



Texas Municipal Retirement System All Together Now The Actuarial Perspective

August 15, 2011

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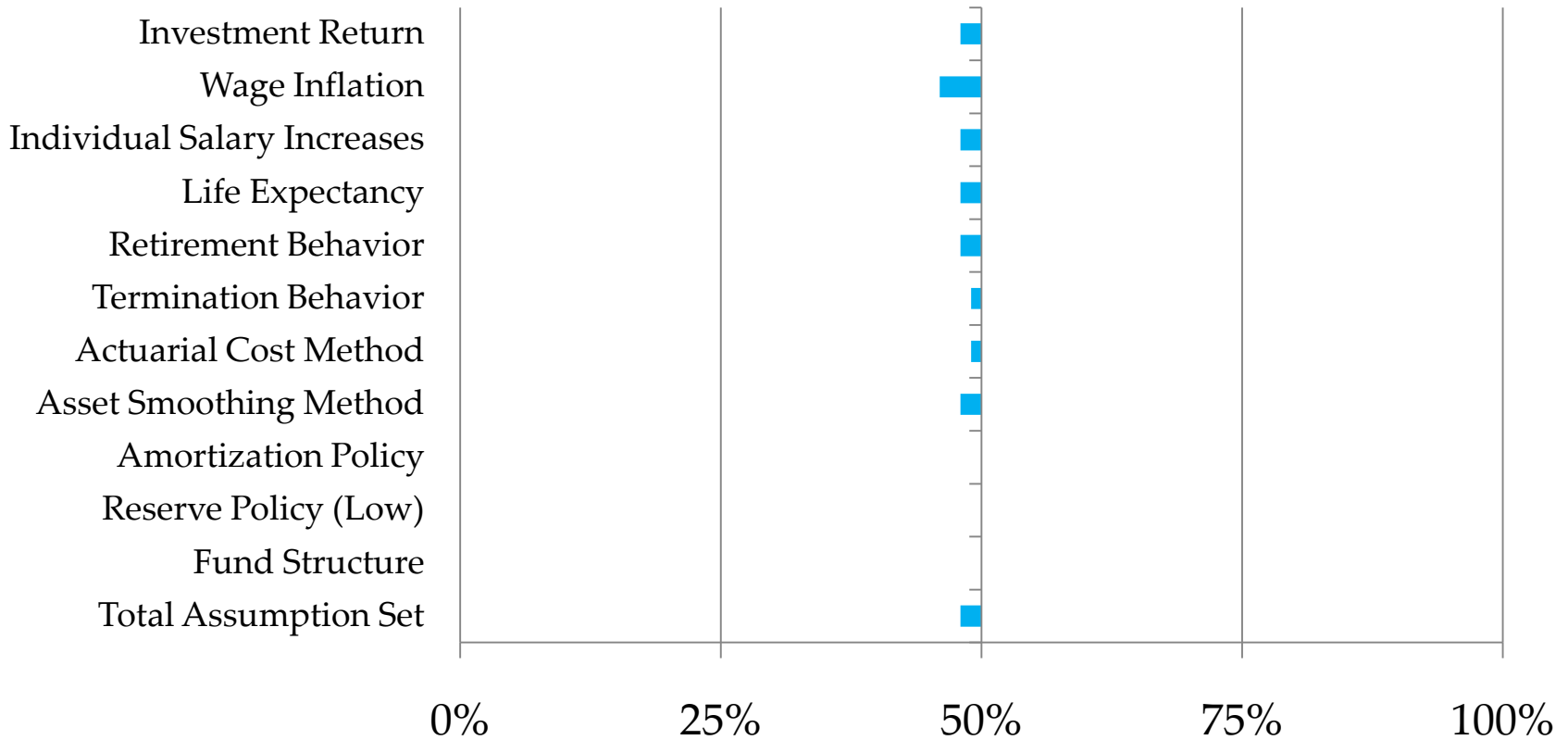
GRS

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The New Assumptions Set Reflects “Restructured” TMRS Fund

Measurement - Level of Conservatism



0% = fully conservative; 100% = fully aggressive; 50% = “a perfect fit”



Summary of System-wide Results

	December 31, 2010		December 31, 2009
	New Structure	Old Structure	
Actuarial Accrued Liability	\$20,481	\$22,990	\$21,525
Actuarial Value of Assets	<u>\$16,986</u>	<u>\$17,992</u>	<u>\$16,306</u>
Unfunded Actuarial Accrued Liability	\$3,495	\$4,998	\$5,219
Funded Ratio	82.9%	78.3%	75.8%
Minimum Contribution Rates:			
Straight Average	8.04%	9.39%	9.20%
Payroll Weighted Average – Full Rate	13.31%	16.07%	16.41%

