

# TMRS FUNDING UPDATE

July 15, 2014

# TMRS Current Plan

Employee Deposit Rate:	7%
City Matching Ratio:	2 to 1
<b>Updated Service Credit:</b> Ad Hoc basis since 2008)	<b>100%</b> (Adopted on an
Transfer USC:	Yes
<b>Annuity Increase:</b> Hoc basis since 2008)	<b>70%</b> (Adopted on an Ad
20-year retirement:	Yes
Vesting:	5 years
City Contribution Rate:	11.5%    Calculated 12.5%    Actual
Contribution Rate	



# City of Seguin TMRS Plan Changes

1992 – Annually repeating provision for Annuity Increase (COLA) and Updated Service Credit was adopted (*adopted on ad-hoc basis all years prior*)

2001 – Adopted 5 year vesting

2008 – Removed annually repeating provision for COLA and USC update

2008 – Adopted 6% Employee Contribution Rate

2012 – Adopted 7% Employee Contribution Rate

# Definitions

**Updated Service Credit (USC)** is a feature adopted to update the TMRS benefit to take into account changes in an employee's salary or in the plan. USC helps retirement benefits retain their value over the span of an employee's career.

**Annuity Increase (COLA)** – is an annual increase to the retiree's annuity payment. This adjustment is based upon changes in the Consumer Price Index.



# History

- In 2008 the annually repeating provisions for USC and COLA were “turned off”
- Since 2008 these benefits have been adopted annually on an ad-hoc basis.
- Funding on an ad-hoc (pay-as-you-go) basis maintains the benefits but does not account for the actual cost of these benefits in the long-term.
- Since 2009 efforts have been on-going to reduce un-funded liability with the goal of reinstating the repeating plan provisions. Additional contributions of \$2,091,051 have been made to date.



# Factors Impacting Cost

- Retiree to active employee ratios increasing (fewer active employees and more retirees)
- Funded ratios decreasing
- Aging workforce; even new hires are older
- Funding provisions on an ad-hoc basis is pay as you go and does not buy down the unfunded liability for retirement costs
- Governmental Accounting Standards Board (GASB) has adopted new regulations regarding accounting for retirement liabilities which will impact the City's financial statement in 2016

# Options

Option	Plan	Estimated Additional Annual Cost
A	0 COLA 100% USC (repeating)	\$372,313
B	70% COLA (ad hoc) 100% USC (repeating)	\$398,907
C	70% COLA (repeating) 100% USC (repeating)	\$1,389,526
D	50% COLA (repeating) 75% USC (repeating)	\$811,111
E	50% COLA (repeating) 50% USC (repeating)	\$648,224
F	30% COLA (repeating) 75% USC (repeating)	\$506,944
G	30% COLA (repeating) 50% USC (repeating)	\$350,706
H	0 COLA 75% USC (repeating)	\$169,535
I	70% COLA (ad hoc) 75% USC (repeating)	\$196,129