



Example letter sent to cities that do NOT have repeating benefits but whose rates increased by more than 0.5%.

Ms. City Secretary
City of Sample
P.O. Box XXX
Sample, TX

Dear City,

This letter contains information about your city's TMRS contribution rate and some of the changes that will take place in 2008 and 2009.

Your city's rate for 2008 is **3.13%**. **The actuarial changes TMRS is implementing will not cause this rate to change in 2008.**

(Note that the rates in this letter do not include the cost of the Supplemental Death Benefit (SDB), if your city has that provision. The 2008 rate you received earlier in January includes the cost of the SDB. Your SDB contribution for 2009 should not vary much from your 2008 rate. Your actual total rate for 2009, including the cost of the SDB, will be provided in May. The rates below are estimates to be used for planning purposes only.)

Most of the changes that are being made by TMRS will have a much greater effect on cities with annually repeating benefits — either Updated Service Credits (USC) or both USC and Annuity Increases — than on those cities that do not have the repeating features. Your city does not currently have a plan provision for annually repeating benefits.

Several factors are causing a change in cities' contribution rates. These factors are explained in detail in Attachment A.

You will receive your final 2009 contribution rate in the Rate Letter package in May, but we wanted to provide an early estimate of what your rate could be in future years. As discussed in Attachment A, this estimated rate will vary somewhat from your final rate because it is based on your city's demographic and other data as of 12/31/06, but it should be reasonably close to the rate you will receive in the spring and should be useful for preliminary planning. The rate you will receive in May will be based on 12/31/07 data and will likely be different from the rate set out in this letter.

Your projected full contribution rate for 2009 is **3.64%**.

Because the actuarial changes made by TMRS have resulted in an increase in your contribution rate greater than 0.5%, your rate will be subject to two provisions that will not affect TMRS cities that experienced smaller increases. (See Attachment A for a full explanation of how the increase is calculated.)

Your plan's unfunded actuarial liabilities will be amortized over a 30-year period (unless you request to remain at a 25-year period). Under a 30-year amortization period, your estimated 2009 retirement contribution rate (full rate) will be **3.63%**.

Your full rate will be phased in over eight years and for 2009 will be approximately 1/8 of the difference resulting from the actuarial changes (phased-in rate). Cities will have eight years to reach the full rate but may contribute additional amounts up to the full rate if they choose to, or may pay the full rate beginning in 2009. To the extent a city submits contributions to TMRS that are less than the full rate, i.e., contributions based on the phase-in rate, the city will need to accrue a net pension obligation in its financial statements. See Attachment B for more information about GASB disclosures.

Your phase-in rate for 2009, under a 30-year amortization period, will be approximately **3.19%**.

The Rate Letter you receive in the spring will contain the GASB disclosure letter for your city's plan. Attachment B discusses the letter in more detail and provides suggestions for cities that are preparing their annual financial reports between now and the spring.

Attachment C contains general information on a timetable, some options for cities that are facing significant increases in contribution rates, and legislation that is likely to be proposed in 2009. Some of this information may not apply to your city but is included for your reference.

TMRS will continue to keep you informed about these important changes to our System. In the meantime, please do not hesitate to call us if we can answer questions or provide assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Henry". The signature is written in a cursive, flowing style.

Eric Henry
Executive Director