



CITY OF CORPUS CHRISTI COUNCIL BRIEFING

APRIL 9, 2019

An Update on the Texas Municipal Retirement System

Presented by

Anthony Mills, Senior Regional Manager - City Services

TMRS History & Membership*

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- ▶ **887 cities participate in TMRS (not Houston, Dallas, Fort Worth, Austin, El Paso, or Galveston).**
- ▶ **TMRS has approximately 111,000 contributing members and 62,700 retirees and beneficiaries.**
- ▶ **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 (12 TMRS cities).**

*As of 12/31/17, TMRS CAFR

Corpus Christi and TMRS

- ▶ **TMRS trust fund value (BAF) as of December 31, 2017 was \$28.3B. Corpus Christi BAF was \$719.8M (2.54%).**
- ▶ **TMRS total employer contributions in 2017 were \$836.0M. Corpus Christi's 2017 employer contribution was \$25.5M (3.04%).**
- ▶ **TMRS credited 13.05% to city accounts, totaling \$3.3B. Corpus Christi received a proportionate share of the total interest credit: \$84.3M (2.57%).**

*As of 12/31/17, TMRS Valuation Report

Corpus Christi's TMRS Plan

- **Joined TMRS in January 1950**
- **Employee deposit rate 7% (01-2019)**
- **City's matching ratio 200% (01-1973)**
- **Vesting requirement 5 years**
- **Retirement eligibility 5 years age 60; 20 years any age**
- **100% Updated Service Credit-Auto-readopt**
- **70% Annuity Increase-Auto-readopt**
- **Military Service Credit**
- **Restricted Prior Service Credit**

My City Plan as of March 2019

City name and number

Corpus Christi (00302) since 01-1950

Employee's deposit rate

7% (01-2019)

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

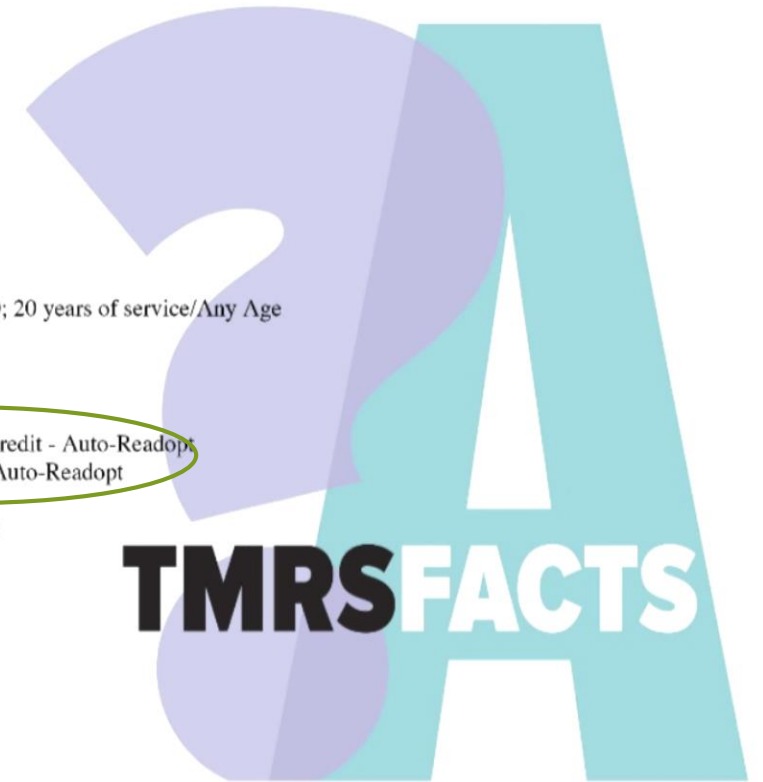
Additional provisions

100% Updated Service Credit - Auto-Readopt

70% Annuity Increase - Auto-Readopt

Military Service Credit

Restricted Service Credit



Texas Municipal Retirement System

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Corpus Christi's Plan Changes



