

2011

TMRS FUNDING WORKSHOP

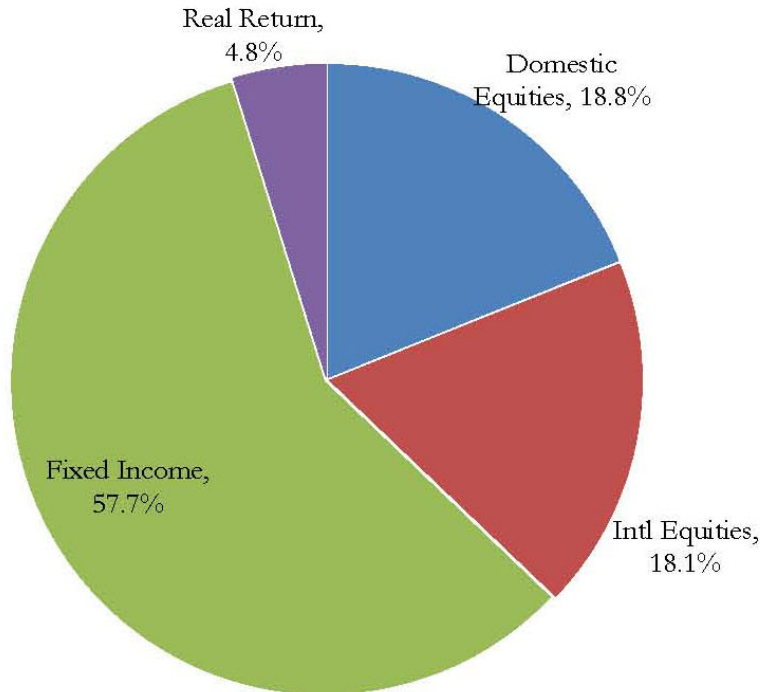
Making sense of your city's
contribution rate and plan options



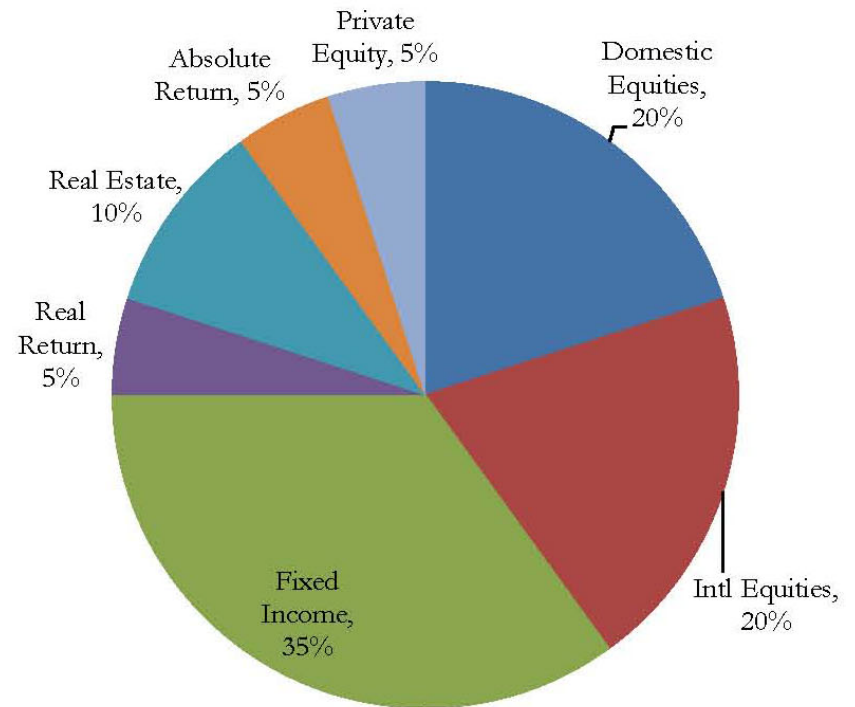
Recent History

- 2007 – TMRS changed actuarial funding method and approved diversification of investments
- 2008 – Cities with large increases in contribution rates were allowed an 8-year “phase-in” beginning with 2009 contributions; began investment diversification
- 2009 – HB 360 de-linked interest credits to member and city accounts
 - Guaranteed 5% to members
 - City accounts receive variable rate, based on investment return and Board policy
 - Allowed investment diversification to continue

