



# **An Update on the Texas Municipal Retirement System (TMRS)**

**City of Plano  
March 28, 2011**

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# PLANO'S TMRS PLAN

## My City Plan as of March 2011

### City name and number

Plano (01010) since 08-1952

### Employee's deposit rate

7% (01-1994)

### City's matching ratio

200% (01-1973)

### Vesting requirement

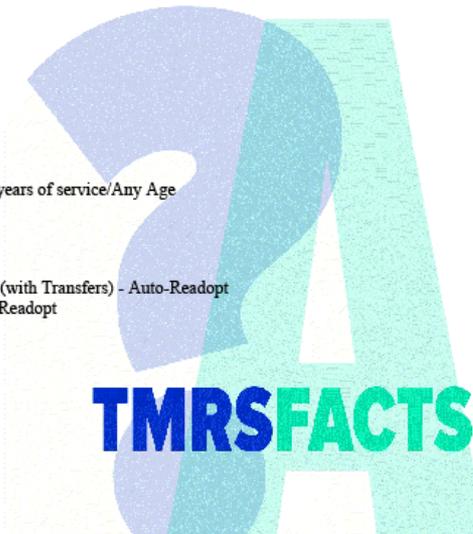
5 years of service

### Retirement eligibility

5 years of service/Age 60; 20 years of service/Any Age

### Additional provisions

100% Updated Service Credit (with Transfers) - Auto-Readopt  
70% Annuity Increase - Auto-Readopt  
Military Service Credit  
Restricted Service Credit  
Probationary Service Credit  
Buyback (12-1993)



### Texas Municipal Retirement System

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# INTEREST ALLOCATION IN 2011

- 2010 year-end return was 9.1%
- Members' accounts were credited with 5%
- In line with Board policy, cities' accounts were credited with 7.5%
  - Current reserve guideline is 20% of total assets (guideline will decrease if Fund Restructuring passes)
  - Current reserve = 7%



# CURRENT ISSUES

- Increased scrutiny on public retirement systems
- Economic downturn causing tight budgets for employers
- Ongoing need to make funding as efficient as possible



# 82<sup>nd</sup> LEGISLATURE

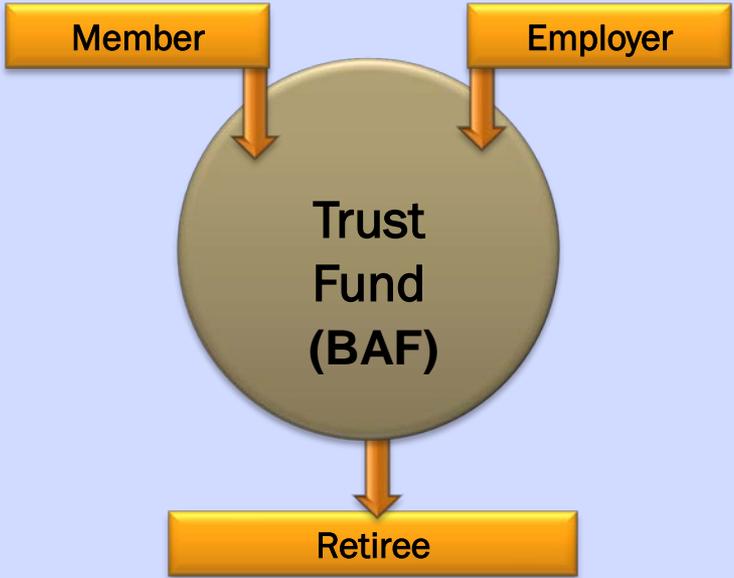
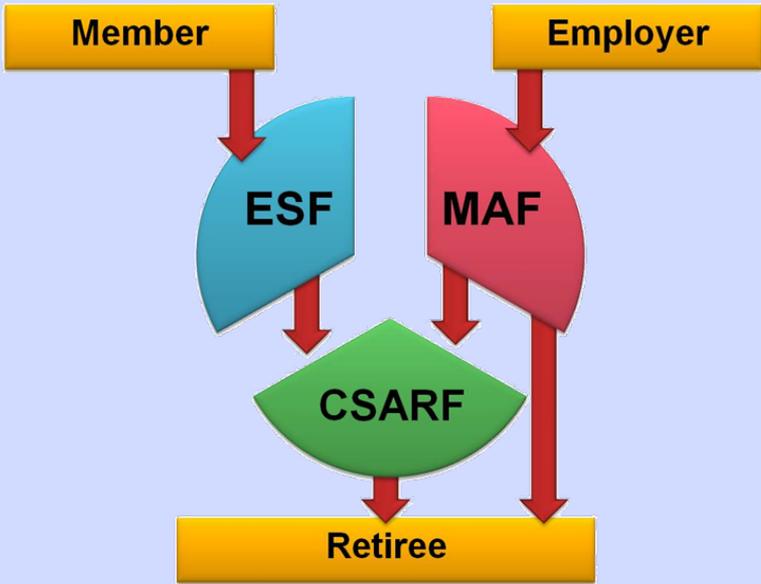
- TMRS Board approved recommendation for fund restructuring – neutral on other proposals and bills that have been filed
- This TMRS legislation was filed as HB 997 by Rep. Truitt and as SB 350 by Sen. Williams



