

All Together Now

City Rate Letters and Plan Changes

Presented by

Eric W. Davis, Deputy Executive Director

Leslee Hardy, Director/Decision Support Actuary



2012 Contribution Rate Letter

There is a whole lot more to the contribution rate letter than just the contribution rate:

- Description of Fund Restructuring
- Summary of your Actuarial Valuation results
- Calculation of your city's Contribution Requirements
- Detailed calculation of your city's actuarial value of assets
- Historical accumulation of the MAF/BAF balance
- Reconciliation of the Full Retirement Rate from the prior Actuarial Valuation Report
- GASB compliance data
- If applicable, an explanation of Phase-in Rates with restructuring



June 22, 2011

City #BBBBE

City Official
City of B City
101 B Street
B City, TX 12345

Subject: 2012 Municipal Contribution Rate

Dear City Official:

Presented below are your city's contribution requirements to the Texas Municipal Retirement System (TMRS) for Plan Year 2012 (Calendar Year 2012, PY2012) as determined by the December 31, 2010 actuarial valuation. The actuarially determined contribution rates for retirement benefits and Supplemental Death Benefits (SDB), if any, are based on (1) your city's plan provisions in effect as of March 1, 2011; (2) the actuarial assumptions and methods adopted by the Board at their May 20, 2011 meeting based on the results of the four-year experience study (comparison of actual to expected plan experience during the period from January 1, 2006 through December 31, 2009); (3) the restructured funds under the recently passed SB 350 legislation; and (4) the reserve fund distribution smoothed interest credit. Effective January 1, 2012, your city's monthly contribution rates will be as follows:

Normal Cost	8.36%
Prior Service	<u>5.19%</u>
Total Retirement Rate	13.55%
Supplemental Death Benefit	<u>0.15%</u>
Total Combined Contribution	13.70%

Due to the impact of SB 350 and the favorable plan experience, your city's Full Retirement Rate has decreased below the Phase-in Rate. Therefore, the phase-in base is no longer applicable and the Full Retirement Rate is the minimum required contribution.

The Most Frequently Asked Question: What Is this Net Pension Obligation Stuff?

A Net Pension Obligation, or Net Pension Asset, is the result of paying less or more than the Annual Required Contribution (ARC), and must be disclosed in your financial statements.

Later in the Contribution Rate Letter, in the GASB Compliance Data, Notes to Financial Statements section, is a sample that will guide you through calculation of the annual pension cost and net pension obligation/asset.

Normal Cost	8.36%
Prior Service	<u>5.19%</u>
Total Retirement Rate	13.55%
Supplemental Death Benefit	<u>0.15%</u>
Total Combined Contribution	13.70%

Due to the impact of SB 350 and the favorable plan experience, your city's Full Retirement Rate has decreased below the Phase-in Rate. Therefore, the phase-in base is no longer applicable and the Full Retirement Rate is the minimum required contribution.

Full information on your rate, including an explanation of changes, and the pension disclosure data to assist your city with the reporting requirements of the Governmental Accounting Standards Board (GASB) are contained in the attached report.

At their June 16th meeting, the TMRS Board adopted a motion allowing cities whose 2012 Full Retirement Rate is lower than either their 2011 Full or Phase-in Retirement Rate, **the option** to contribute the 2012 Full Retirement Rate beginning with their October 2011 monthly payroll report (due in November). **Please note that if your city chooses to exercise this option and contributes at a rate below the 2011 GASB ARC (14.29%), a Net Pension Obligation (NPO) equal to the contribution shortfall will be created (or an additional NPO will be generated if your city was already paying the Phase-in Retirement Rate during 2011) which must be reflected in your employer's financial statement. Finally, the option to contribute at the lower 2012 retirement rate does not apply to the 2012 Supplemental Death Benefits (SDB) rate (if applicable); therefore, if your city elects to pay the reduced 2012 retirement rate, your Total Rate for the last three monthly reporting periods of 2011 will be the 2012 Full Retirement Rate plus the 2011 SDB Rate.**

TMRS
P.O. BOX 149153
AUSTIN, TEXAS 78714-9153

www.TMRS.com

512.476.7577
TOLL-FREE 800.924.8677
FAX 512.476.5576

Early Implementation of 2012 Contribution Rate

2011 Rate (ARC):

Normal Cost	8.98%
Prior Service	5.31%
Total Retirement Rate	14.29%
Supplemental Death Benefit	0.21%
Total Combined Contribution	14.50%

October 2011 Rate:

Normal Cost	8.36%
Prior Service	5.19%
Total Retirement Rate	13.55%
Supplemental Death Benefit	0.21%
Total Combined Contribution	13.76%

New NPO is difference between the ARC, 14.50%, and the lower amount paid for the three months, 13.76%. This amount (in dollars), assuming no other NPO exists for the City, would be reflected in the City's financial Statements, and amortized over the City's remaining amortization period.

Normal Cost	8.36%
Prior Service	<u>5.19%</u>
Total Retirement Rate	13.55%
Supplemental Death Benefit	<u>0.15%</u>
Total Combined Contribution	13.70%

Due to the impact of SB 350 and the favorable plan experience, your city's Full Retirement Rate has decreased below the Phase-in Rate. Therefore, the phase-in base is no longer applicable and the Full Retirement Rate is the minimum required contribution.