Plan Change Study

GRID 2019

For Informational Purposes Only

Effective Date - January 1, 2019

Report Date - April 3, 2019

00302 Corpus Christi

Proposed Plans

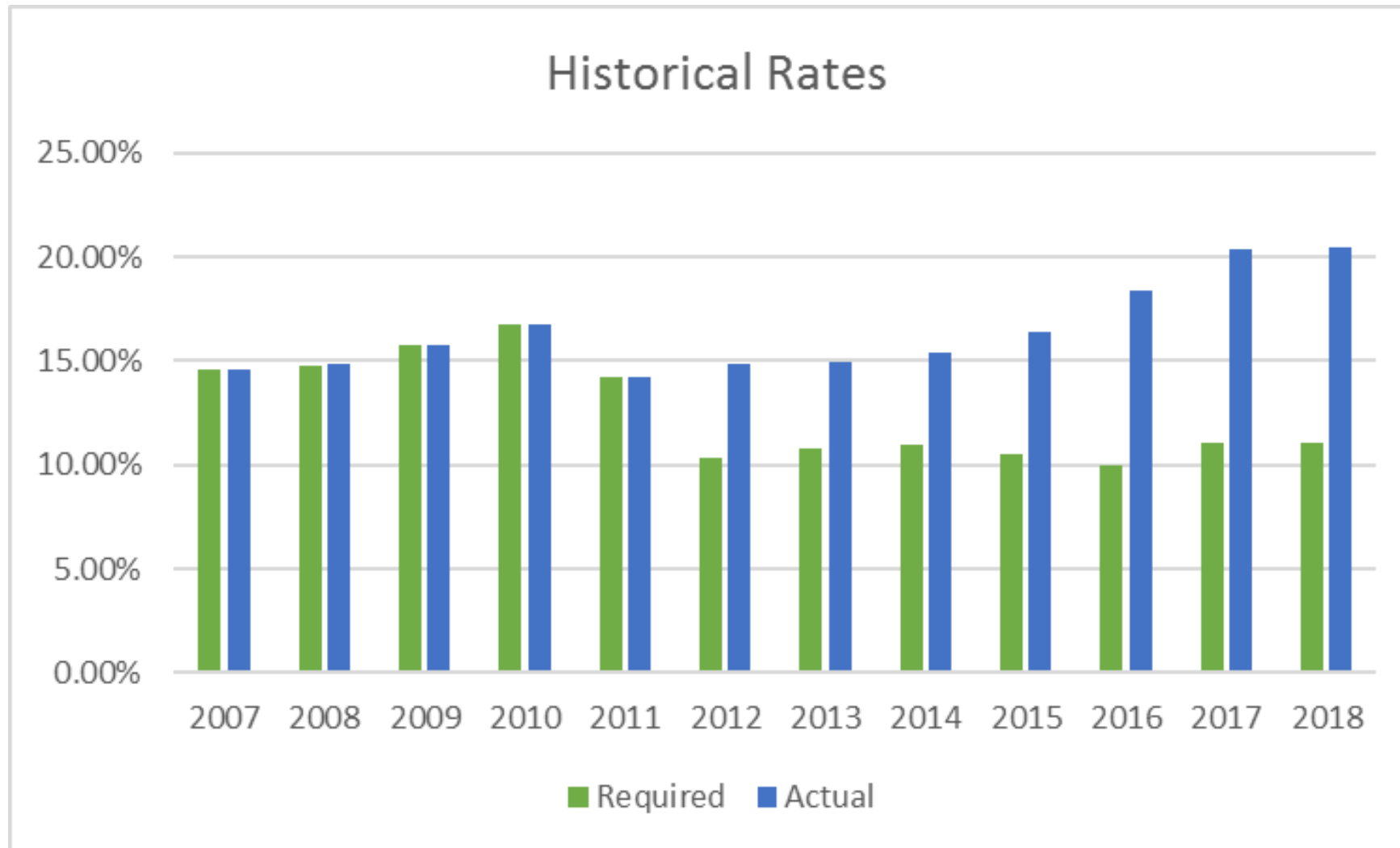
Plan Provisions

Deposit Rate	←
Matching Ratio	
Updated Service Credit	←
Transfer USC **	
Annuity Increase	←
20 Year/Any Age Ret.	
Vesting	