# HB 997 / SB 350

- Restructure TMRS internal accounts – Municipality Accumulation Fund (MAF), Employee Savings Fund (ESF), and Current Service Annuity Reserve Fund (CSARF) – into a single fund
- This single fund, the Benefit Accumulation Fund (BAF), is typical of other retirement systems
- **Current Status of Legislation**: SB 350 was passed unanimously by the Senate and has been received by the House

# CURRENT AND PROPOSED STRUCTURES



# WHY RESTRUCTURE?

- Protects the MAF from downside risk
- Eliminates “leverage”
- Volatility is reduced to the level of a typical pension fund
  - Potential contribution rate reduction is an additional benefit
  - Small cities will be subject to conservative assumptions to ensure full funding

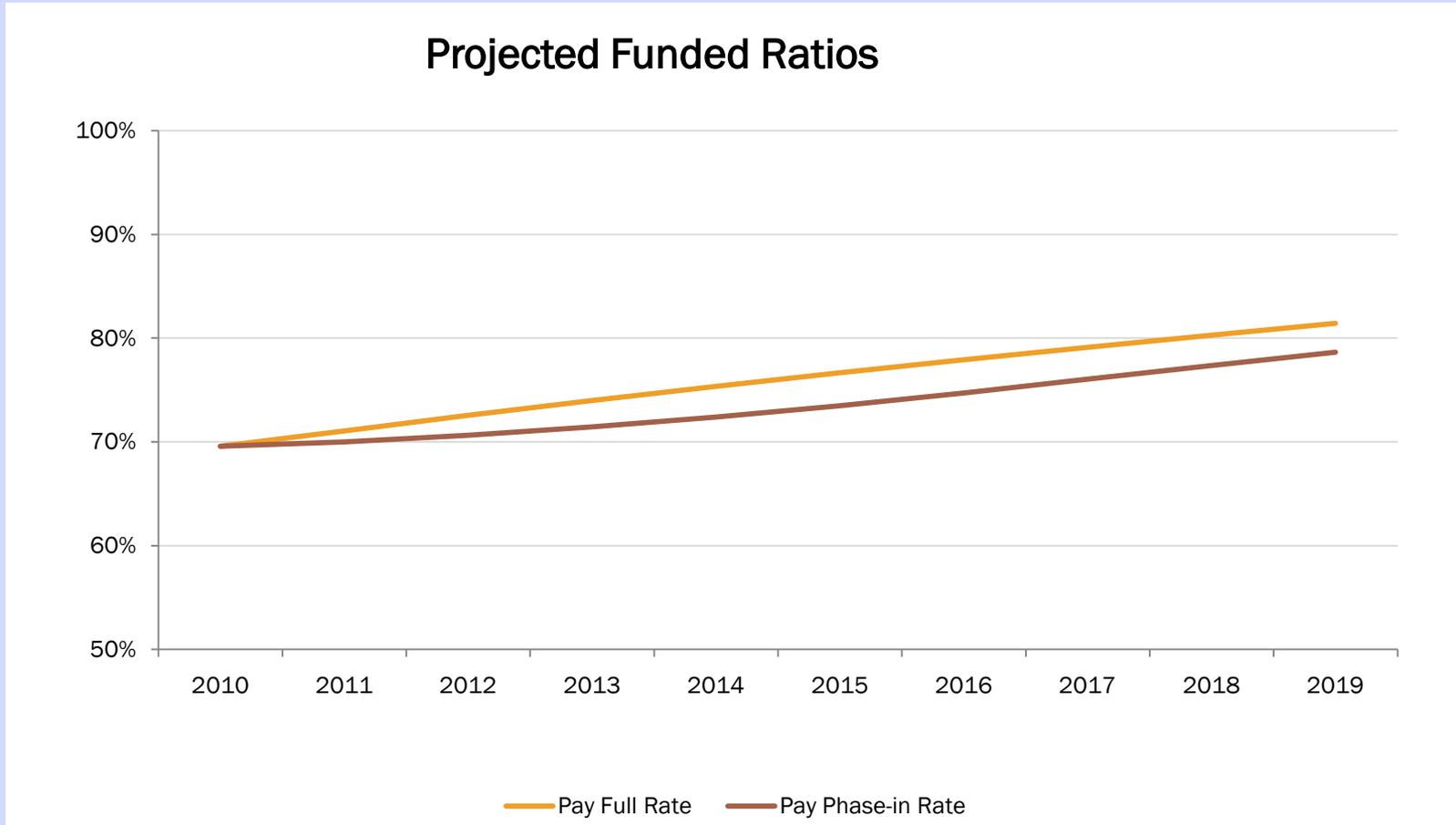