Asset Allocation - Total Fund Progress



Current Asset Allocation
May 2011



Target Asset Allocation

Total Market Value: \$18.8 billion

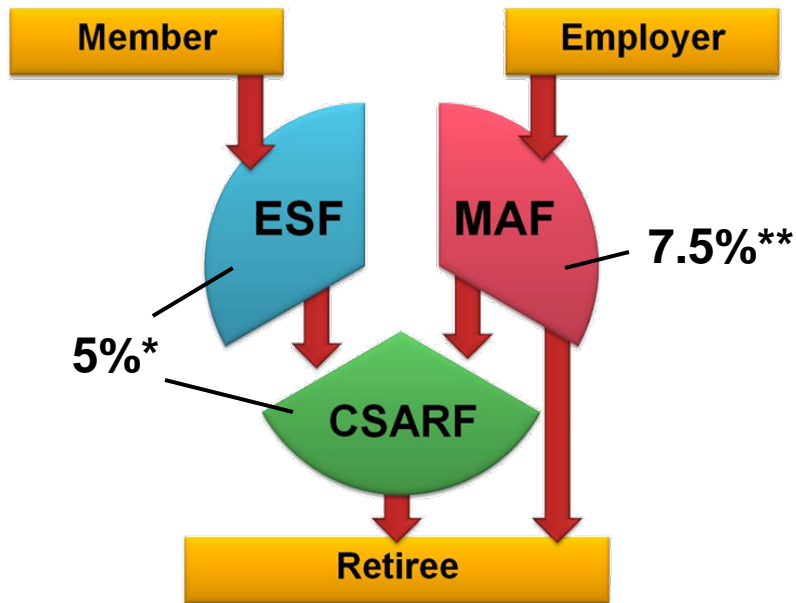
Source: R.V. Kuhns, May 2011

Recent Legislative Change

- **SB 350 by Senator Williams (House sponsor Truitt) passed in the 82nd Legislature**
 - **Enacted TMRS Board's and Advisory Committee's recommendation for fund restructuring**
 - **Amends the TMRS Act, signed into law on June 17, effective immediately**

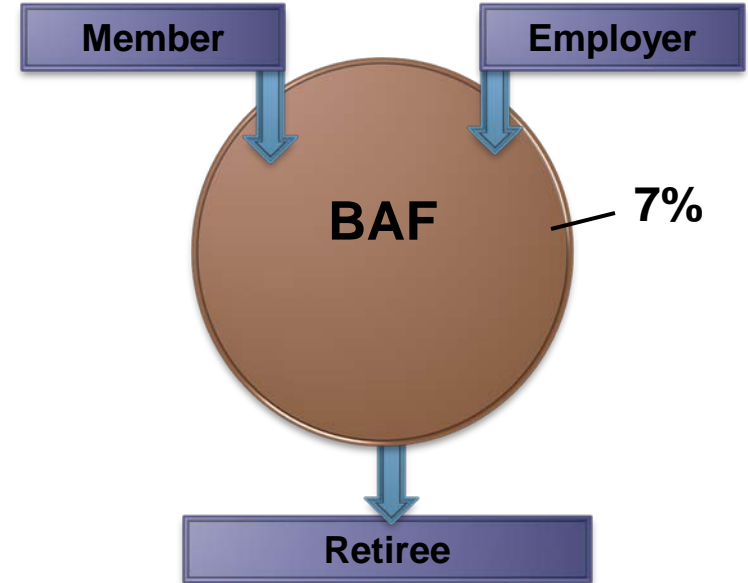
How Fund Structure Changes Under SB 350

Annual Investment Return Assumption: 7%



* Guaranteed annual interest

** Assumed MAF credit



Member accounts still receive 5%

Effects of Restructuring

- Eliminates “leveraged returns” to MAF
- Reduces volatility in city contribution rates
- Reduces contribution requirements for many cities
- Improves funded ratios and decreases UAAL for most cities
- Eliminates requirement to maintain a large reserve

Actuarial Experience Study

- Performed every four-five years
- Examines accuracy of actuarial assumptions
- Recommended assumption changes where appropriate and should assist with rate stabilization
- This year, performed in conjunction with annual valuation and restructuring

Summary of Assumption Changes from Experience Study

- Flexible retirement and refund assumptions, based on individual city plan provisions
- Decreased employee termination probabilities
- Modified amortization periods for cities under 20 employees

