

THIS ISSUE: New Rate Projection, Press Coverage

New Rate Projection Mailing to Cities

Please be on the lookout for a letter to your city early next week. This letter will contain estimated projections of what your city rate will be under the new actuarial cost method and actuarial assumptions adopted by the TMRS Board in December.

Some important notes about this mailing:

- These rates are still not “final,” and are intended for preliminary planning purposes only. Final rates will be sent to you in your May 2008 Rate Letter packet, following the results of the actuarial valuation being performed as of 12/31/07. For most cities, the rates in next week’s letter should be reasonably close to your final rate but not exactly the same.
- Cities with annually repeating benefits will receive a different letter from cities that do not have repeating benefits.
- Very small TMRS cities (two or fewer active members) will not receive this mailing. Because plan costs for very small cities are amortized differently from those of larger cities, we will send a separate mailing to those cities soon.
- Cities that see a contribution rate increase of more than 0.5%, due to the actuarial changes, will see an additional rate that will amortize liabilities over 30 years, rather than 25 years. TMRS will assume that cities that see a rate increase of that size wish to utilize a 30-year amortization period, unless you tell us you prefer to remain at 25 years.
- Cities that see a contribution rate increase of more than 0.5%, due to the actuarial changes, will have the increase phased in over an 8-year period. The letter will show you the final, total rate (the rate that will be payable at the end of the 8-year period) and your phase-in rate.
- Cities that see a contribution rate increase of more than 0.5% due to the actuarial changes will also receive the rates associated with different benefit levels, to give you an idea of the effect on your costs of changing your USC or COLA percentages or reducing your city’s matching ratio. **These “what-if” scenarios are intended to give you an idea of the costs associated with various benefit levels and should not be used as the basis for final decisions at this time.** Following the May Rate Letter, TMRS will be able to tell you the effects of any benefit changes your city may wish to consider.
- Attachment B to the letter contains information, including sample footnote language that may be useful to cities preparing financial statements prior to the May Rate Letter packet.

Press Coverage of TMRS Issues

The *Dallas Morning News* has published an article about the actuarial changes at TMRS. See http://www.dallasnews.com/sharedcontent/dws/news/localnews/stories/DN-pensionwoes_25met.ART.North.Edition1.3803c64.html.

The article has resulted in some phone calls to our office and in follow-up inquiries from other news media. We appreciate any help from cities to help reporters get the facts straight on this extremely complex issue.

TMRS has sent a letter to the *Morning News* clarifying one point in the article. That letter read as follows:

January 29, 2008

Letters From Readers
The Dallas Morning News
Box 655237
Dallas, TX 75265

Dear Editor:

For the most part, I appreciate the thorough way you covered the changes we are undergoing at the Texas Municipal Retirement System (TMRS). The issues we and our cities are facing are complex and sometimes difficult to explain and understand, and I think your reporter did a good job.

We do have some concern over your use of the word "shortfall" in the online headline and in the lead paragraph. The \$1.7 billion dollar figure that you cited is an estimated increase in the System's unfunded actuarial accrued liability (UAAL) that has been projected under the new actuarial cost method and assumptions adopted by the System. A few facts should be considered regarding this unfunded liability:

- A UAAL is not new to TMRS. Under the old actuarial cost method, for the year ending December 31, 2006, the System had a UAAL of approximately \$2.9 billion. The \$1.7 billion was an attempt by the newspaper to quantify the additional UAAL resulting from the change in actuarial cost method and assumptions.
- Most public retirement systems have a UAAL and this liability is not commonly referred to as a "shortfall" because the UAAL will be amortized over a reasonable period of time under a set funding schedule.
- The term "shortfall" implies that the System does not have sufficient funds to pay the benefits it has promised when, in fact, under the current methodology all benefits, including benefits that accrue in future years, are projected to be 100% funded over a 30-year period.

We understand that the press is using the term to describe the need that many cities will face to increase their funding levels to retain their current benefit package

under the new methods, but wanted to be sure that our members and retirees understand that the benefits they have already earned are funded. Also, the asset figure shown for TMRS in the article – \$17.8 billion – is not accurate. The market value of the System's assets is \$14.5 billion as of December 31, 2007.

If we can provide *The Dallas Morning News* with additional information, please do not hesitate to call on us.

Sincerely,

Eric Henry
Executive Director
& Chief Investment Officer

Please share this letter with any employees who may be worried about the effect of these changes on their benefits.

The *Abilene Reporter News* has also published a story:
<http://www.reporternews.com/news/2008/jan/25/abilene-area-cities-facing-pension-issue/>

We anticipate more coverage from newspapers in Austin, San Antonio, Ft. Worth, and other parts of the state and will keep you informed as articles are published.

Communications Packet Available

A package of information is now available on the TMRS Website to help cities communicate information about TMRS to employees, officials, and the media.

The downloadable version is here:

http://www.tmr.com/bulletins/communications_packet.pdf

The material will be available soon in hard copy. If you wish to receive a hard copy Communications Packet, send an e-mail to communications@TMRS.com.

New Member Benefits Guide Available

TMRS has revised and redesigned our Benefits Guide for members. The new guide is available on the Website, and we encourage cities to request copies of the revised guide and distribute them to their employees. All new members of the System will automatically receive the revised Benefits Guide.

What's Next?

The pilot event for our Regional Funding Workshops will take place in McAllen on February 12 and all cities in TML Region 12 have been invited. Following this workshop,

we will begin to schedule similar events across the state. We intend to use the McAllen workshop to help us learn the level of resources we need to have on hand to be sure cities get the service they want. The second workshop is scheduled for Victoria on February 20 and cities in TML Region 11 will receive invitations very soon.

Please call TMRS or send e-mail to communications@tmrs.com if we can help you or provide further information.

NOTE - Previously issued e-bulletins and correspondence are posted in the “Breaking News for Cities” section on the TMRS Website.