

An Update on the  
Texas Municipal Retirement System  
for

**City of Corpus Christi**  
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# TMRS History & Membership\*

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- 872 cities participate in TMRS (not Houston, Dallas, Ft. Worth, Austin, El Paso, or Galveston).
- TMRS has approximately 107,000 active member accounts and 56,500 annuitants.
- Governed by 6-member Board appointed by Governor with Senate approval.
- Participating cities vary in size from over 6,000 employees (San Antonio non-uniformed employees) to just 1 employee (15 TMRS cities).

# TMRS Funding Basics

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- TMRS is a “hybrid” **cash-balance defined benefit plan** with statutory regulations in place that ensure oversight and responsible funding.
- TMRS has a **strong funding policy** and a healthy funded ratio around 86% with approximately \$26 billion in assets.\*
- TMRS’ investment return assumption is **6.75%**, one of the lowest among large public plans.
- Several changes have been made since 2007 to ensure **long-term, advance funding** of all benefits; except Ad Hoc adoptions of Updated Service Credit and COLAs.
- All changes have also helped **reduce volatility** of city contributions from year-to-year.

# TMRS Makes Dollars & Sense to Cities

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- Each city is funded as separate entity; assets are pooled for investment purposes
- Each city has its own assets and liabilities and Funded Ratio
- TMRS increases a city's competitive edge in hiring
- TMRS benefits are effectively portable across participating cities to help attract experienced employees
- 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

# TMRS Makes Dollars & Sense for the Public

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- 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 **0.24%\*** 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

# TMRS Sound Investment Funding

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- TMRS invests **\$26 billion** in the capital markets
- The TMRS **Investment Policy** is posted on the TMRS website.
  - 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' Sound Investment Funding

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- 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

# TMRS Economic Impact

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- TMRS benefits are economically important to Texas communities
- Most TMRS retirees live in the communities where they worked
- TMRS paid \$1.2 billion in benefits and refunds in 2015, up from \$1.1 billion in 2014
- 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.



# TMRS' Actuarial Funding

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- A sound funding policy is the key to ensuring sustainable and secure retirement benefits over all generations of workers.
- The city's employer contribution determined annually under this funding policy is called the Actuarially Determined Employer Contribution (ADEC) and serves as the basis for determining the Full Retirement Rate contribution under TMRS.
- Three keys to a strong funding policy:
  - Actuarial cost method
  - Asset smoothing method
  - Amortization policy
- The TMRS [Actuarial Funding Policy](#) is posted on the TMRS website.

# TMRS Benefits

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- 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

# Corpus Christi Benefits

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- 6% Employee Contribution
- 2 to 1 match from city
- 5 year vesting – survivor benefits
- Retirement at 20 years of service or age 60 with 5 years service
- Restricted Prior Service Credit
- Military Service Credit
- Updated Service Credits – 100%, ad hoc
- COLA – 70% CPI, ad hoc

# Corpus Christi Actuarial Status

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As of 12/31/2015

Actuarial Value of Assets	\$635,326,206
Unfunded Actuarial Accrued Liability	\$71,142,666
Funded Ratio	89.9%
Equivalent Single Amortization Period	12.6 years

# Contribution Rates for Corpus Christi\*

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2011	14.24%
2012	10.33%
2013	10.83%
2014	11.00%
2015	10.54%
2016	9.98%
2017	11.04%

# QUESTIONS?

