Key Facts About TMRS

- TMRS is a statewide retirement system that cities may elect to join (887 cities as of 12/31/18).
- TMRS has over 111,800 contributing members and over 66,000 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 $1.4 billion in benefits in 2018, up from $1.3 billion in 2017, and $1.16 billion in 2016.
- 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 87.1% as of 12/31/2018.

Source: 2018 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.

<table>
<thead>
<tr>
<th>Action / Plan Option</th>
<th>How are plan options added or changed?</th>
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</thead>
<tbody>
<tr>
<td>Join TMRS</td>
<td>City Council, by ordinance</td>
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<tr>
<td>Increase employee contribution rate (up to 7%)</td>
<td>City Council, by ordinance; no employee consent required</td>
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<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>
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<tr>
<td>Change city matching ratio (either Increase or Reduce)</td>
<td>City Council, by ordinance; no employee consent required</td>
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<tr>
<td>Reduce vesting requirement (from 10 years to 5)</td>
<td>City Council, by ordinance; no employee consent required</td>
</tr>
<tr>
<td>Reduce retirement age/service requirement to 20-year, any age</td>
<td>City Council, by ordinance (after public hearing); no employee consent required</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>
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<tr>
<td>Reduce USC percentage (reduction options are 50% or 75% of USC calculation)</td>
<td>City Council, by ordinance</td>
</tr>
<tr>
<td>Rescind repeating USC</td>
<td>City Council, by ordinance</td>
</tr>
<tr>
<td>Adopt or rescind transfer USC</td>
<td>City Council, by ordinance</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>
</tr>
<tr>
<td>Reduce COLA percentage (reduction options are 30% or 50% of CPI)</td>
<td>City Council, by ordinance</td>
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<tr>
<td>Rescind annually repeating COLAs (Annuity Increases)</td>
<td>City Council, by ordinance. Must be dropped if annually repeating USC is dropped</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>
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<tr>
<td>Military Service Credit</td>
<td>City Council, by ordinance</td>
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<tr>
<td>Restricted Prior Service Credit (also Probationary Prior Service)</td>
<td>City Council, by ordinance</td>
</tr>
<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>
</tr>
<tr>
<td>Stop enrolling new employees*</td>
<td>City Council, by ordinance</td>
</tr>
</tbody>
</table>

*Once a city has joined TMRS, it must continue to provide TMRS benefits for all eligible employees. By law, if a city stops active participation 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.

### Basic Plan Options for New Cities

- Employee contribution rate (5%, 6%, or 7%)
- City matching ratio (0% to 1%, 1% to 2%, 2% to 3%)
- 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
- January 1 of the year after adoption

### Outcome of changes

- Installs quality, competitive retirement plan for members.
- Reveals benefit for employees.
- Allows for earlier retirement, city can’t go back to 25-year retirement once change is made.
- By law, cities must match at least 1 to 1.
- Reduces benefit to city.
- If employee is eligible for USC, new amounts will be smaller; previously granted USC remains and continues to earn 5% interest.
- Benefits no longer recalculated for compensation or plan changes.
- Recalculation based on employee’s most recent average compensation can mean a better benefit for retirees and increases costs for employer city.
- If employee is eligible for USC, new amounts will be smaller; previously granted USC remains and continues to earn 5% interest.
- 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.
- Helps protect retiree benefits from inflation, but increases costs for employer city.
- Retirees previously receiving larger COLA (Annuity Increase) percentage may not see a COLA for one or more years.
- Future increases will only occur when city readopts the COLA. Retiree benefits are not adjusted annually.
- Recinding it reduces cost to city and eliminates a benefit. Adding it will increase costs.
- Applying this credit does not increase the benefit, but may add service credit toward retirement eligibility for some members.
- 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 can add actuarial cost.
- 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.
- City still must fund retirees of employees enrolled prior to adoption.

### Notes

- The effective dates shown in this column apply after the city has adopted the respective ordinance and the ordinance has been given to TMRS.
**Investment Returns**

- TMRS administers $28.0 billion in assets as of 12/31/2018.
- Annual investment returns, as of 12/31 of each year:

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<tbody>
<tr>
<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>
<td>-2.11%</td>
</tr>
</tbody>
</table>

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

**Resources for Cities**

**City Portal** • www.tmrs.com/CityPortal/Logon • TMRS SOC-1 Audit Reports and your city’s census data

**My City Plan** • www.tmrs.com/my_city_plan.php • type your city’s name to see a “Snapshot” of benefits

**City Plan Provisions** • www.tmrs.com/city_plans.php • searchable by city name or city region

**City Rate Letters** • www.tmrs.com/city_rate_letters.php • choose your city’s name in the dropdown menu

**Guides, Flyers, Publications, and Actuarial Valuations** • www.tmrs.com/pubs_cities.php

**E-Bulletin for Cities** • www.tmrs.com/e_bullets.php

**How to Contact TMRS**

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**GASB 68 and 75**

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