Key Facts About TMRS

- TMRS is a statewide retirement system that cities may elect to join (883 cities as of 12/31/17).
- TMRS has approximately 110,200 contributing members and over 62,700 annuitants.
- TMRS is a “hybrid” cash-balance defined benefit retirement plan rather than a traditional, formula-based defined benefit plan.
- Each city stands on its own by having its own actuarial assets, liabilities, and funded ratio.

Benefits

- Benefits are based on a member’s account balance at retirement. The retirement benefit is funded through employee deposits, city matching contributions, and investment income.
- Each city chooses from a menu of benefit options to design a retirement program that suits its needs (see pages 2 and 3).

Economic Impact

- TMRS paid a total of $1.25 billion in benefits in 2017, up from $1.16 billion in 2016, and $1.1 billion in 2015.
- Most TMRS annuities are spent by retirees in the community where they worked, benefiting the local and state economy.

Sound Funding

- TMRS’ Investment Return Assumption is 6.75%, 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.
- TMRS’ funded ratio was 87.4% as of 12/31/2017.

Source: 2017 TMRS Comprehensive Annual Financial Report (CAFR)
City Plan Changes Table

By law, each city that decides to join TMRS must adopt the basic plan features designed for all cities (see box at right). The options that individual cities may choose to add, modify, or discontinue are shown in this table. Changes may be made by ordinance at any time, but are effective on the dates shown.

### Basic Plan Options for New Cities
- Employee contribution rate (5%, 6%, or 7%)
- City matching ratio (1 to 1, 1½ to 1, 2 to 1)
- 5-year vesting
- Retirement Eligibility (5 years of service and age 60, or 20 years of service at any age)

### When do changes take effect?**
- First day of month selected installs quality, competitive retirement plan for members.
- First day of month selected reduces benefit for employees.
- January 1 of the calendar year after adoption
- First day of month after adoption allows for earlier retirement; city can’t go back to 25-year retirement once change is made.

