Texas Municipal Retirement System FACTS

TMRS Overview

- TMRS is a voluntary "hybrid," cash-balance retirement plan for Texas cities
- TMRS does not receive state funds and doesn't administer a health care plan
- Benefits are based on a member's account balance at the time they are eligible to retire. The benefit is funded through mandatory employee deposits, city contributions, and investment income

Membership Profile

- 849 cities have chosen to participate in TMRS
- TMRS has over 101,000 contributing members and 39,000 annuitants
- Participating cities vary in size, but the largest cities in Texas do not participate in TMRS, with the exception of San Antonio's general employees; Houston, Dallas, Ft. Worth, Austin, and El Paso administer their own plans and do not participate in TMRS

Local Control

- Each city chooses its retirement plan from a menu of benefit options
- Benefits chosen can be prospectively modified by each city to control costs
- Each city stands on its own by having its own assets, liabilities, and funded ratio

Conservative Plan Features

- Double-dipping is not permitted
- Pension "Spiking" is not an issue
- Contribution "holidays" are not allowed

Funded Status

- TMRS' funded status is well over 80% and has increased significantly over the past three years: 2011 = 85.1%; 2010 = 82.9%; 2009 = 75.8%; 2008 = 74.4%

Investments & Fees

- TMRS administers $18.5 billion in assets, as of 12/31/2011
- TMRS' Investment Return Assumption is 7%. The actual historical returns were (end of year):
  - 2.4% in 2011, 9.0% in 2010, 10.2% in 2009, and – 1.3% in 2008
  - An average of 7.2%, 5.5%. and 7.0% for the 3-, 5-, and 10-year periods ending 12/31/2011, respectively
- Investment management fees are among the lowest in the industry, just .056% in 2011

Benefits

- The average annuity received by TMRS retirees is modest.
- Of all retirements since 1997, the System-wide average was $16,306 at the time of retirement
- TMRS paid $810 million in benefits to its retirees in 2011, up from $743 million in 2010

Information about

Public Employee Retirement Systems

- All Public Employee Retirement Systems (PERS), including defined benefit plans, are not the same

- Most Texas PERS are well funded, well run, and are not in a "crisis"

- Texas has a system of Constitutional and statutory regulation in place for its PERS that ensures oversight and responsible funding

- Pension systems are regarded as "well-funded" if their funded ratio is over 80%. All four Texas statewide pension systems, including TMRS, are over 80% funded

- The Pew Center on the States rated Texas as a "Solid Performer" as to how it has managed its long-term pension liabilities (www.pewstates.org; 6/18/12)

- PERS have evolved as part of the total compensation of public employees who, on average, earn less than their peers in the private sector

- A pure defined contribution approach to retirement is less cost-effective and does not provide the same degree of individual security that a defined benefit or hybrid system provides

- Defined benefit and hybrid plans can be structured to provide secure, soundly funded, and affordable benefits and have been a part of Texas' policy for public employees since the 1930s

- Reversing current policy in response to an economic downturn may prove to be a shortsighted, unwarranted response