The Retirement Program of Choice for Texas Cities Since 1948

- TMRS is a statewide retirement system that cities may elect to join (872 cities as of 12/31/2016).
- TMRS has approximately 108,000 contributing members and 58,000 retired members.
- TMRS does not cover employees in Houston, Dallas, Austin, Fort Worth, Galveston, or El Paso, which have their own local plans. TMRS covers only the non-uniformed employees in San Antonio. In 39 TMRS cities, fire fighters are members of a separate local plan.
- TMRS is a “hybrid” cash-balance defined benefit retirement plan rather than a traditional, formula-based defined benefit plan.
- TMRS does not receive any state funds, does not administer a health care plan, and operates on a calendar year basis for fiscal reporting purposes.
- Benefits are based on a member’s account balance at retirement. The retirement benefit is funded through mandatory employee deposits plus interest, mandatory city matching contributions, and investment income.

Local Control

- Each city chooses from a menu of benefit options to design a retirement program that suits its needs.
- Certain benefits chosen can be prospectively modified by each city to control costs.
- Each city stands on its own by having its own actuarial assets, liabilities, and funded ratio.

Conservative Plan Features

- TMRS’ Investment Return Assumption is 6.75%*, one of the lowest among large public plans.
- Each city’s unfunded liability is amortized over a closed period of no more than 30 years.
- Each member’s benefits are advance funded over the member’s working career.
- Double-dipping is not permitted.
- Contribution “holidays” are not allowed; every city must pay the Actuarially Determined Employer Contribution (ADEC; formerly called ARC) based on benefits chosen.

* Adopted by the TMRS Board of Trustees on 7/30/2015.

Funded Status

- TMRS’ funded ratio was 85.8% as of 12/31/2015. The ratio has increased significantly over the past seven years:

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013**</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio</td>
<td>74.4%</td>
<td>75.8%</td>
<td>82.9%</td>
<td>85.1%</td>
<td>87.2%</td>
<td>84.1%</td>
<td>85.8%</td>
<td></td>
</tr>
</tbody>
</table>
| Notes | The decrease in TMRS’ funded ratio from 2012 to 2013 was primarily due to the TMRS Board adopting a change in the actuarial cost method from Projected Unit Credit to Entry Age Normal (EAN). The EAN method funds benefits evenly over a member’s career and will reduce volatility in future city contributions. The funded ratio is expected to increase in future years.

Assets

- TMRS administers a trust fund of approximately $25.1 billion‡.
Investments & Fees

■ Investment returns (Net of Fees)‡

<table>
<thead>
<tr>
<th></th>
<th>1-year return</th>
<th>3-year average</th>
<th>5-year average</th>
<th>10-year average</th>
<th>20-year average</th>
<th>30-year average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-year return</td>
<td>7.04%</td>
<td>4.29%</td>
<td>6.45%</td>
<td>5.98%</td>
<td>7.28%</td>
<td>8.17%</td>
</tr>
</tbody>
</table>

■ Investment management fees were .19% in 2016‡. Total administrative costs, including investment management fees, were .28% in 2016‡.

Benefits

■ The average “original” annual annuity received by retired TMRS members at retirement was $17,411 (this is the average of all the initial retirement annuities of retiring TMRS members from 1997 through 2015).

■ TMRS paid a total of $1.16 billion in benefits in 2016‡, up from $ 1.10 billion in 2015 and $1.0 billion in 2014.

‡ Preliminary. Final 2016 figures will be available in May 2017.

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