	<u>Current</u>	<u>1</u>	<u>2</u>	
Deposit Rate	6.00%	6.00%	7.00%	
Matching Ratio	2 to 1	2 to 1	2 to 1	
Updated Service Credit	0%	100% (Repeating)	100% (Repeating)	
Transfer USC **	No	No	No	
Annuity Increase	0%	70% (Repeating)	70% (Repeating)	
20 Year/Any Age Ret.	Yes	Yes	Yes	
Vesting	5 years	5 years	5 years	
Contribution Rates	<u>2019</u>	<u>2019</u>	<u>2019</u>	
Normal Cost Rate	4.69%	8.30%	9.68%	
Prior Service Rate	4.88%	12.36%	14.93%	
Retirement Rate	9.57%	20.66%	24.61%	←
Supplemental Death Rate	<u>0.00%</u> (None)	<u>0.00%</u> (None)	<u>0.00%</u> (None)	
Total Rate	9.57%	20.66%	24.61%	
Unfunded Actuarial Liability	\$56,969,493	\$204,846,288	\$255,572,644	←
Amortization Period	25 years	25 years	25 years	
Funded Ratio	92.5%	77.3%	73.2%	←
Phase-In Total Rate	N/A	N/A	N/A	

Corpus Christi's Recent Rate History

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Ad Hoc Adoptions* Affect City's Liability

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- ▶ Had Corpus Christi continued to regularly adopt ad hoc benefits, the Net Pension Liability (NPL) reflected in the city's financial statements would have continued to be significantly larger than the Unfunded Actuarial Accrued Liability (UAAL) reflected in the funding valuation.
- ▶ GASB requires frequent ad hoc benefits (COLAs and USC in TMRS) to be valued as “substantively automatic,” or repeating, in calculating the TPL/NPL.
- ▶ TMRS' default criteria for determining “substantively automatic” patterns of ad hoc benefit adoptions are:
 - ▶ An ad hoc adoption on or after January 1, 2015, is valued as “substantively automatic” in calculating the reported pension liability if: (1) it has been granted in one of the most recent two years, AND (2) it has been granted in two of the most recent five years.

*Corpus Christi adopted ad hoc benefits from 2011 to 2018

Ad Hoc Benefit Adoptions

Yearly ad hoc adoptions, when compared to advance funding of repeating benefits, lead to substantially higher rates and a lower funded ratio in the long term.

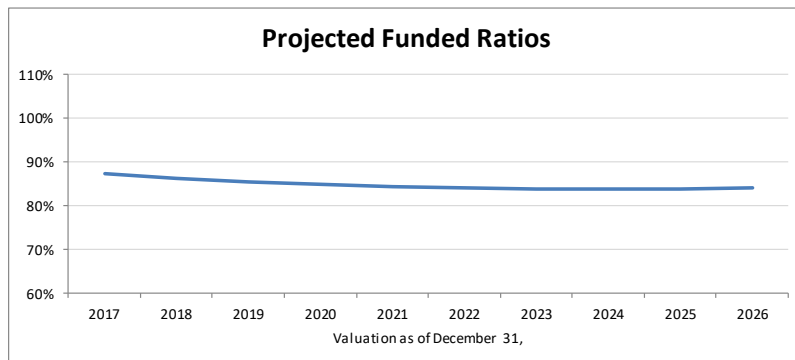
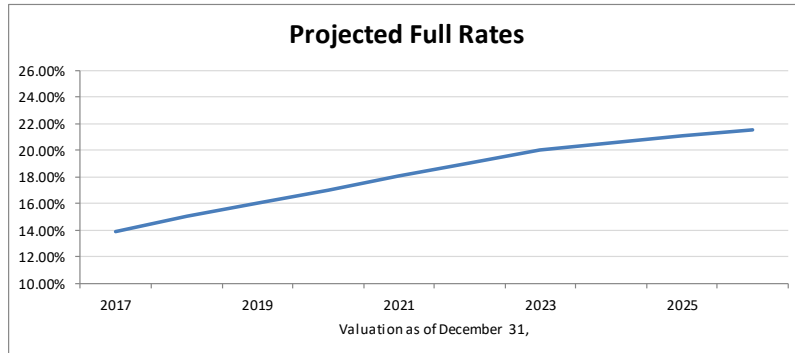
Repeating versus Ad hoc Adoptions