System-Wide Valuation Results Following Restructuring

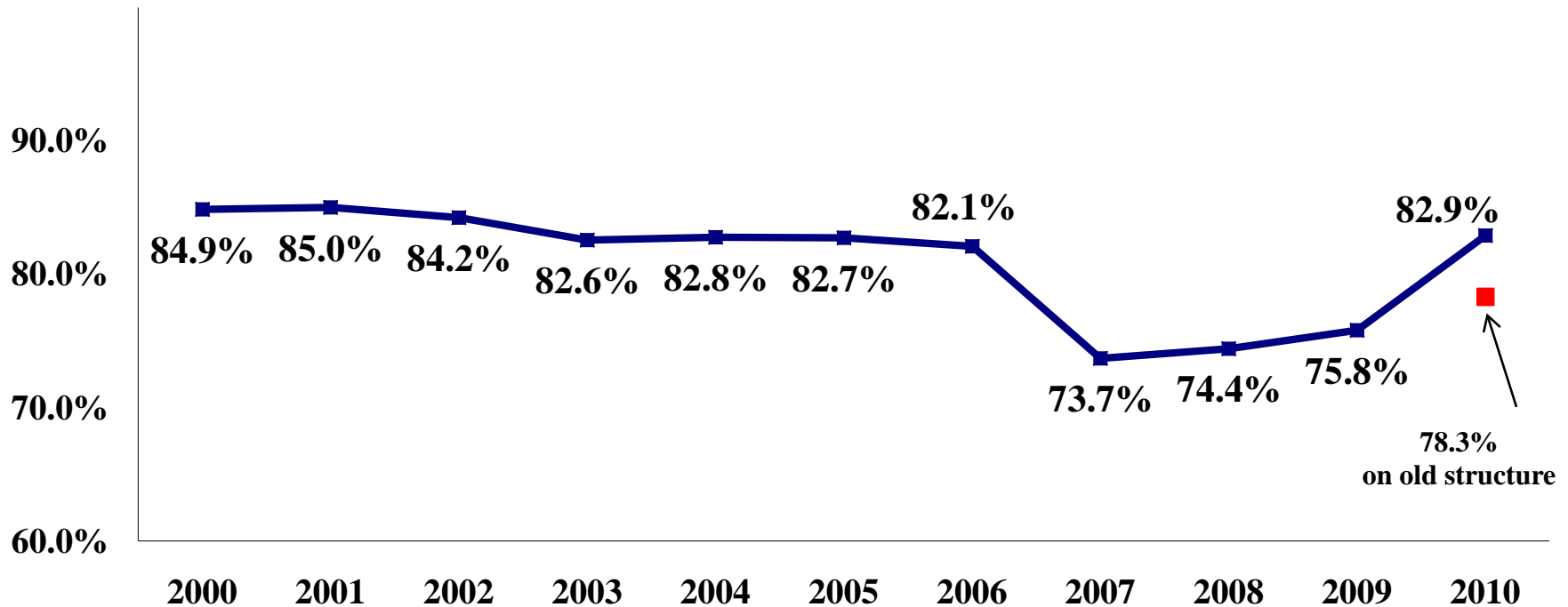
	December 31, 2010		December 31, 2009
	New Structure	Old Structure	
Actuarial Accrued Liability	\$20,481	\$22,990	\$21,525
Actuarial Value of Assets	<u>\$16,986</u>	<u>\$17,992</u>	<u>\$16,306</u>
Unfunded Actuarial Accrued Liability	\$3,495	\$4,998	\$5,219
Funded Ratio	82.9%	78.3%	75.8%
Minimum Contribution Rates:			
Straight Average	8.04%	9.39%	9.20%
Payroll Weighted Average	12.92%	14.69%	14.25%
Payroll Weighted Average - Full Rate	13.31%	16.07%	16.41%

\$ amounts are in Millions

Source: GRS

Funded Ratio Percentages

The System-wide Funded Ratio has increased 3 years in a row!



(12/31/10 would have been 81.8% without benefit changes)

