The Retirement Program of Choice for Texas Cities Since 1948

- TMRS is a statewide retirement system that cities may elect to join (850 cities as of 12/31/13).
- TMRS has approximately 102,000 contributing members and 43,000 annuitants.
- 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, 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 7%, 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 actuarially required contribution based on benefits chosen.

Funded Status

- TMRS’ funded ratio was 84.1% as of 12/31/2013. The ratio has increased significantly over the past six 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>
</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>
</tr>
</tbody>
</table>

* 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.

Investments & Fees

- TMRS administers $22.37 billion in assets, as of 12/31/2013
- Investment returns

Gross annual returns, as of the end of each year:

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
<td>-1.3%</td>
<td>10.2%</td>
<td>9.0%</td>
<td>2.4%</td>
<td>10.1%</td>
<td>9.86%</td>
</tr>
</tbody>
</table>

continued on back
Investments & Fees (continued)

Annual return averages for the period ending 12/31/2013:

<table>
<thead>
<tr>
<th></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>Gross</td>
<td>7.40%</td>
<td>8.29%</td>
<td>7.14%</td>
<td>7.83%</td>
<td>9.41%</td>
</tr>
<tr>
<td>Net of Fees</td>
<td>7.26%</td>
<td>8.18%</td>
<td>7.09%</td>
<td>7.80%</td>
<td>9.39%</td>
</tr>
</tbody>
</table>

- Investment management fees are among the lowest in the industry, just .071% in 2013.
- Total administrative costs, including investment management fees, were just .128% in 2013.

Benefits

- The average “original” annual annuity received by retired TMRS members at retirement was $16,484 (average of all retirements as of 12/31/2013)
- TMRS paid a total of $946.5 million in benefits in 2013, up from $865 million in 2012 and $810 million in 2011.

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