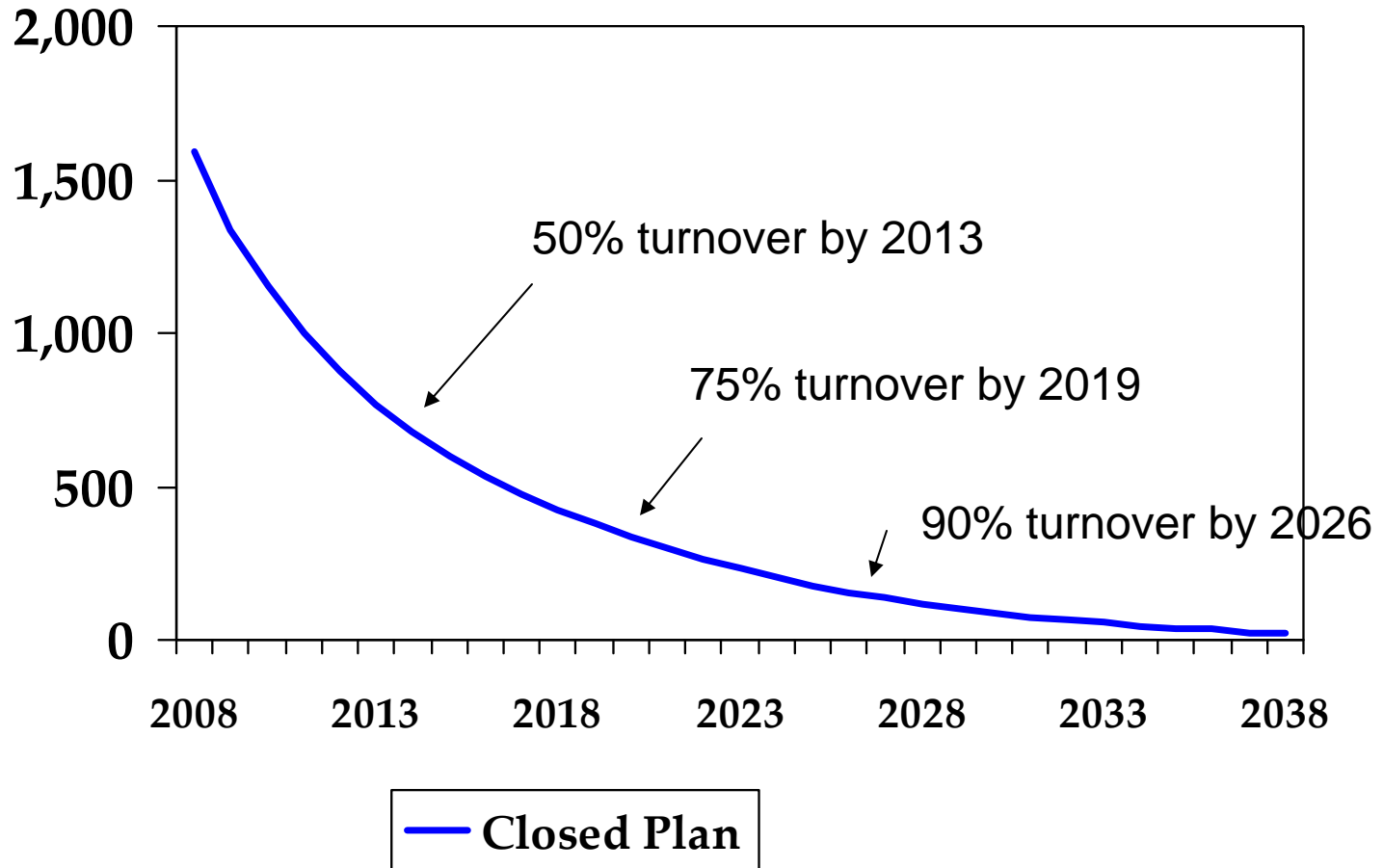


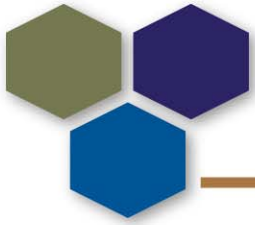
Level Dollar vs. Level Percentage of Pay Amortization

- ◆ GASB #27(10)(f)(3) allows a plan to use either level dollar amortization or level percentage of payroll amortization
 - ▶ However, it explicitly states that a decreasing population should be taken into account if level percentage of payroll amortization is used in a closed plan

