



Interest Rate Credit Recommendation for 2015

Joseph Newton
Leslee Hardy
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GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries
www.gabrielroeder.com



Overall Fund Return for 2015

- ◆ The overall TMRS Fund underperformed the 7.00% investment return assumption in calendar year 2015
- ◆ GRS recommends crediting the Benefit Accumulation Fund (BAF) an approximate 2015 market value rate of return of 0.06%
- ◆ This will maintain the \$100 million Interest Reserve Account

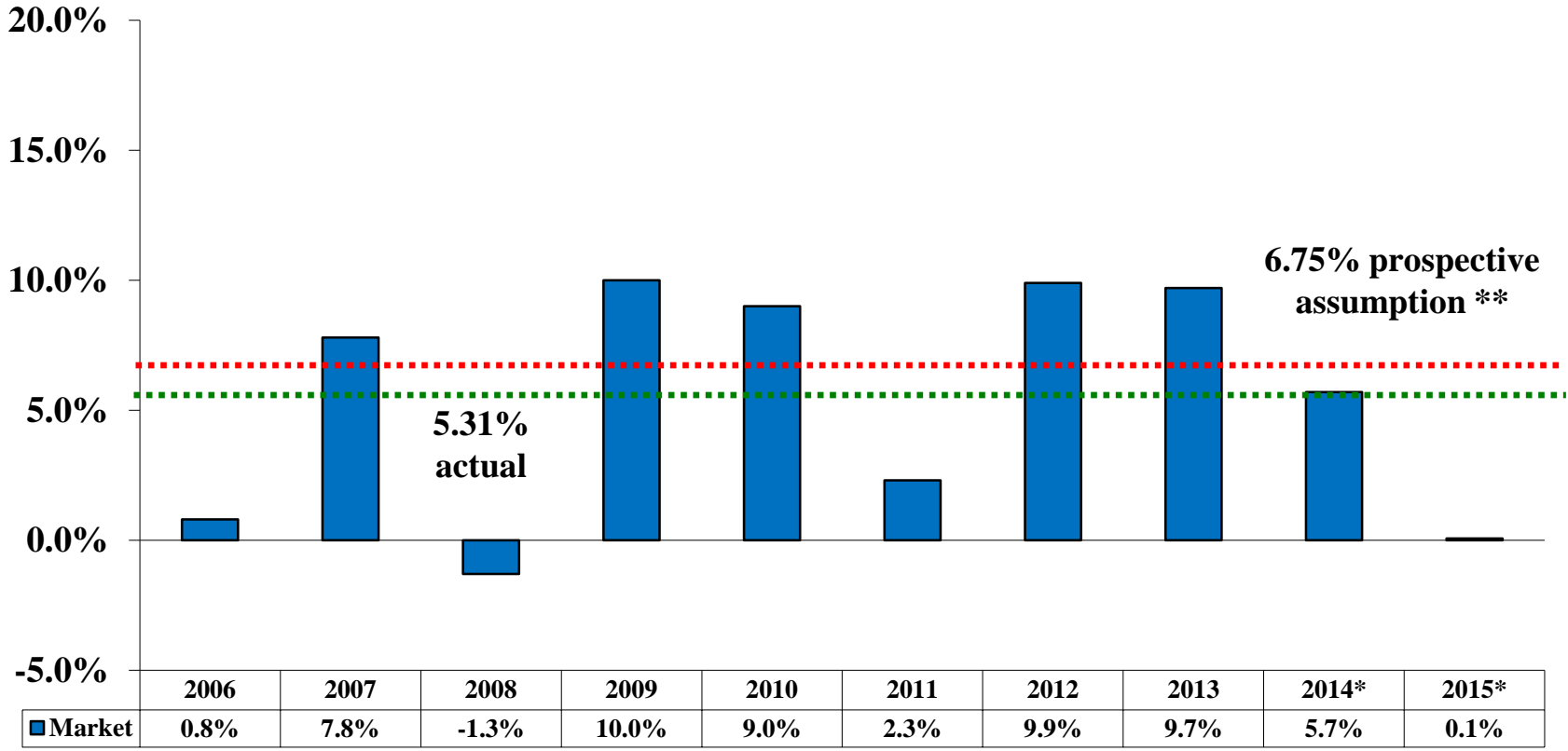


“Smoothed” 2015 Rate of Return

- ◆ The contribution rates are determined based on a 10-year smoothing process
- ◆ The smoothing calculation produces an Actuarial Rate of Return of approximately 6.69% for 2015 on the BAF
 - ▶ Creates \$640 million in deferred losses as of December 31, 2015 (roughly 2.7% of Fund)
 - This eliminates the deferred gains held last year
 - ▶ This actuarial return of 6.69% will produce an increase in contribution rates for 2017 from investment performance