Full information on your rate, including an explanation of changes, and the pension disclosure data to assist your city with the reporting requirements of the Governmental Accounting Standards Board (GASB) are contained in the attached report.

At their June 16th meeting, the TMRS Board adopted a motion allowing cities whose 2012 Full Retirement Rate is lower than either their 2011 Full or Phase-in Retirement Rate, the option to contribute the 2012 Full Retirement Rate beginning with their October 2011 monthly payroll report (due in November). Please note that if your city chooses to exercise this option and contributes at a rate below the 2011 GASB ARC (14.29%), a Net Pension Obligation (NPO) equal to the contribution shortfall will be created (or an additional NPO will be generated if your city was already paying the Phase-in Retirement Rate during 2011) which must be reflected in your employer's financial statement. Finally, the option to contribute at the lower 2012 retirement rate does not apply to the 2012 Supplemental Death Benefits (SDB) rate (if applicable); therefore, if your city elects to pay the reduced 2012 retirement rate, your Total Rate for the last three monthly reporting periods of 2011 will be the 2012 Full Retirement Rate plus the 2011 SDB Rate.

TMRS
P.O. Box 149153
AUSTIN, TEXAS 78714-9153

www.TMRS.com

512.476.7577
TOLL-FREE 800.924.8677
FAX 512.476.5576

SB 350

This portion of the rate letter is included to provide a high-level explanation of how the three separate funds (ESF, MAF, and CSARF) were combined to form the Benefit Accumulation Fund (BAF).

SB 350 Fund Restructuring

Prior to the passage of SB 350 (restructuring), under TMRS' internal account structure, assets were held in the Pension Trust Fund predominantly in three separate accounts called "funds". The city contributions and interest were held in the Municipality Accumulation Fund (MAF) and the member contributions and interest were held in the Employees Saving Fund (ESF). When a member retired, the funds in the member's ESF, plus the appropriate matching funds from the employer (from the MAF) were immediately transferred into the Current Service Annuity Reserve Fund (CSARF). This accounting transfer of funds from the MAF reduced the assets and liabilities of the city and shifted them to the CSARF where they became assets and liabilities of the System. As a result, when a city's funded ratio was calculated, those assets and liabilities that transferred to the CSARF were not included in the calculation.

With restructuring, the former ESF, MAF and CSARF balances were combined into one fund called the Benefit Accumulation Fund (BAF), resembling the fund structure common to the vast majority of public retirement systems. Under restructuring, the individual employee account balances will be accumulated and maintained within the respective city's BAF account and any terminated employee refunds will be paid directly from the city's BAF. In addition, upon retirement or death, all benefit payments, including partial lump sum distributions, will be paid to the city's retirees and their beneficiaries directly from the city's BAF account. Most importantly, restructuring produces a more efficient funding structure that (1) reduces contribution rates and increases funded ratios for nearly every TMRS city; (2) protects the city accounts against the downside risk of leveraged adverse investment returns; (3) increases the likelihood of future contribution rate stabilization; and (4) eliminates the need for TMRS to build and maintain a substantial reserve fund (the pre-restructuring reserve target of 20% of assets is greatly reduced).

Executive Summary: Key Take-Aways

Actuarial accrued liability (AAL): The present value of projected benefits attributable to service already rendered.

Actuarial value of assets (AVA): The market value of assets held for the city, adjusted for deferred gains or losses, used for funding purposes.

Unfunded actuarial accrued liability (UAAL): $AAL - AVA = UAAL$. The portion of liability being amortized over time. The fact that a city has a UAAL does not mean that your plan is underfunded.

UAAL as % of pay: A measure of the plan's solvency. Expressing it as a percentage of covered payroll helps indicate its relative size. A downward trend is desirable.

GASB #27 Funded ratio: $AVA / AAL =$ funded ratio. A traditional measure of plan funded status. More important than the percentage is an upward trend over time.

Executive Summary

Valuation as of TMRS Plan Year (PY) Ending	12/31/2010	12/31/2009
Membership as of the Valuation Date		
• Number of		
- Active members	303	307
- Retirees and beneficiaries	107	95
- Inactive members	<u>113</u>	<u>111</u>
- Total	523	513
• Prior year's payroll provided by TMRS	\$ 16,297,028	\$ 16,681,946
• Valuation Payroll	\$ 17,193,883	\$ 17,240,400
Assets – Changes in MAF Fund		
• Balance at end of year (prior to restructuring)	\$ 25,357,102	\$ 23,475,909
• MAF crediting rate for PY	7.5%	7.5%
• Interest credited on beginning balance	\$ 1,760,693	\$ 1,695,814
• Municipal contributions during year	2,262,459	2,304,844
• Transfers to CSARF	1,679,261	2,699,598
• Retirement allowances paid directly to retirees	462,698	436,005
Assets – ESF Fund		
• Balance at end of year	\$ 15,701,357	\$ 14,833,371
• Member contributions during year	\$ 1,152,170	\$ 1,167,736
Assets – BAF Fund		
• Balance at end of year	\$ 72,656,000	\$ NA
Actuarial Information		
• Actuarial accrued liability (AAL)	\$ 83,077,570	\$ 57,334,378
• Actuarial value of assets (AVA)	68,563,332	38,309,280
• Unfunded actuarial accrued liability (UAAL)	14,514,238	19,025,098
• UAAL as % of pay	89.1%	114.0%
• GASB #27 Funded ratio	82.5%	66.8%
• Employer normal cost	10.50%	11.02%
• Prior Service Rate	5.05%	6.85%
Contribution Rates for TMRS Plan Year (PY)		
• Member	2012 7.00%	2011 7.00%
• Full retirement rate (GASB ARC)	15.55%	17.87%
• Phase-in retirement rate (minimum)	15.33%	14.89%
• Supplemental Death rate	0.13%	0.19%
Total Employer Contribution Estimates for PY		
• Projected payroll	\$ 17,709,699	\$ 17,757,612
• Minimum Phase-in contribution rate	15.46%	15.08%
• Estimated employer contribution	\$ 2,737,919	\$ 2,677,848

Note: TMRS Plan Year coincides with Calendar Year

Results from prior year reflect the plan provisions used in the 12/31/2010 valuation report.