<table>
<thead>
<tr>
<th>Action / Plan Option</th>
<th>How are plan options added or changed?</th>
<th>Outcome of changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Join TMRS</td>
<td>City Council, by ordinance</td>
<td>Installs quality, competitive retirement plan for members.</td>
</tr>
<tr>
<td>Increase employee contribution rate (up to 7%)</td>
<td>City Council, by ordinance; employee consent required</td>
<td>Reduces benefit for employees.</td>
</tr>
<tr>
<td>Reduce employee contribution rate</td>
<td>To reduce rate takes a 2/3 vote of employees, then Council must adopt by ordinance.</td>
<td>By law, cities must match at least 1 to 1.</td>
</tr>
<tr>
<td>Change city matching ratio (either Increase or Reduce)</td>
<td>City Council, by ordinance; employee consent required</td>
<td>Recalculating benefits for employees.</td>
</tr>
<tr>
<td>Reduce vesting requirement (from 10 years to 5)</td>
<td>City Council, by ordinance; employee consent required</td>
<td>Reduces benefit for employees.</td>
</tr>
<tr>
<td>Reduce retirement age/service requirement to 20-year, any age</td>
<td>City Council, by ordinance (after public hearing); employee consent required</td>
<td>Reduces benefit for employees.</td>
</tr>
<tr>
<td>Adopt USC (50%, 75%, or 100% of USC calculation)</td>
<td>City Council, by ordinance; USC can be adopted on its own or with COLAs; USC can be adopted ad hoc or annually repeating</td>
<td>Recalculation based on employee’s most recent average compensation can mean a better benefit for retirees and increases costs for employer city.</td>
</tr>
<tr>
<td>Reduce USC percentage (reduction options are 50% or 75% of USC calculation)</td>
<td>City Council, by ordinance</td>
<td>If employee is eligible for USC, new amounts will be smaller, previously granted USC remains and continues to earn 5% interest.</td>
</tr>
<tr>
<td>Recind repeating USC</td>
<td>City Council, by ordinance</td>
<td>Benefits no longer recalculated for compensation or plan changes.</td>
</tr>
<tr>
<td>Adopt or rescind transfer USC</td>
<td>City Council, by ordinance</td>
<td>Adoption potentially increases costs for employer city because it allows USC calculating factors to be transferred from another city. Conversely, rescinding potentially reduces costs and benefits.</td>
</tr>
<tr>
<td>Adopt COLAs (Annuity Increases) (30%, 50%, or 70% of CPI)</td>
<td>City Council, by ordinance. If this option is chosen, it must be adopted in tandem with USC or repeating USC. COLAs can be adopted ad hoc or annually repeating</td>
<td>Helps protect retiree benefits from inflation, but increases costs for employer city.</td>
</tr>
<tr>
<td>Reduce COLA percentage (reduction options are 30% or 50% of CPI)</td>
<td>City Council, by ordinance</td>
<td>Retirees previously receiving larger COLA (Annuity Increase) percentage may not see a COLA for one or more years.</td>
</tr>
<tr>
<td>Recind annually repeating COLAs (Annuity Increases)</td>
<td>City Council, by ordinance. Must be dropped if annually repeating USC is dropped</td>
<td>Future increases will only occur when city readopts the COLA. Retiree benefits are not adjusted annually.</td>
</tr>
<tr>
<td>Adopt or rescind Supplemental Death Benefit (for active members or for active and retired members)</td>
<td>City Council, by ordinance</td>
<td>Rescinding it reduces cost to city and eliminates a benefit. Adding it will increase costs.</td>
</tr>
<tr>
<td>Military Service Credit</td>
<td>City Council, by ordinance</td>
<td>Applying this credit does not increase the benefit, but may add service credit toward retirement eligibility for some members.</td>
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<tr>
<td>Restricted Prior Service Credit (also Probationary Prior Service)</td>
<td>City Council, by ordinance</td>
<td>Allows eligible employees who have previous public service, including active military, to receive time credit. Applying this credit to members’ accounts does not increase the amount of their benefit but may add actuarial cost.</td>
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<tr>
<td>Buyback of refunded TMRS service</td>
<td>City Council, by ordinance. Employee must have previously refunded TMRS service, be on the payroll at time of adoption, and have 24 consecutive months of deposits with the adopting city</td>
<td>No up-front cost for adoption of buyback. TMRS will estimate costs that accrue if some or all employees purchase their refunded service. Employee repays refunded amount plus reinstatement fees.</td>
</tr>
<tr>
<td>Stop enrolling new employees*</td>
<td>City Council, by ordinance</td>
<td>City still must fund retirements of employees enrolled prior to adoption.</td>
</tr>
</tbody>
</table>

* Once a city has joined TMRS, it must continue to provide TMRS benefits for all eligible employees. By law, it is a city’s choice to participate in TMRS; it must maintain the retirement accounts of the employees who have already joined the system. It must continue to fund existing pension benefits, and it must match at its established rate when its current employees retire.

** The effective dates shown in this column apply after the city has adopted the respective ordinance and the ordinance has become effective to TMRS.
Investments & Fees

- TMRS administers $28.7 billion in assets as of 12/31/2017.
- Annual investment returns, as of 12/31 of each year:

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<td></td>
<td>10.2%</td>
<td>9.0%</td>
<td>2.4%</td>
<td>10.1%</td>
<td>9.86%</td>
<td>5.99%</td>
<td>0.34%</td>
<td>7.04%</td>
<td>13.78%</td>
</tr>
</tbody>
</table>

- Investment management fees were .30% of net position in 2017. Total administrative costs, including investment management fees, were .37% in 2017.

Quarterly asset and performance information and the Investment Policy Statement are posted on the Investment page of the TMRS website.

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Information is available on the TMRS website under Eye on GASB. Specific questions may be emailed to pensionaccounting@tmrs.com.