Yields based on Market Value of Assets



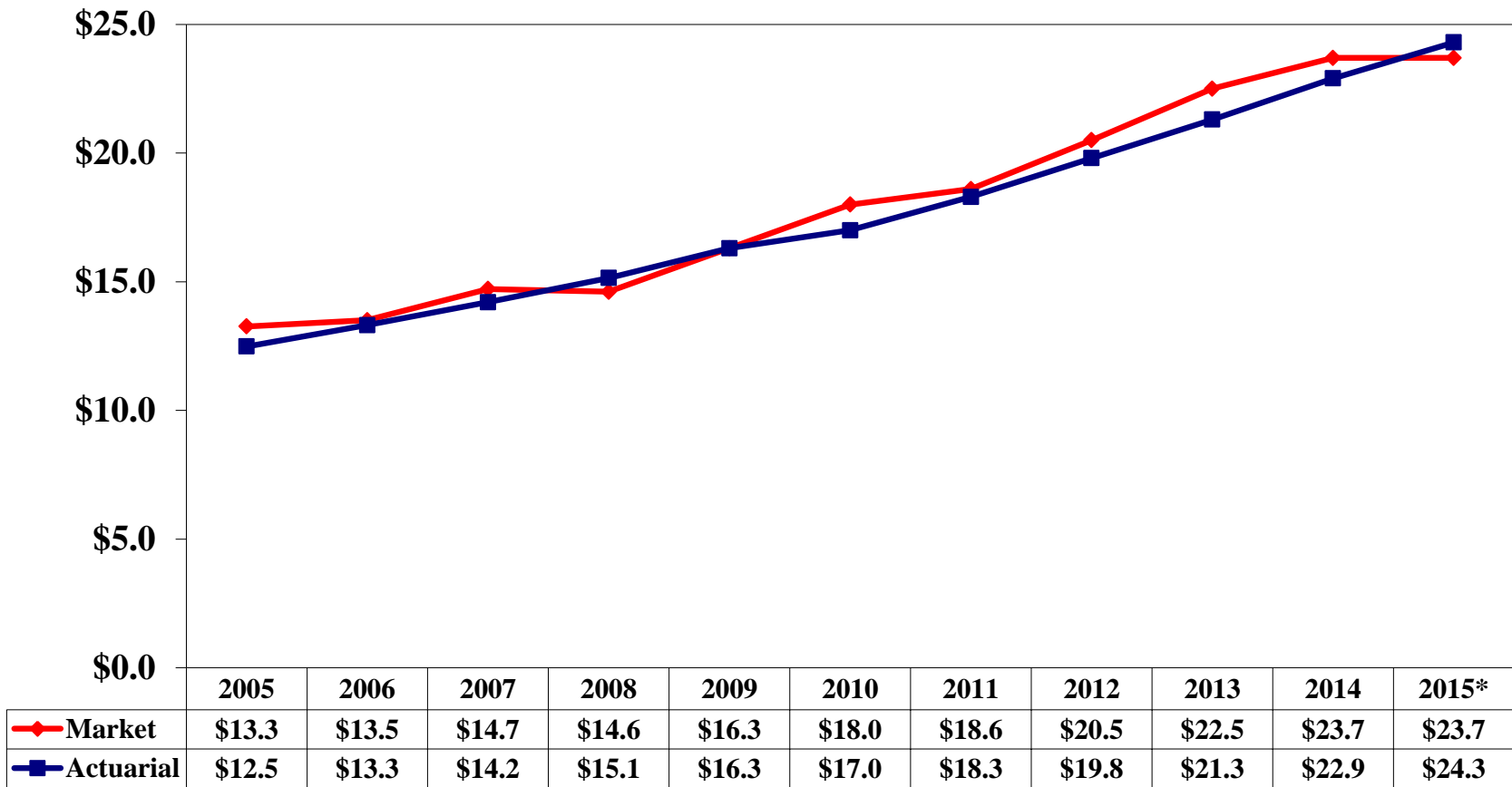
5.31% average compound return (on market value) over last 10 years