Ad hoc projections

Repeating projections

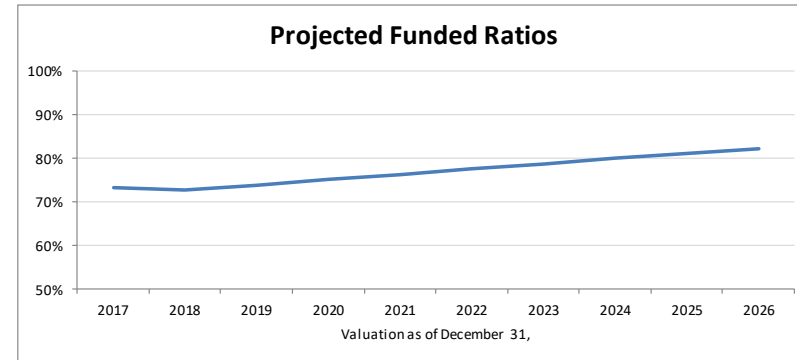
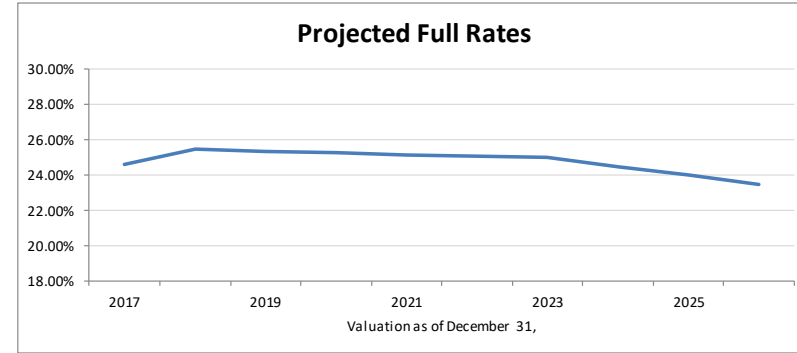
Projection of Valuation Results - Pension Only			
Summary of Proposed Benefit Provisions			
Employee Contribution Rate	7.00%	USC	Yearly 100% Ad Hocs without Transfer
Employer Match Rate	2 - 1	COLA	Yearly 70% Ad Hocs
Vesting	5 years	Retirement Eligibility	Age 60 with 5 years of service or 20 years of service

Calendar Year	Projection Results							
	2018	2019	2020	2021	2022	2023	2024	2025
Full Rate	11.10%	13.88%	15.01%	16.03%	17.04%	18.05%	19.04%	20.01%
Estimated Contribution	14,410,837	18,434,499	20,393,802	22,280,589	24,229,160	26,255,580	28,332,636	30,460,902
Funded Ratio	87.3%	86.1%	85.4%	84.8%	84.3%	84.0%	83.8%	83.7%