Calculation of Contribution Requirements: Key Take-Aways

The middle and left columns really show the impact of fund restructuring on your city. In this example:

- Line 4.d, Total actuarial accrued liability increased as liability was transferred back to the city from CSARF
- Line 5, Actuarial value of assets also increased as assets transferred back from CSARF and city received credit on the distribution of interest reserves
- Line 6, This resulted in a net decrease in the city's unfunded actuarial accrued liability (UAAL)
- Line 7, Also resulted in a net increase in the city's funded ratio (5/4d)
- Line 10.c, Ultimately resulted in a lower Full retirement rate
- Line 12, Also note the reduction in the supplemental death benefit rate due to actuarial assumption changes

	December 31, 2010		December 31, 2009	
	Restructured	Prior to Restructuring		
1. Prior year's payroll provided by TMRS	\$ 16,297,028	\$ 16,297,028	\$ 16,681,946	
2. Valuation payroll	17,193,883	17,193,883	17,240,400	
3. Employer normal cost rate	10.50%	11.17%	11.02%	
4. Actuarial liabilities				
a. Present active members	\$ 41,537,035	\$ 42,853,357	\$ 41,094,724	
b. Present inactive members	6,917,475	7,111,170	6,211,736	
c. Annuitants	34,623,060	10,794,493	10,027,918	
d. Total actuarial accrued liability	\$ 83,077,570	\$ 60,759,020	\$ 57,334,378	
5. Actuarial value of assets	68,563,332	41,058,459	38,309,280	
6. Unfunded actuarial accrued liability (UAAL) (5 - 4d)	\$ 14,514,238	\$ 19,700,561	\$ 19,025,098	
7. Funded ratio (5 / 4d)	82.5%	67.6%	66.8%	
8. GASB 25 Equivalent Single Amortization Period*	27.3 years	27.1 years	28.1 years	
9. Assumed payroll growth rate	3.00%	3.00%	3.00%	
<hr/>				
Contribution Rate for TMRS Plan Year:		2012	2011	
10. Full retirement rate				
a. Normal cost	10.50%	11.17%	11.02%	
b. Prior service	5.05%	7.24%	6.85%	
c. Full retirement rate	15.55%	18.41%	17.87%	
11. Minimum phase-in retirement rate				
a. Full retirement rate (10c)	15.55%	18.41%	17.87%	
b. Less phase-in deferral	(0.22%)	(2.38%)	(2.98%)	
c. Minimum phase-in retirement rate	15.33%	16.03%	14.89%	
12. Supplemental Death rate	0.13%	0.13%	0.19%	
13. Combined contribution rates				
a. Combined full rate (10c + 12)	15.68%	18.54%	18.06%	
b. Combined phase-in rate (11c + 12)	15.46%	16.16%	15.08%	

* New Gains/Losses are laddered on 30 -year period.

Development of Actuarial Value of Assets: Key Take-Aways

- Lines 1-3 show the normal cash flows into and out of the MAF that you are used to seeing.
- Lines 4-6 show the creation of the Expected BAF balance as of December 31.
- Line 7 shows the actual BAF balance as of December 31.
- Note that because the return of interest reserves was done as an interest credit, only 10% is recognized this year (Line 9).
- The remainder of the interest reserves distribution is an asset of the city reflecting deferred gains that can cushion the impact of lower-than-expected future investment returns.

Development of Actuarial Value of Assets

	Year Ending 12/31/2010
	(1)
1. Actuarial MAF balance as of January 1	\$ 23,475,908
2. a. Contributions	\$ 2,262,459
b. Benefits paid directly to Annuitants	(462,698)
c. Transfers to Current Service Annuity Reserve Fund	(1,679,261)
d. Net cash flow	\$ 120,500
3. Expected actuarial MAF balance as of December 31 (includes earnings equal to 7.50% of 1.)	\$ 25,357,102
4. Transfer in from Employees Saving Fund	\$ 15,701,357
5. Transfer in from CSARF	\$ 27,050,132
6. Expected BAF as of December 31 (3. + 4. + 5.)	\$ 68,108,591
7. Actual BAF balance as of December 31	\$ 72,656,000
8. Deferred earnings/(shortfall) (7. - 6.)	\$ 4,547,409
9. Deferred earnings/(shortfall) recognized (10% x 8.)	\$ 454,741
10. Preliminary actuarial value of assets as of December 31 (6. + 9.)	\$ 68,563,332
11. a. 85% of market value of assets (85% x 7.)	\$ 61,757,600
b. 115% of market value of assets (115% x 7.)	83,554,400
12. Final actuarial BAF balance as of December 31 (10. perhaps partially limited by 11.)	\$ 68,563,332
13. Actuarial value of assets (AVA)	\$ 68,563,332