* Estimated

** Assumption was 7% from 2007 - 2015

Market and Actuarial Values of Assets

\$ amounts are in Billions

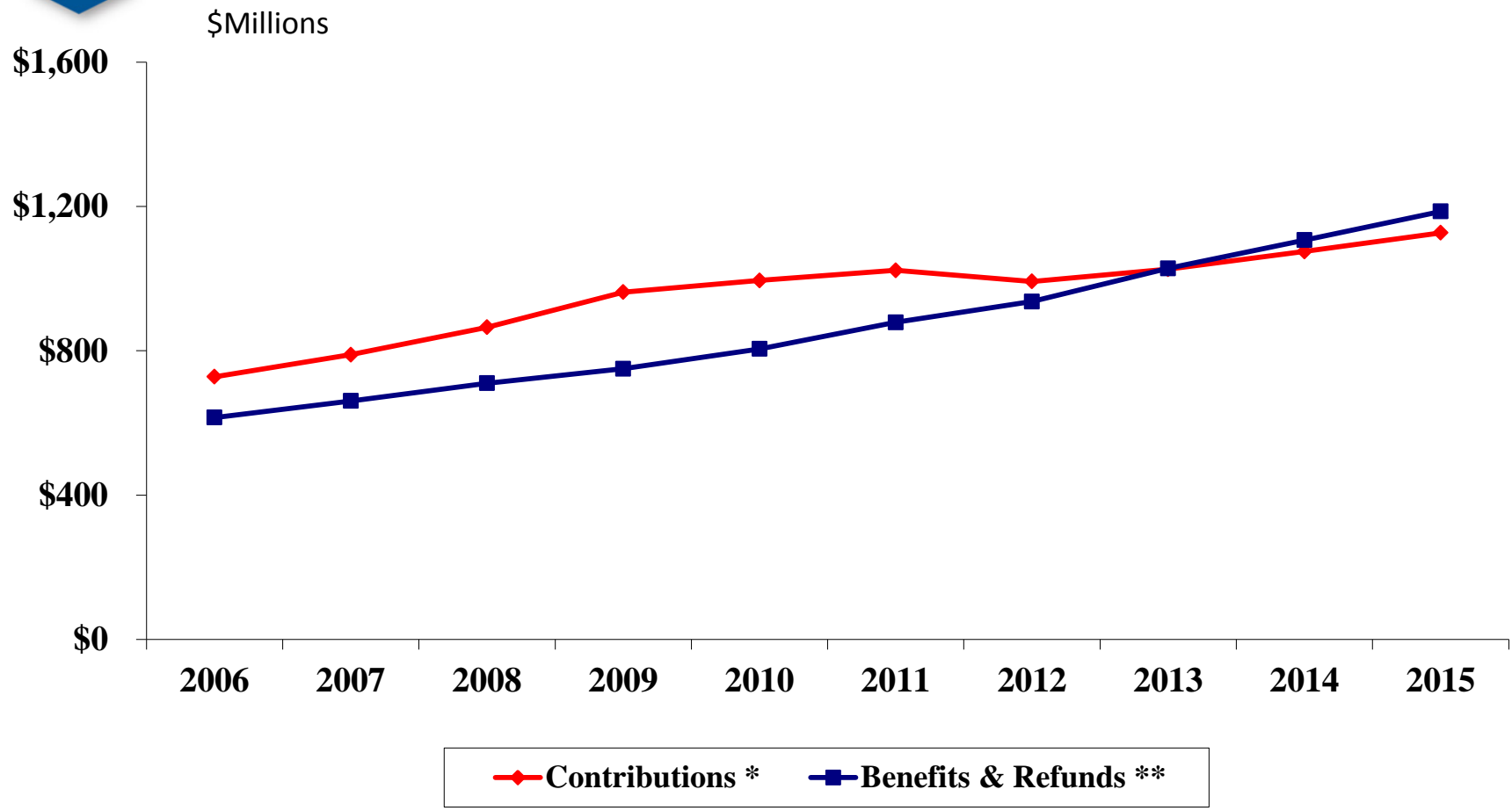


* Estimated

- AVA is currently 102.5% of MVA, was 96.6% last year
AVA was Book Value prior to 2009



Contributions vs. Benefits and Refunds



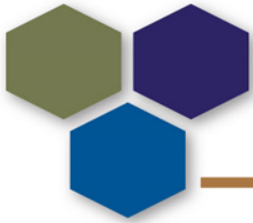
* Includes member and employer contributions

** Includes administrative and investment expenses



GRS' 2015 BAF Interest Credit Recommendation

- ◆ GRS recommends crediting the BAF with an estimated 0.06% return which represents the investment income remaining after the statutory requirements have been fulfilled, includes estimated 4th quarter real estate and private equity valuation adjustments and maintains the \$100 million Interest Reserve Account as of December 31, 2015



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