Source: GRS

Summary of Benefit Changes

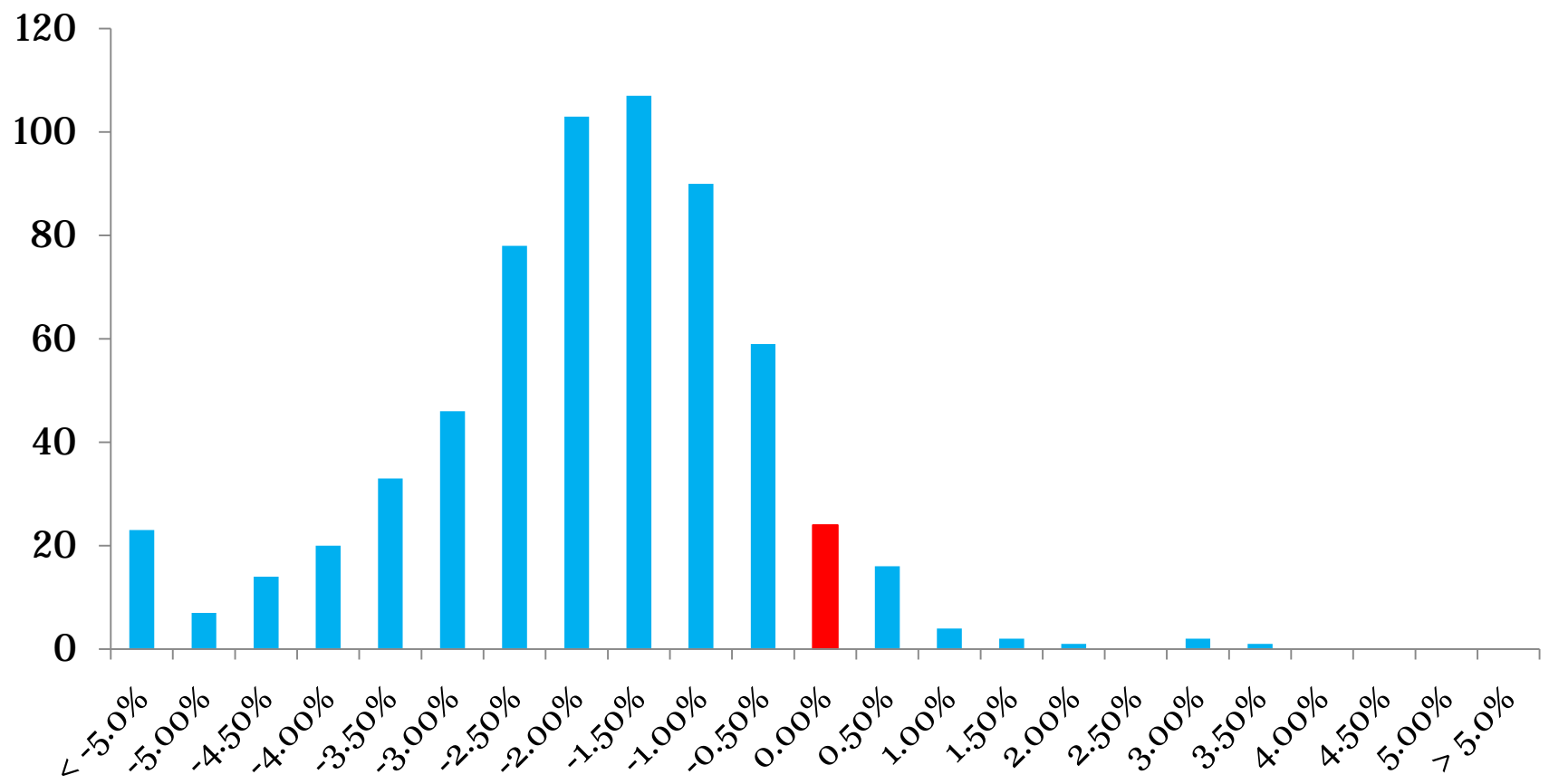
Cities that:	2008	2009	2010
• Adopted Updated Service Credit (USC)	597	589	587
• Reduced percentage or rescinded USC	2	5	4
• Adopted Annuity Increases to Retirees (AI)	491	475	474
• Reduced or rescinded AI	3	14	14
• Increased Employee Contribution Rate	13	11	7
• Increased City Matching Ratio	14	14	6
• Reduced City Matching Ratio	1	4	3
• Adopted Supplemental Death Benefits	3	3	-
• Rescinded Supplemental Death Benefits	5	1	2
• Adopted 5-Year Vesting	2	-	1
• Adopted 20-Year, Any Age Retirement	9	7	5

Distribution of Reserve

- Board voted to distribute \$1.1 billion of Reserve to the BAF
- Large Reserve fund not needed after restructuring
- Reserve distribution will be treated as an interest gain – interest credit smoothed over 10 years

2012 City Contribution Rates

Total Change – TMRS Cities with more than 10 Members



The red highlight represents +/- 0.0%

Source: GRS

What Caused Rate Changes?

