



November 18, 2021

To: Board of Trustees

From: Leslee S. Hardy, Director of Actuarial Services *Leslee S Hardy*

Re: Agenda Item 12: Discuss 2022 Supplemental Death Benefit Funding

Recent data suggests that the higher rates of mortality associated with the global pandemic may last longer than originally hoped. If this trend continues through the remainder of 2021 and into 2022, the Supplemental Death Benefits (SDB) Fund will face a risk of asset depletion. However, this does not present an immediate budgetary issue for TMRS, as funds can be transferred from the General Reserves Account to cover claims made after SDB Fund depletion.

Section 855.502(c) of the TMRS Act states: “If the balance in the supplemental death benefits fund is insufficient to pay the supplemental death benefits due, the board of trustees may direct that, to the extent available, an amount equal to the amount of the deficiency be transferred from the general reserves account of the endowment fund to the supplemental death benefits fund. The board may adjust future contributions to the supplemental death benefits fund to repay the general reserves account of the transferred amount.”

The General Reserves Account currently has a \$0 balance. However, TMRS Act Section 855.317(c) allows the Board of Trustees to transfer money from the Interest Reserve Account to the General Reserves Account after all other interest requirements have been met for the year to maintain adequate reserves against special requirements of other funds of the retirement system.

As part of the December 31, 2021 interest credit recommendation in March 2022, GRS and I will be recommending that the Board transfer money from the Interest Reserve Account into the General Reserves Account in case it is needed to cover any SDB Fund deficiencies. The recommendation will be based on updated information at that time. As noted above, any amounts that are used from the General Reserves Account can be reimbursed at the Board’s discretion by adjusting future contribution rates to the SDB Fund. The cost of any unexpected 2022 SDB claims could be wholly or partially recouped in the 2023 contribution rates.