TMRS Makes Sense

• How TMRS helps members
• How TMRS helps cities
• Member Services managers
• How TMRS as a System makes sense
  • For cities
  • For the public
  • For members
How TMRS Helps Members

• Call from member – what happens?
• Call Center statistics
• Increasingly, members call for technical help – MyTMRS, etc.
• Email questions to phonecenter@tmrs.com are handled by the TMRS Travel Team
How TMRS Helps Cities

- Call from cities – what happens?
- Travel Team provides education services to members in city visits (examples Wed. evening)
- Member Services helps city personnel with monthly payroll, the City Portal, other issues and questions (examples in panel this morning, City Information Suite)
- Travel Team and City Services / Actuarial Services department help cities understand their plans and associated costs (examples Wed. evening, City Information Suite)
Member Services Managers

• Debbie Munoz, Director
• Vikki Vasquez, Retirement and Support Services Manager
• Chad Nichols, Call Center Manager
• Jennifer Andrews, Membership Manager
• Peter Jeske, Business Process Analyst
How TMRS as a System Makes “$ense”

• To Cities
• To the Public
• To Members
TMRS Makes “Dollars & Sense” — for Cities

- Plan of choice for Texas cities; voluntary statewide retirement plan
- Benefits are funded by mandatory employee deposits, city contributions, and investment income
- Operates by local control: Each participating city controls employer costs by choosing its own options
System Soundness = City Choices

**SYSTEM**

- All TMRS benefits are **fully advance-funded** over each employee’s active working career.
- TMRS’ System funded ratio is 85.8% and System-wide UAAL is $4.03 billion (as of 12/31/15).

**CITY**

- Contribution rates* vary depending on benefits (e.g., 2.31% for cities with 5% / 1:1 match with no USC/COLA, vs. 15.76% for cities with a 7% / 2:1 match and repeating USC/COLAs).
- Average contribution rate for all cities for 2017 is 13.24%.

*Average rates weighted by payroll
Each city’s plan is actuarially funded as a separate entity:

- Each city has its own assets, liabilities, and funded ratio
- TMRS determines each city’s Actuarially Determined Employer Contribution (ADEC; formerly the ARC) based on the benefit plan chosen by city
- Cities must pay the ADEC every year, or reduce benefits if the ADEC is not sustainable
- All plans are funded over a closed period of no more than 25 or 30 years
- No pension contribution “holidays”
The majority of a TMRS retiree’s benefit is funded by investment earnings on member and city contributions over the member’s career.

TMRS’ administrative costs are low — approximately 0.2%* of assets in 2015 (including investment management fees) — compared to an average of 1.00% for 401(k)s*

TMRS’ actuarial investment return assumption (net of expenses) is 6.75% — one of the lowest in the country for large public sector plans.

* Source: Center for American Progress, 2014 study.
• TMRS is a “hybrid” cash balance defined benefit retirement plan that receives no state funding

• Decisions that affect costs are made locally

• TMRS invests $23.6 billion in the capital markets (12/31/15)
  • Investments are made through a well-diversified portfolio over a long investment horizon.

• TMRS benefits provide a stable income for retirees and may reduce their need for other public services
• TMRS benefits are economically important to Texas communities.
• Most TMRS retirees live in the communities where they worked.
• TMRS paid $1.1 billion in benefits and refunds in 2014, up from $1 billion in 2013.
• A past study by economist Ray Perryman used a 2.379 multiplier to estimate the “ripple” effect of each benefit dollar, resulting in a statewide economic benefit of $2.617 billion.
Retirement is traditionally described as a “three-legged stool,” comprising:

- Retirement Program
- Social Security
- Personal Savings

401(k)s and similar DC plans were never intended to be the primary retirement vehicle

Lifetime benefits for retirees and survivors provide long-term protection
As members, city employees are rewarded by the prudent, diversified investment policies of the System (as opposed to relying on making personal investment decisions)

A pension plan provides greater stability and less vulnerability to market fluctuations

Retirement savings of TMRS members were not affected by the severe market downturn of 2008; whereas 401(k) asset values declined more than 25% on average
Texas Municipal Retirement System

2016 Annual Training Seminar
September 7-9, 2016 • Sheraton Austin at the Capitol