

The Texas Municipal Retirement System: Proven Success

Many states around the country are faced with huge deficits in public worker pension plans. That has prompted lawmakers in those states to seek large-scale reforms in their retirement systems. Over the last few years, many states have undertaken major efforts to address those deficits by converting public pensions from defined benefit to defined contribution plans, which are similar to a 401(k). As those funding crises across the country continue, the drumbeat for "reform" in Texas pensions will continue to grow louder.

In Texas, the Texas Municipal Retirement System (TMRS) is responsible for the administration of a majority of city retirement plans covering both public safety and civilian city employees. The system is made up of 849 member cities, 101,000 contributing members, and 39,000 annuitants.

TMRS has taken great strides over the last two legislative sessions to make improvements in the system that provides retirement benefits to a majority of Texas city employees. The effects of reforms passed during the last two legislative sessions continue to make TMRS more efficient. They have stabilized benefits and lowered city contribution rates, while ultimately using fewer tax dollars to fund pensions:

- In 2009, the legislature passed H.B. 360. The bill placed the system on solid footing and set it on a course to become a model across the country. H.B. 360 guaranteed an annual interest credit of at least five percent to member accounts and set the annuity purchase rate for retirees at a minimum of five percent. It also provided reasonable rate stabilization to cities.
- In 2011, the legislature passed S.B. 350. The bill restructured TMRS by combining the system's three distinct accounts into one fund (the Benefit Accumulation Fund). This restructuring has created efficiencies in the TMRS system by providing more efficient funding, reducing year-to-year volatility in city contribution rates and resulting in lower contribution rates and improved funding ratios for most cities without reducing member or retiree benefits.



There are numerous reasons why TMRS has been so successful. TMRS relies on a 19-member advisory board that includes TMRS retirees, elected officials, pension experts, as well as representatives from both labor and employer groups. This advisory group thoroughly vets all legislative proposals, while moving forward only with those that have consensus. The unified front during a legislative session provides for easy passage of the needed reforms.

Because of TMRS's efforts during the last four years, it has proven to be a well-funded model for pensions around the country. Although the drumbeat for public pension reform may persist, the legislature has no reason to target a well-run system like TMRS. ★



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