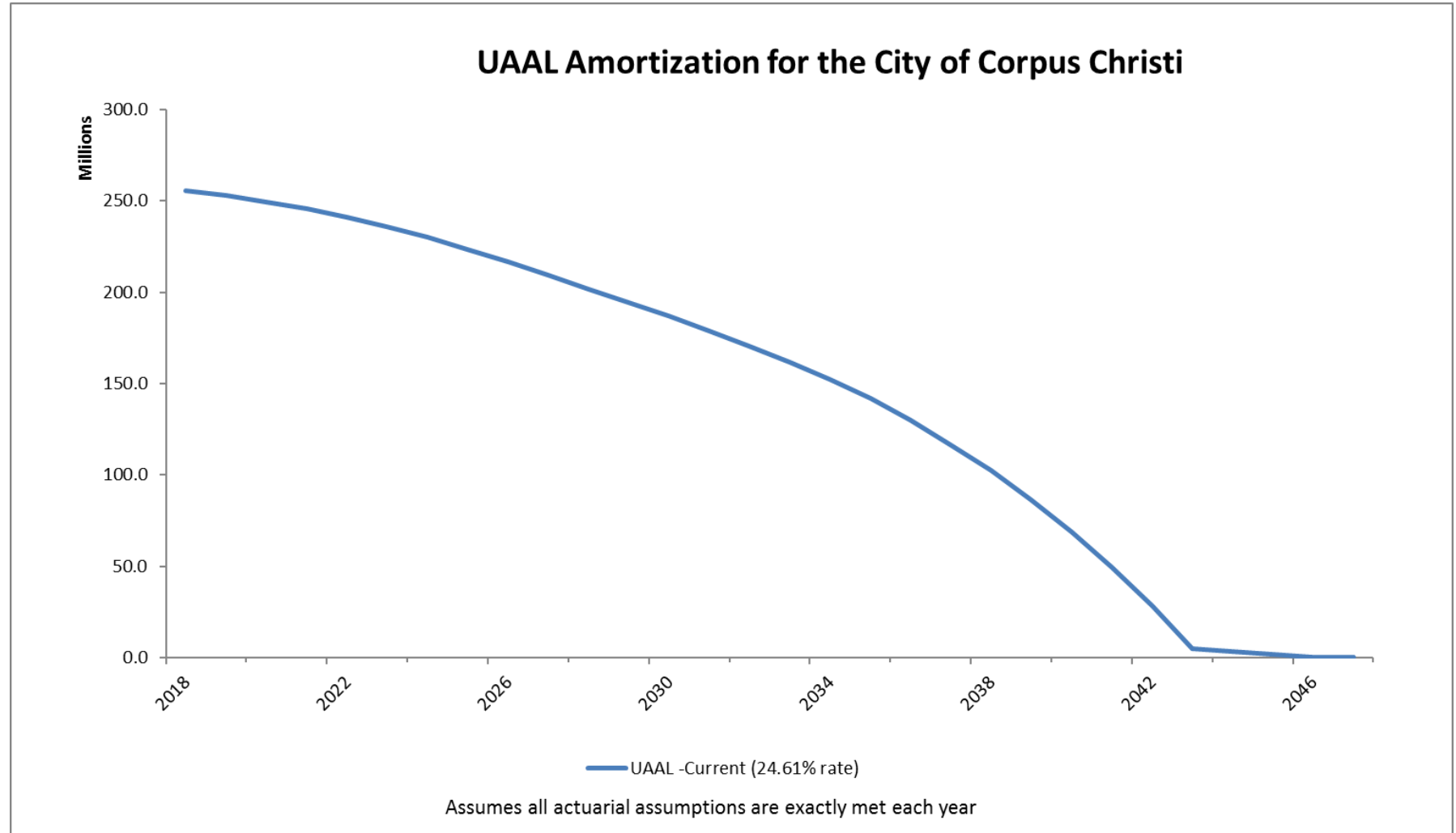
Projection of Valuation Results - Pension Only			
Summary of Proposed Benefit Provisions			
Employee Contribution Rate	7.00%	USC	100% Recurring without Transfer
Employer Match Rate	2 - 1	COLA	70% Recurring
Vesting	5 years	Retirement Eligibility	Age 60 with 5 years of service or 20 years of service

Calendar Year	Projection Results							
	2018	2019	2020	2021	2022	2023	2024	2025
Full Rate	11.10%	24.61%	25.42%	25.31%	25.22%	25.13%	25.04%	24.95%
Estimated Contribution	14,410,837	32,685,376	34,537,671	35,179,145	35,860,295	36,554,167	37,260,988	37,980,985
Funded Ratio	73.2%	72.6%	73.7%	75.0%	76.2%	77.4%	78.6%	79.8%



UAAL Amortization Schedule

TMRS' Funding Policy ensures that all TMRS cities will fully fund their plans over a fixed amortization schedule.



UAAL Amortization Schedule, cont.

