Funding the Benefit • 2018

TMRS provides a secure lifetime benefit for our retirees and beneficiaries and we will continue to provide that benefit for our active members when they retire. We ensure that every benefit dollar is fully funded.

Our actuarial funding policy serves as a roadmap to achieve the long-term financing of our members lifetime benefits. The policy determines how contributions will be made to fully fund future benefits at TMRS.

We have a hybrid cash-balance plan that follows a basic equation in which benefits are funded in advance over an employee’s working career. The benefit amount reflects the plan options chosen by each city’s governing body in alignment with their local needs and budgets. The benefit is advance funded in three ways — employee deposits plus interest, employer contributions, and investment earnings over the course of their career.

Employees deposit 5, 6, or 7 percent of their pay into an account each month. That account balance grows at a rate of five percent compound interest each year. Full employer contributions are required by state law and vary by city. They are calculated annually following a system-wide valuation.

The city’s contribution rate, also known as the actuarially determined employee contribution, is adjusted based on each city’s plan experience during the past year. This may include changes in the number of retirements, salary increases, and other factors.

In addition to the annual review, actuarial assumptions such as life expectancy, return on investments, and others are reviewed at least every four years to account for changes in actual plan experience. Employers can control their contribution rate by making annual changes to their benefit options. A closed amortization schedule over a maximum of 25 years further ensures all unfunded liabilities are fully paid before a member retires.

Investment returns fund the majority of the future benefit. We have a diversified portfolio managed by a large body of experts including professional investors and staff, consultants, asset class managers, and risk managers. Our 20-year average annual return exceeds our conservative assumed rate of 6.75%, one of the lowest assumptions among large public plans.

With our funding policy as a roadmap to success each of our members are guaranteed to reach their destination. A secure lifetime benefit.