Note:

To help mitigate the natural year-to-year fluctuations (positive and negative) in the investment markets, the TMRS actuary has recommended Asset Smoothing. Nearly all public sector retirement systems employ some form of smoothing. Smoothing does not impact long-term plan costs or funded positions, but does impact timing of investment gain and loss recognition. The TMRS Board of Trustees has adopted a 10-year smoothing method with a 15% corridor to determine the System's actuarial value of assets (AVA). This "smoothing method" is intended to help reduce the volatility of the contribution rates from one year to the next. The corridors detailed above on line 11 keep the AVA within a certain range of the market value of assets. AVA is a component that must be disclosed by the city in its Schedule of Funding Progress (see GASB Compliance Data section).

Expected and actual BAF balances as of December 31 may be off a dollar due to rounding.

Historical Accumulation Chart — Another View of the Numbers Shown in the Calculation of the Actuarial Value of Assets (AVA)

Historical Accumulation of the MAF/BAF Balance

Year Ending December 31, (1)	Payroll for the Year (2)	Effective Retirement Contribution Rate ^a (3)	Retirement Contributions for the Year (4)	Benefit Payments (5)	Transfers to CSARF (6)	External Cash Flow for the Year (7)	Interest Credit (8)	Transfers to BAF (9)	MAF Balance (10)
		(4) / (2)				(4) + (5) + (6)			
2008	\$16,102,413	12.39%	\$1,995,247	\$(367,959)	\$(1,924,744)	\$(297,456)	\$1,090,872	N/A	\$22,610,855
2009	16,681,946	13.82%	2,304,844	(436,005)	(2,699,598)	(830,759)	1,695,814	N/A	23,475,909
2010	16,297,028	13.88%	2,262,459	(462,698)	(1,679,261)	120,500	1,760,693	\$25,357,102	0

a. Effective retirement contribution rates for 2008, 2009 and 2010 are actual rates determined by dividing the contribution received by the payroll paid.

Year Ending December 31, (1)	ESF (2)	Transfer From MAF (3)	CSARF (4)	Reserve Allocation (5)	BAF Balance ^b (6)=(2)+(3)+(4)+(5)
2010	\$15,701,357	\$25,357,102	\$27,050,132	\$4,547,409	\$72,656,000

b. BAF Balance may be off a dollar due to rounding.

Valuation-to-valuation rate change comparison: an explanation of each of the areas of change is presented immediately following this table in your rate letter.

With the adoption of a new actuarial assumption set, cities should see a more stable contribution rate from year-to-year.

- **Benefit changes:** relates to modifications to plan of benefits.
- **MAF crediting rate:** relates to annual interest credit different than assumed.
- **Contribution lag/phase in:** "lag" is due to time difference between valuation and when rate paid.
- **Payroll growth:** amortization payments calculated assuming 3% annual payroll growth.
- **Normal cost:** portion of the retirement rate is directly linked to the age and service characteristics of the active group of employees.
- **Liability growth:** larger or lower than expected change in overall plan liabilities. Two key drivers are individual salary change and turnover.
- **SB 350/Assumption Changes:** combined impact of SB 350 (decreases) and actuarial assumption changes (likely increases)
- **Reserve distribution interest credit:** rate change associated with reserve fund distribution smoothed interest credit (10% recognized/90% deferred).

Reconciliation of Full Retirement Rate from Prior Actuarial Valuation Report

Actuarial valuations are based on long term assumptions and actual results in a specific year can, and almost certainly will, differ as actual experience deviates from the assumptions. The following table provides a detailed breakdown of changes in the retirement portion of your city's contribution rate, including the combined effect of SB 350 and new actuarial assumptions. This analysis reconciles the change in the retirement portion of your city's contribution rate from 2011 to 2012, but will not reflect any change in the cost of the Supplemental Death Benefit (SDB), if your city currently has this provision. (Any changes in the cost of the SDB are primarily due to the change in mortality assumptions and/or changes in the average age of your city's employee group and/or the number of covered retirees.) Following the table below is a brief description of the common sources for deviation from the expected.

Change in Full Retirement Rate	
Full Rate from 12/31/2009 Valuation (PY 2011 Rate)	17.87 %
Benefit changes	0.00 %
MAF crediting rate	0.00
Contribution lag/phase in	0.29
Payroll growth	0.23
Normal cost	0.15
Liability growth	(0.13)
Subtotal experience change	0.54
SB 350/Assumption changes	(2.70)
Reserve distribution interest credit (10% recognized)	(0.16)
Total change	(2.32) %
Full Rate from 12/31/2010 Valuation (PY 2012 Rate)	15.55 %

Annual Pension Cost and Net Pension Obligation

- If you have paid less than the Annual Required Contribution (ARC) by paying either the phase-in rate, or early implementation of the 2012 rate, you will have a Net Pension Obligation (NPO).
- In order to “zero out” a Net Pension Obligation, your contributions during the year will have to equal your Annual Pension Cost (line 4) plus your beginning Net Pension Obligation (line 7).
- In the example to the right, the city would have to contribute \$32,257 (\$12,257 + \$20,000) in order to have no Net Pension Obligation at the end of the year.
- If your city was paying the phase-in rate the monthly payment would be \$833.33 (line 5/12 months). In order to pay off the NPO, the city would have to contribute \$2,688.08 ((line 4 + line 7)/12 months).