Corpus Christi - UAAL Amortization as of 12/31/2017

Description	2009 Ad Hoc Benefit Change	2010 Ad Hoc Benefit Change	2011 Ad Hoc Benefit Change	2012 Ad Hoc Benefit Change	Combined 10 Year Bases*	2013 Ad Hoc Benefit Change	2014 Ad Hoc Benefit Change	2015 Actuarial Changes	2015 Ad Hoc Benefit Change	2016 Ad Hoc Benefit Change	New Ordinance	2017 Total UAAL	
Years Left	7	8	9	10	10	11	12	28	13	14	25		
UAAL Balance	3,735,261	2,804,123	5,064,152	3,493,055	3,130,024	4,234,085	3,793,002	16,257,188	6,005,770	8,452,833	198,603,151	255,572,644	
Ad Hoc?	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N		
<u>Payment Stream</u>												<u>Total Payment</u>	<u>UAAL Balance</u> (EOY)
1	664,862	450,035	744,190	475,720	388,711	539,620	455,982	1,005,191	685,561	921,342	13,055,003	19,386,217	255,572,644
2	664,862	450,035	744,190	475,720	397,651	539,620	455,982	1,028,310	685,561	921,342	13,355,268	19,718,542	252,790,418
3	664,862	450,035	744,190	475,720	406,797	539,620	455,982	1,051,962	685,561	921,342	13,662,439	20,058,510	249,476,973
4	664,862	450,035	744,190	475,720	416,154	539,620	455,982	1,076,157	685,561	921,342	13,976,675	20,406,298	245,588,553
5	664,862	450,035	744,190	475,720	425,725	539,620	455,982	1,100,908	685,561	921,342	14,298,139	20,762,084	241,078,268
6	664,862	450,035	744,190	475,720	435,517	539,620	455,982	1,126,229	685,561	921,342	14,626,996	21,126,054	235,895,874
7	664,862	450,035	744,190	475,720	445,534	539,620	455,982	1,152,132	685,561	921,342	14,963,417	21,498,395	229,987,549
8	-	450,035	744,190	475,720	455,781	539,620	455,982	1,178,631	685,561	921,342	15,307,576	21,214,438	223,295,641
9	-	-	744,190	475,720	466,264	539,620	455,982	1,205,740	685,561	921,342	15,659,650	21,154,069	216,445,465
10	-	-	-	475,720	476,988	539,620	455,982	1,233,472	685,561	921,342	16,019,822	20,808,507	209,195,288
11	-	-	-	-	-	539,620	455,982	1,261,842	685,561	921,342	16,388,278	20,252,625	201,812,820
12	-	-	-	-	-	-	455,982	1,290,864	685,561	921,342	16,765,208	20,118,957	194,506,476
13	-	-	-	-	-	-	-	1,320,554	685,561	921,342	17,150,808	20,078,265	186,845,083
14	-	-	-	-	-	-	-	1,350,927	-	921,342	17,545,276	19,817,545	178,708,596
15	-	-	-	-	-	-	-	1,381,998	-	-	17,948,818	19,330,816	170,292,320
16	-	-	-	-	-	-	-	1,413,784	-	-	18,361,641	19,775,425	161,810,923
17	-	-	-	-	-	-	-	1,446,301	-	-	18,783,958	20,230,259	152,297,580
18	-	-	-	-	-	-	-	1,479,566	-	-	19,215,989	20,695,555	141,672,068
19	-	-	-	-	-	-	-	1,513,596	-	-	19,657,957	21,171,553	129,848,506
20	-	-	-	-	-	-	-	1,548,409	-	-	20,110,090	21,658,499	116,734,965
21	-	-	-	-	-	-	-	1,584,022	-	-	20,572,622	22,156,644	102,233,060
22	-	-	-	-	-	-	-	1,620,455	-	-	21,045,792	22,666,247	86,237,500
23	-	-	-	-	-	-	-	1,657,725	-	-	21,529,846	23,187,571	68,635,626
24	-	-	-	-	-	-	-	1,695,853	-	-	22,025,032	23,720,885	49,306,898
25	-	-	-	-	-	-	-	1,734,857	-	-	22,531,608	24,266,465	28,122,364
26	-	-	-	-	-	-	-	1,774,759	-	-	-	1,774,759	4,944,080
27	-	-	-	-	-	-	-	1,815,579	-	-	-	1,815,579	3,443,801
28	-	-	-	-	-	-	-	1,857,337	-	-	-	1,857,337	1,800,070
29	-	-	-	-	-	-	-	-	-	-	-	-	-
30	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Payment	4,654,034	3,600,280	6,697,710	4,757,200	4,315,122	5,935,820	5,471,784	38,907,161	8,912,293	12,898,788	434,557,908	530,708,101	

*Combined 10 year bases are 2013 Valuation (Fresh Start), 2014 Experience, 2015 Experience, 2016 Experience, and 2017 Experience

Peer Cities and their TMRS Plans

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Plan Provisions and Rates for Cities with over 1,000 Contributing Members