- Restructuring
- Plan design changes
- Assumption changes from Experience Study
- Individual city experience
 - Economy limited payroll growth for many cities
 - Payroll growth less than assumed rate is negative experience
 - Lower than expected turnover resulted in increased aging of the group

City Payment Options — Phase-in Cities

- Many cities no longer have phase-in rates
- For cities that still have a phase-in, the amount remaining to be phased in will be smaller

Partial-Year Payment Option

- Cities with a Retirement Contribution Rate for 2012 that is lower than their 2011 rate have the option to pay the 2012 rate beginning with the October payroll (submitted in November)
- For the last three months of 2011, cities that choose this option will pay:
 - The 2012 Full Retirement Contribution Rate **PLUS**
 - The 2011 Supplemental Death Benefit Rate (if applicable)

Partial-Year Payment Option, cont.

- **The Net Pension Obligation (NPO)**
 - Cities exercising the option will incur an NPO (or incur an additional NPO if they are paying a phase-in rate) for 2011
 - Rate paid will not equal Actuarially Required Contribution for 2011
 - NPO will be amortized over the city's funding period unless paid off with additional contributions in future years

TMRS encourages all cities to pay their 2011 rate through the end of 2011

Questions on Actuarial Valuation and Rates?

Annual Training Seminar

Annual Training Seminar

- August 14-16 at the Hyatt Regency Austin
- Theme is “All Together Now”; re-combines the funding and administrative seminars
- Funding Track will provide detail on investments, actuarial outlook, and the economy
- Administrative Track provides training for administrators and city correspondents



Annual Training Seminar, cont.

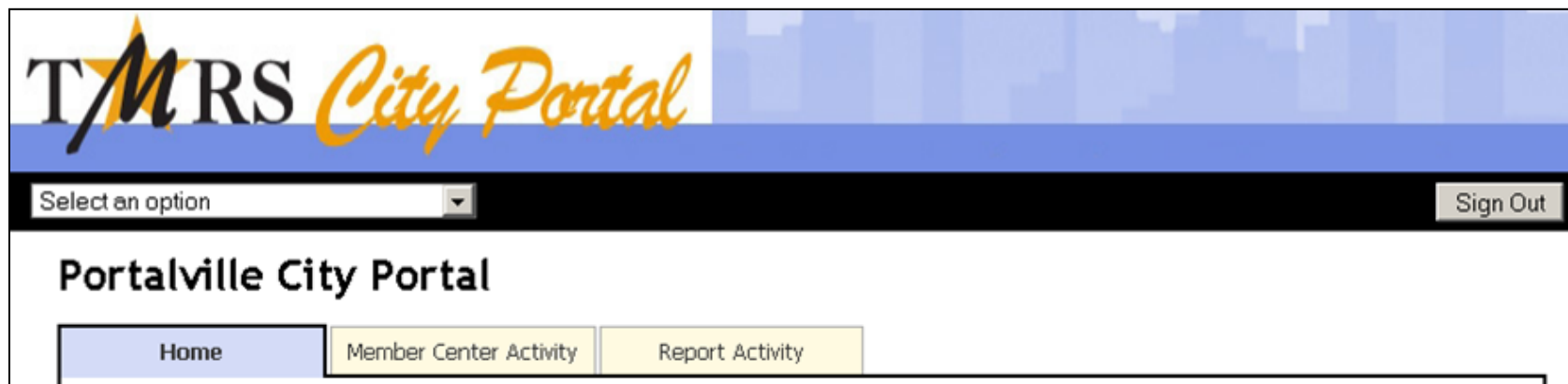
- Covers federal and state developments and features keynote speeches by well-known economists and remarks by one of our bill sponsors, Rep. Vicki Truitt
- **There is still time to sign up!**
 - See information and registration form under the Training or Calendar page on website
 - TMRS group rate at the Hyatt available through July 25



TMRS City Portal

City Portal

- Provides online TMRS access for cities
- Allows web-based administrative functions
- A means to access employee data for your city
- TMRS gives City Portal training to Authorized Administrators as needed



What Can Cities Do on the Portal?

- Make member inquiries
- Run member estimates
- Run common reports
- Submit payroll file via FTP

Account Info	Balance Summary	Balance Details	Estimates
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Signing up for the Portal

1. Contact TMRS City Portal Contact LaShelle Ruiz at lruiz@tmrs.com to request access to the online information page
2. Follow the instructions on the online page, print out the manual, and watch the online demo
3. Send the signed City Portal Use Agreement to TMRS; upon receipt, TMRS will send the URL so the City Portal Administrator can register for online access
4. City Portal Administrator for each city is responsible for training the city's Authorized Users

CONFIDENTIALITY OF MEMBER DATA IS EXTREMELY IMPORTANT. CITIES MUST SIGN A WRITTEN AGREEMENT TO SAFEGUARD MEMBER CONFIDENTIALITY.

Questions?