The annual pension cost and net pension obligation/(asset) are as follows:

[city should provide chart similar to the “sample chart” shown below, if applicable]

SAMPLE

DO NOT USE “AS IS” FOR YOUR CITY

USE VALUES APPLICABLE TO YOUR OWN CITY

1. Annual Required Contribution (ARC)	\$ 12,000	\$ of ARC ¹
2. Interest on Net Pension Obligation	1,500	Interest ² * (7)
3. Adjustment to the ARC	<u>(1,243)</u>	(7) / amortization factor
4. Annual Pension Cost (APC)	12,257	(1) + (2) + (3)
5. Contributions Made	<u>(10,000)</u>	Actual Contributions
6. Increase (decrease) in net pension	2,257	(4) + (5)
7. Net Pension Obligation/(Asset), beginning of year	<u>20,000</u>	
8. Net Pension Obligation/(Asset), end of year	\$ 22,257	(6) + (7)

1. The fiscal year \$ ARC is determined by the sum of the applicable \$ ARC for each month in the city’s fiscal year. The \$ ARC for each month is determined by multiplying the PY % ARC (Full Retirement Rate) by the applicable payroll for that month (for payroll, cities can use “gross earnings” as noted on line 1 of their TMRS-3 “Summary of Monthly Payroll Report”).

2. Should be the interest rate used in determining the ARC for the period. This is 7% for the 2008 and 2009 ARC; 7.5% for the 2010 and 2011 ARC; and 7% for the 2012 ARC and thereafter.

Comment: Cities that contribute at the level of the ARC (which is at the Full Retirement Rate) each year do not need to go through the above exercise for determining the Annual Pension Cost. For these cities, the Net Pension Obligation should be \$0 and the Annual Pension Cost will be equal to the actual contributions made for the fiscal year.

Comparison of Valuation Results Before and After Fund Restructuring

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2010 ¹	\$41,058,459	\$60,759,020	67.6 %	\$19,700,561	\$16,297,028	120.9 %
12/31/2010 ²	\$68,563,332	\$83,077,570	82.5 %	\$14,514,238	\$16,297,028	89.1 %

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

TMRS Plan Change Study:

7%, 2 to 1 plan with Annually Repeating USC and COLAs



Plan Change Study

GRID 2012

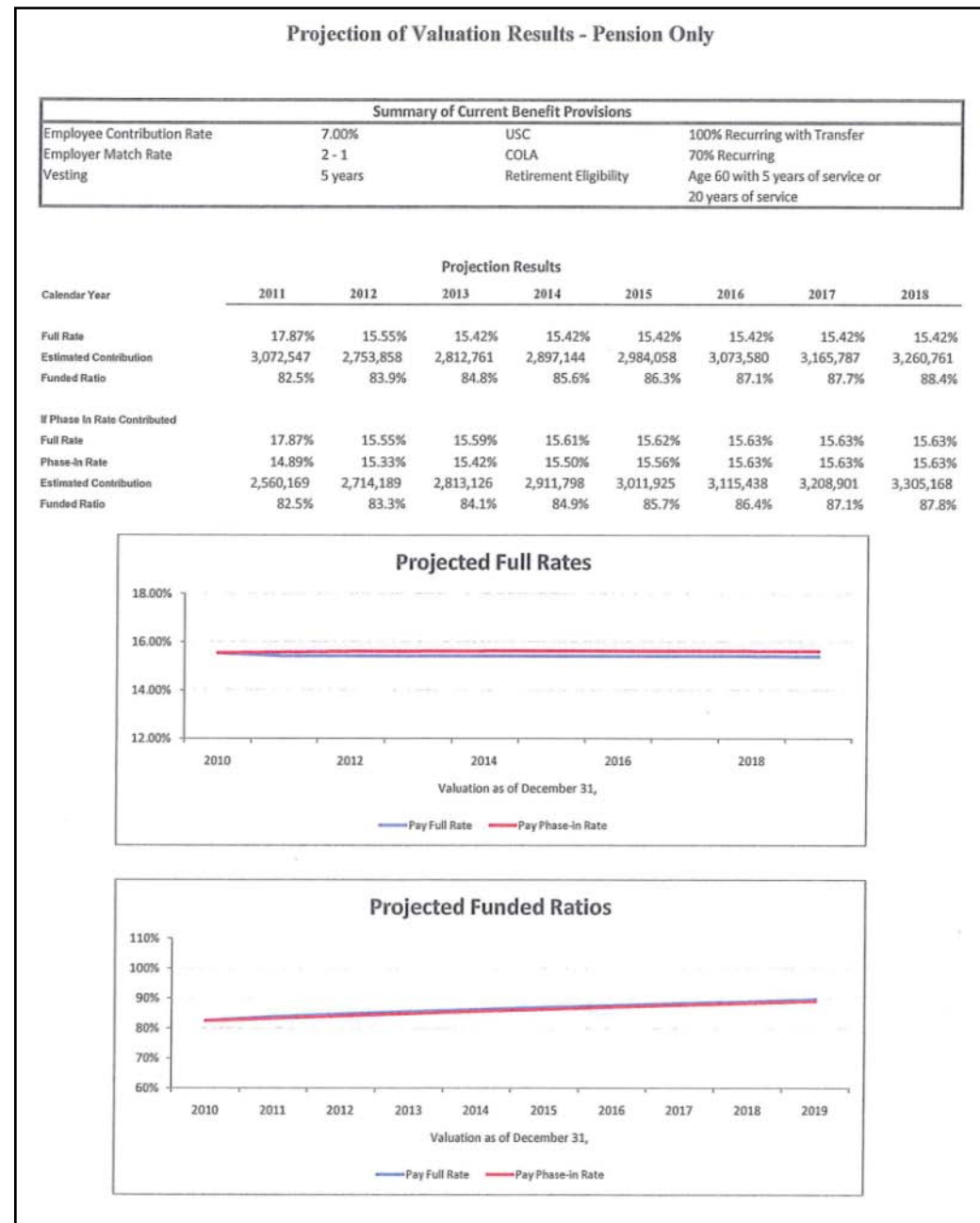
For Informational Purposes Only
Effective Date - January 1, 2012
Report Date - August 1, 2011