City	Participating Municipality	Employee Deposit Rate	Municipal Current Match. Ratio	Updated Service Credit		Increased Benefits to Retirees		Vesting	Service Retirement Eligibilities	Number Contrib. Members	Pop.	Number Annuitants	Ratio Actives/Ret	2019 Full Retirement Rate	2019 Rate if USC & COLA Repeating
				Rate (%)	Year Effect.	Rate (%)	Year Effect.								
21136	San Antonio	6%	2-1	100 T	2000R	70	2019	5 yrs	5 yrs/age 60, 20 yrs/any age	6,939	1,511,946	4671	1.5	11.66%	17.71%
00052	Arlington	7%	2-1	100 T	1998R	50	2011R	5 yrs	5 yrs/age 60, 20 yrs/any age	2,495	396,394	1725	1.4	15.81%	
00302	Corpus Christi	7%	2-1	100	2019R	70	2019R	5 yrs	5 yrs/age 60, 20 yrs/any age	2,321	325,733	2174	1.1	24.61%	
01010	Plano	7%	2-1	100 T	1994R	70	1994R	5 yrs	5 yrs/age 60, 20 yrs/any age	2,346	286,143	1191	2.0	16.67%	
00730	Laredo	7%	2-1	100	2007R	70	2007R	5 yrs	5 yrs/age 60, 20 yrs/any age	2,089	260,654	920	2.3	20.78%	
00778	Lubbock	7%	2-1	100 T	1998R	70	2001R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,751	253,888	1336	1.3	17.71%	
00648	Irving	7%	2-1	100 T	1992R	30	2015R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,450	240,373	983	1.5	14.34%	
00500	Garland	7%	2-1	100 T	1999R	70	2008	5 yrs	5 yrs/age 60, 20 yrs/any age	2,005	238,002	1366	1.5	10.79%	21.32%
00030	Amarillo	7%	2-1	100	2013R	70	2010	5 yrs	5 yrs/age 60, 20 yrs/any age	1,823	199,826	1112	1.6	12.18%	21.07%
10188	Brownsville	7%	2-1	100 T	1996R	70	1996R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,148	199,062	545	2.1	17.07%	
00540	Grand Prairie	7%	2-1	100 T	1993R	70	1993R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,313	193,837	735	1.8	16.87%	
00830	McKinney	7%	2-1	100 T	1996R	70	2003R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,030	181,330	292	3.5	15.07%	
00486	Frisco	7%	2-1	100 T	2000R	70	2000R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,129	177,286	163	6.9	14.21%	
00978	Pasadena	7%	2-1	100 T	1993R	40	1993R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,007	153,887	744	1.4	13.45%	
00854	Mesquite	7%	2-1	100 T	2019R	50	2018	5 yrs	5 yrs/age 60, 20 yrs/any age	1,103	144,788	777	1.4	16.51%	23.09%
00824	McAllen	7%	2-1	100 T	2016			10 yrs	10 yrs/age 60, 20 yrs/any age	1,584	142,696	515	3.1	7.76%	
01330	Waco	7%	2-1	100 T	2005R	50	2014	5 yrs	5 yrs/age 60, 20 yrs/any age	1,438	136,436	1003	1.4	14.02%	20.21%
00358	Denton	7%	2-1	100 T	2000R	70	2000R	5 yrs	5 yrs/age 60, 20 yrs/any age	1,246	136,268	576	2.2	17.00%	
00006	Abilene	7%	2-1	100 T	2004R	50	2012	5 yrs	5 yrs/age 60, 20 yrs/any age	1,031	122,225	802	1.3	10.93%	17.38%
01070	Richardson	7%	2-1	50	2011R	50	2011R	5 yrs	5 yrs/age 60, 25 yrs/any age	1,001	116,783	688	1.5	14.44%	

- ▶ **Current and future City Councils will retain the option to change the plan prospectively.**
 - ▶ Local affairs, including collective bargaining agreements, can impact decisions.
- ▶ **Closing plan to new employees, though highly unusual, is permitted.**
 - ▶ More stringent funding requirements are subject to annual review by the System's consulting actuary.
 - ▶ Level dollar contributions over shorter amortization schedule.
 - ▶ If plan were to be closed, higher plan rate effective immediately = 28.64% for 2019.
 - ▶ Rates would continuously increase as covered payroll decreases.
 - ▶ Contributions would be required until the death of the last retiree/beneficiary.



QUESTIONS