Advisory Committee on Retirement Matters Meeting: Eligibility Threshold Modification

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Would have given cities the option to change the definition for future employees, other than police and fire personnel, to participate in TMRS from a position that normally requires at least 1,000 hours annually to one that would require at least 1,500 hours.

Appeared to be an irrevocable choice.
TMRS performed a survey in March 2011 on a sample of its current member cities to see how many individuals currently active in TMRS would fit this potential profile.

- Of the cities surveyed, approximately 1% of the active population works between 1,000 and 1,500 hours per year, but

- Because these members are part time employees and are typically lower paid, the long-term impact on the total liabilities and covered payroll could be closer to 0.50%
Would have had a very minor impact upon the System, as a whole

- However, the impact could be slightly more material to an individual TMRS city which chooses to prospectively replace full time employees with members in the 1,000 to 1,500 annual hour range
Due to the varied composition and size of the participating employers in TMRS, the bill would have impacted small, medium and large cities in different ways

- For example, if a small city with ten contributing members has two members impacted by the bill, then 20% of its workforce would be affected
  - The resulting decline in covered payroll and actuarial impact would likely be much more severe than that of a large city with several hundred contributing members who have 1% of its workforce affected
Impacted cities would have saved money on future decreases in normal costs (new benefit accruals), but would not realize a savings on the amortization payments of their unfunded past service liabilities and would have likely seen their required contribution rates increase in proportion to the decrease in payroll.

Since the bill applied to employees hired after the effective date, there would have been no change to current calculated contribution rates.
“Extreme” Small Example City

- 3 of 10 employees determined to work less than 1,500 hours based on reported pay
- Due to much later entry age of affected population, the long term Normal Cost rate drops by 0.2% (assuming new entrants have similar demographics)
- However, if the demographics had been reversed, you may see an increase of 0.2% in the rate (on a smaller payroll)
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