Proposed Plans

<u>Plan Provisions</u>	<u>Current</u>	<u>1</u>	<u>2</u>	<u>3</u>
Deposit Rate	7.00%	7.00%	7.00%	7.00%
Matching Ratio	2 to 1	2 to 1	2 to 1	2 to 1
Updated Service Credit	100% (Repeating)	75% (Repeating)	0%	100%
Transfer USC **	Yes	Yes	No	Yes
Annuity Increase	70% (Repeating)	50% (Repeating)	0%	70%
20 Year/Any Age Ret.	Yes	Yes	Yes	Yes
Vesting	5 years	5 years	5 years	5 years
<u>Contribution Rates</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>	<u>2012</u>
Normal Cost Rate	10.50%	9.00%	5.94%	6.01%
Prior Service Rate	<u>5.05%</u>	<u>2.99%</u>	<u>-0.91%</u>	<u>-0.64%</u>
Retirement Rate	15.55%	11.99%	5.03%	5.37%
Supplemental Death Rate	<u>0.13% (A & R)</u>	<u>0.13% (A & R)</u>	<u>0.13% (A & R)</u>	<u>0.13% (A & R)</u>
Total Rate	15.68%	12.12%	5.16%	5.50%
Unfunded Actuarial Liability	\$14,514,238	\$8,625,404	\$-2,483,883	\$-2,045,623
Amortization Period	30 years	30 years	25 years	25 years
Funded Ratio	82.5%	88.8%	103.8%	103.1%
Phase-In Total Rate	15.46%	N/A	N/A	N/A
Study exceeds 15.50% stat max	No	No	No	No

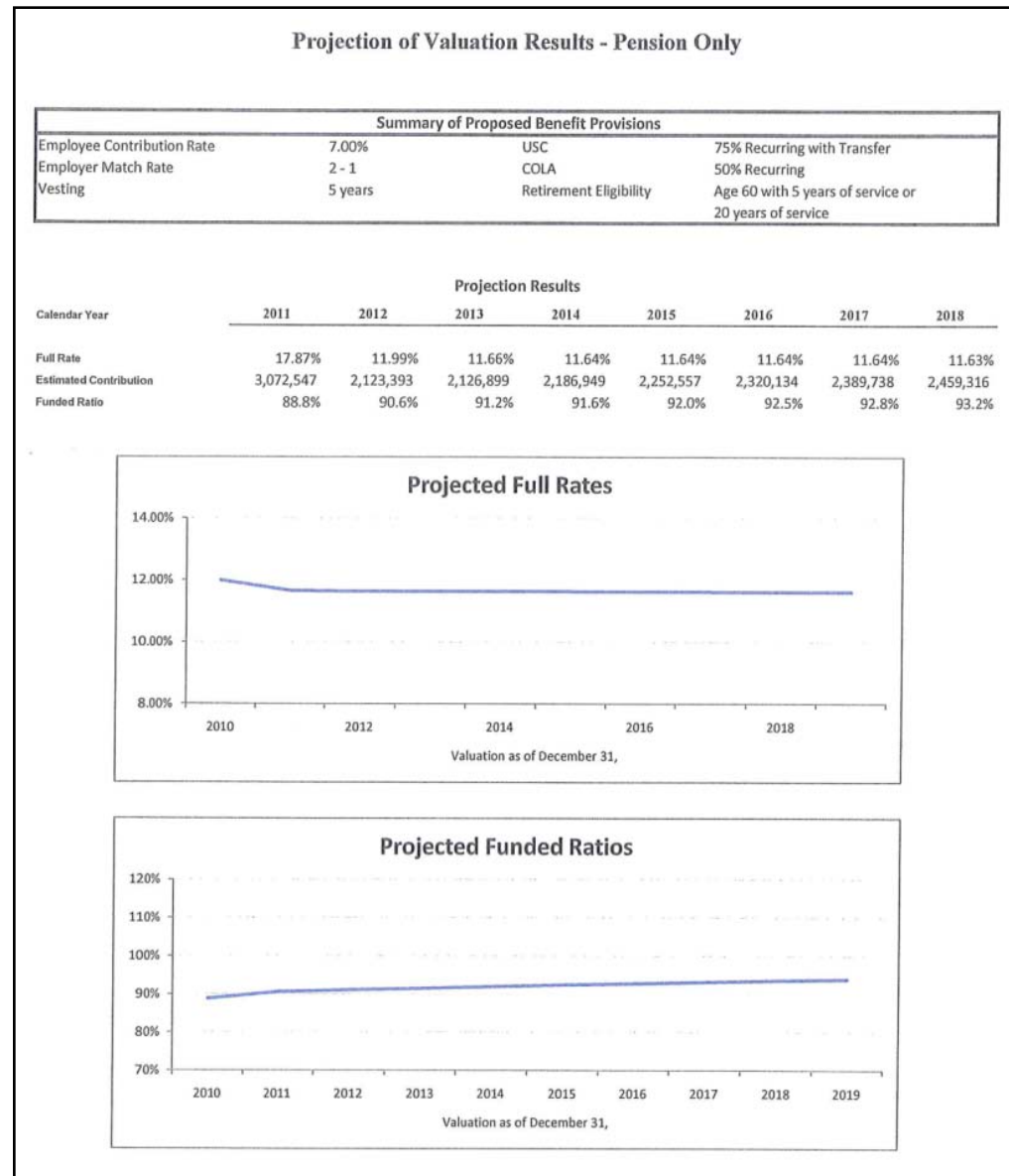
Projection Report: Present Plan of Benefits