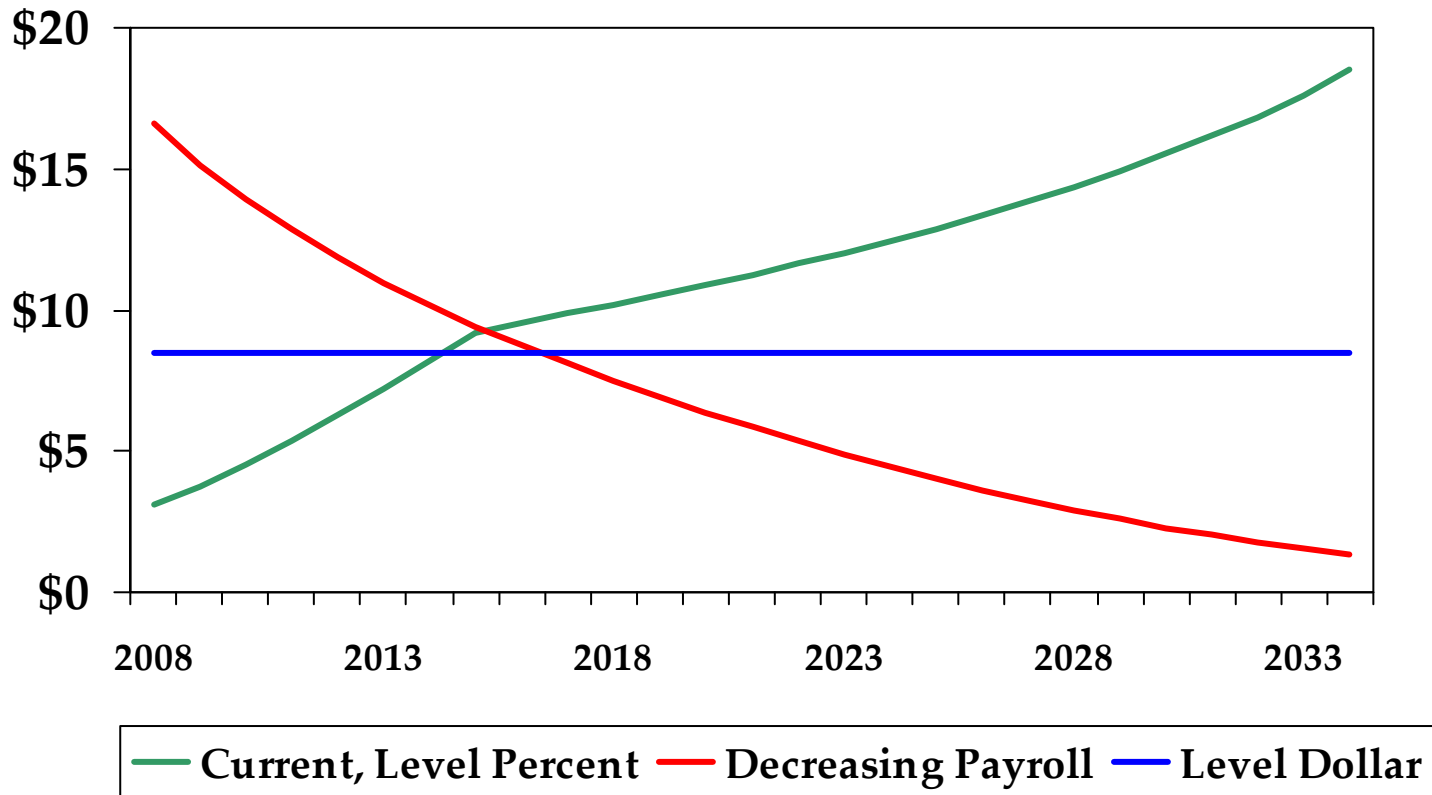


“Run-off” of Current Active Members in the Plan





Amortization Policy Closed Plan: Amortization payment patterns (based on 30 years)



Per GASB: Only the Level Dollar and Decreasing Payroll options are available for closed plans



Summary

- ◆ For Closed Plans, GRS is recommending:
 - ▶ Level dollar amortization – current level % of payroll is not GASB compliant
 - ▶ Standard 20 year closed amortization period unless a shorter period is recommended by the Actuary based on cash flow projections and approved by the Board – amortization period to be reviewed annually
 - ▶ City may request an extended amortization period up to 30 years subject to Actuary's recommendation based on cash flow projections and approved by the Board – amortization period to be reviewed annually
 - ▶ Phase In contribution schedule will be eliminated, if applicable
 - ▶ New rate effective as of the plan closing date
 - ▶ Adoption of benefit enhancements after plan closing subject to more stringent funding requirements and Board approval



Cost Impact of Changes: Sample City closes January 1, 2010

Item	Open Plan	Closed Plan (TMRS only)
Unfunded Accrued Liability	\$62.0 M	\$62.0 M
Required Amortization Amount	\$3.8 M	\$5.9 M
Est. Projected Payroll	\$41.8 M	\$39.3 M
a.) Normal Cost %	10.61%	10.61%
b.) Required Amortization %	9.64%	14.94%
c.) Total Contribution % (a + b)	19.67%	25.54%
Estimated Dollar Contribution	\$8.2 M	\$10.0 M