# ESTIMATED POTENTIAL IMPACT ON PLANO

\*Estimates based on the 2009 valuation

- If legislation passes:
  - The city's TMRS full contribution rate would see a decrease of approximately 1.9% to 2.65%
  - The city's funding ratio would increase from 69% to an estimated 80%
  - The city's unfunded actuarial accrued liability (UAAL) would decrease by approximately \$50 million

# PLANO – LOOKING FORWARD

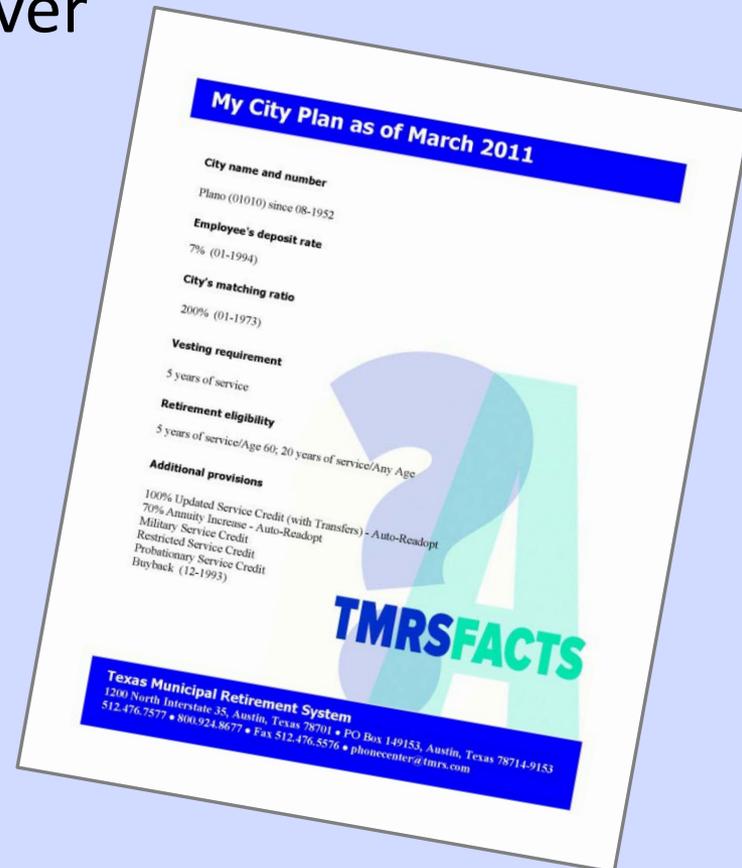
- Funded ratio level is not as important as an increasing trend in ratio



# PLANO– LOOKING FORWARD

## TMRS Plan is soundly financed

- UAAL is systematically funded over an appropriate schedule
  - Level percentage of payroll allows for intergenerational equity to taxpayers
- “Unfunded” is not the same as “Underfunded”
- Plano does not underfund its plan



**QUESTIONS?**