- Contribution Rate stability is the goal we have been pursuing for the last four years.
- Notice that the top chart shows the rates remaining flat from year to year, assuming the actuarial assumptions are met.
- Also notice that, in the bottom chart, the projected funded ratio improves each year, again assuming the actuarial assumptions are met.



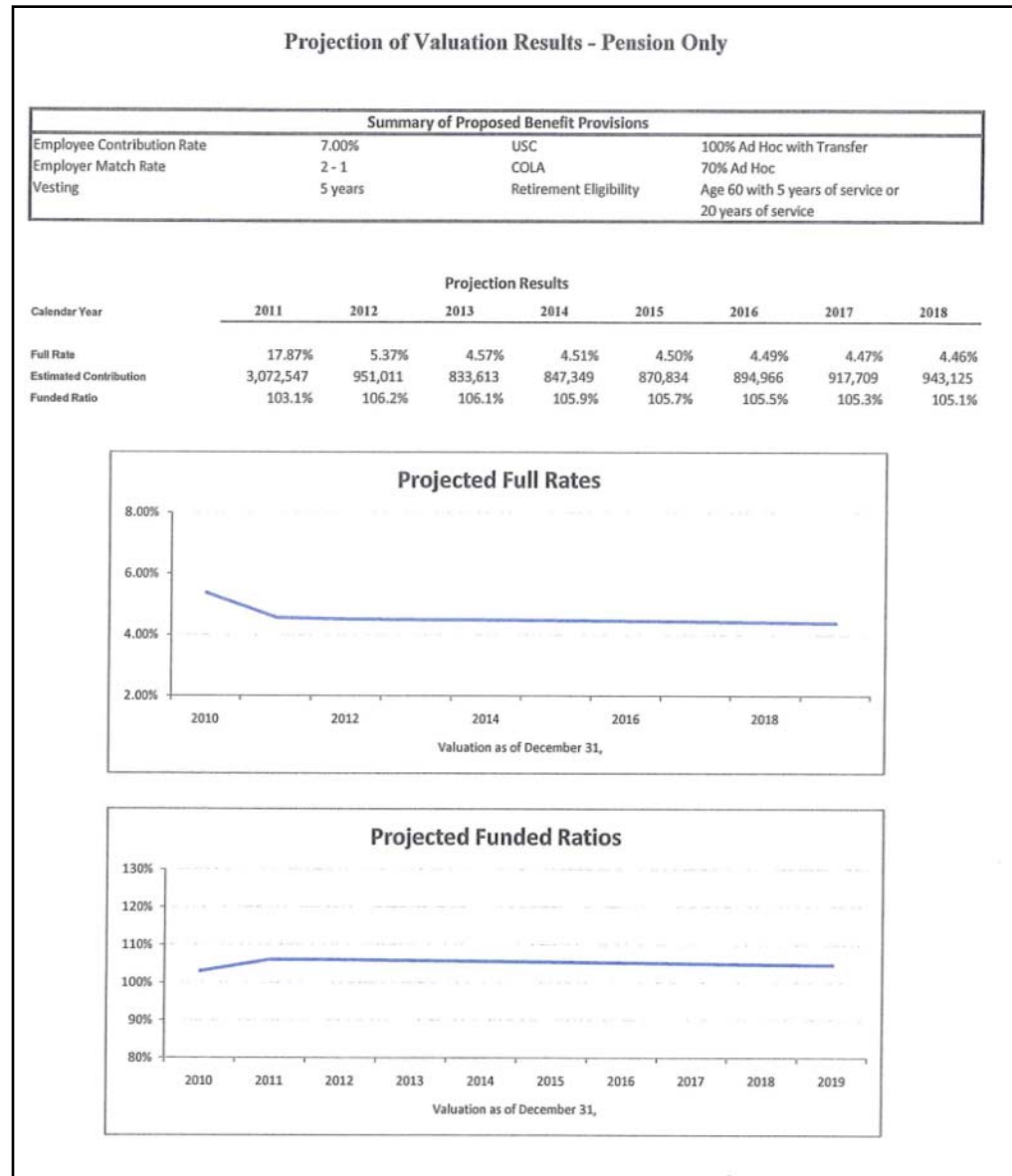
Projection Report: Lower Annually Repeating benefits to 75% USC and 50% CPI COLA

- If a city decides it still needs to lower the contribution rate, incremental steps can be taken to achieve this goal, while still preserving the structure of the benefits (annually repeating USC and COLA in this example).
- By taking one step down (from 100% USC with Transfers and 70% CPI COLA in the present plan) on both the USC and COLA, this city lowered their rate by almost 6% of payroll, while maintaining annually repeating benefits.
- The city is still advance funding the USC and COLA, while keeping the funded ratio moving in a positive direction.



