TMRS Statement on “Shortfall”  
January 29, 2008

Recent news articles about TMRS have made reference to a “shortfall.” TMRS believes this term is somewhat inaccurate and overly alarming with regard to the funding changes the System is implementing. All TMRS benefits are funded under sound actuarial principles and benefits that have been earned by our members and retirees are secure.

The $1.7 billion dollar figure that newspapers have cited is the estimated increase in 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.