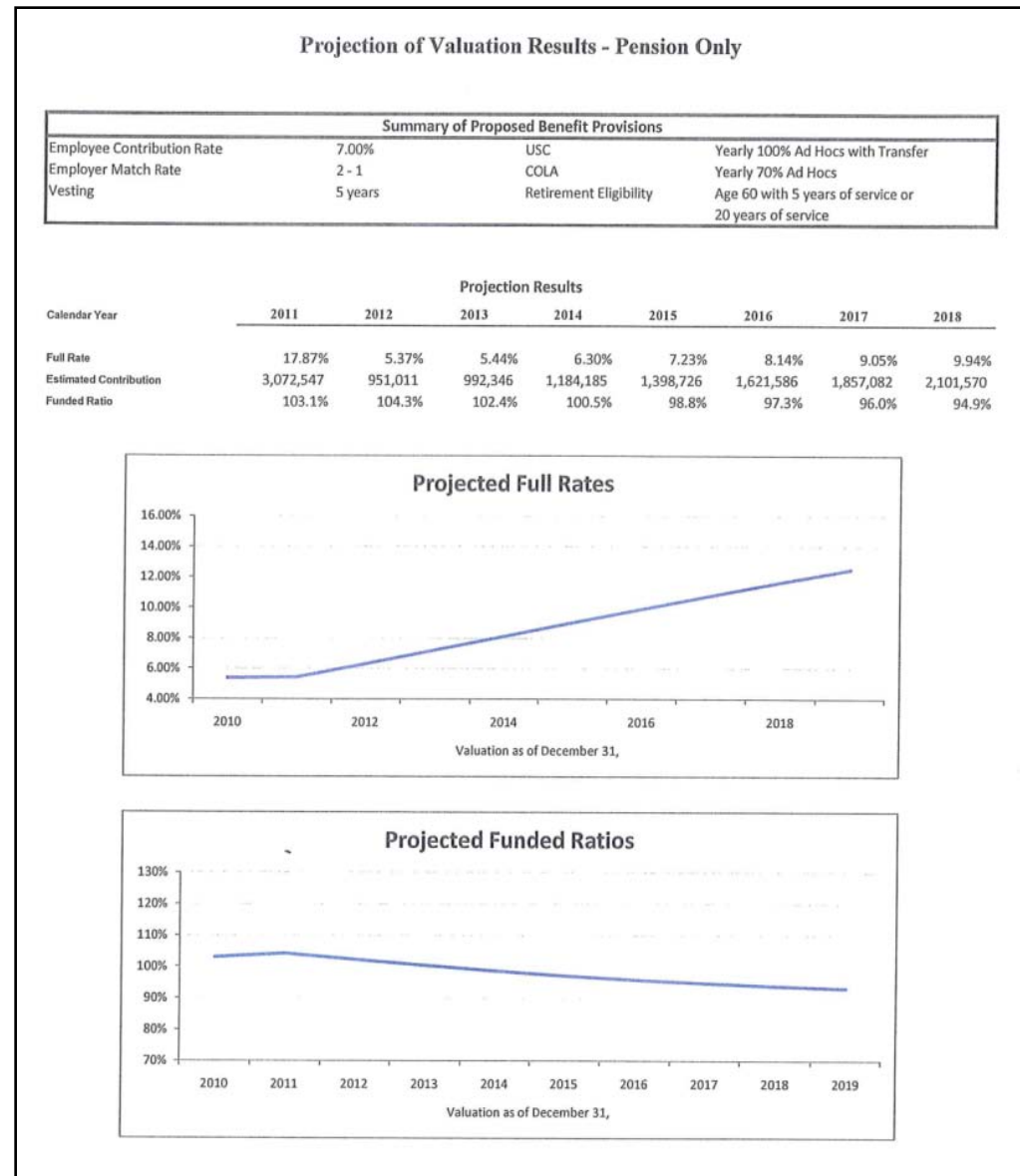
Projection Report: Change to Ad Hoc USC and COLA (assumes only one adoption)

- If the same city were to keep the benefits at the same level (100% USC including Transfers and 70% of CPI COLA), but change to an Ad Hoc adoption, it has a much larger impact on the contribution rate.
- But this example assumes the city only adopts the Ad Hoc benefits once; the presumption here is that the benefits are not adopted again in the future.



Projection Report: Change to Ad Hoc USC and COLA (assumes yearly adoption)

- If the same city were to keep the benefits at the same level (100% USC including Transfers and 70% of CPI COLA), but change to an Ad Hoc adoption, and also wanted to do this every year going forward, you can see that this does not promote contribution rate stability.
- The contribution rate would be expected to increase every year, and at some point in the future would be greater than if the city had remained on an annually repeating benefit.
- Also notice that the city's funded ratio would continue to decline with each adoption of the Ad Hoc benefits.



QUESTIONS?

All Together Now