Above \$ amounts are in Millions



Actuarial Results – Aggregate

MAF plus ESF Compared to BAF Funds with New Assumptions

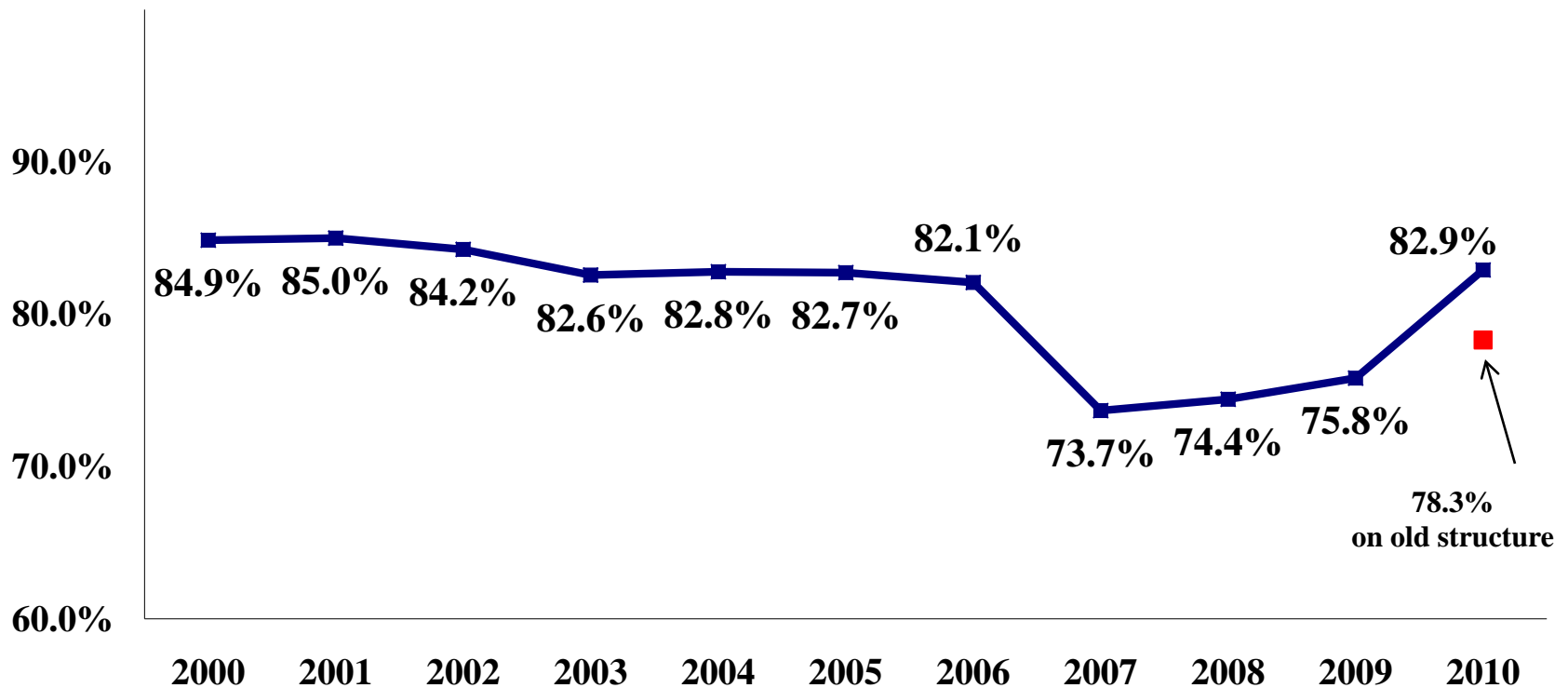
	<u>Current</u> (1)	<u>Restructure</u> (2)	<u>Difference</u> (2) - (1)
1. Actuarial accrued liability			
a. Actives & Inactives	\$ 14,571,213,185	\$ 12,882,044,078	\$ (1,689,169,107)
b. Annuitants	<u>2,319,444,343</u>	<u>7,598,609,761</u>	<u>5,279,165,418</u>
2. Total actuarial accrued liability (1a +1b)	\$ 16,890,657,528	\$ 20,480,653,839	\$ 3,589,996,311
3. Actuarial value of assets	<u>12,002,633,331</u>	<u>16,985,156,696</u>	<u>4,982,523,366</u>
4. UAAL (2 - 3)	\$ 4,888,024,197	\$ 3,495,497,143	\$ (1,392,527,054)
5. Funded ratio (3 / 2)	71.1% *	82.9%	11.8%
6. UAAL/Payroll	101.9%	72.9%	-29.0%
<u>Weighted Average Contribution Rate for TMRS Plan Year:</u>			
7. Full retirement rate			
a. Normal cost	9.81%	9.06%	-0.75%
b. Prior service	<u>6.26%</u>	<u>4.25%</u>	<u>-2.01%</u>
c. Full retirement rate	16.07%	13.31%	-2.76%
8. Estimated Contributions	\$ 822,576,472	\$ 681,300,114	\$ (141,276,357)

*71.1% is based on combined MAF and ESF and excludes CSARF. The system-wide funded ratio is 78.3%.



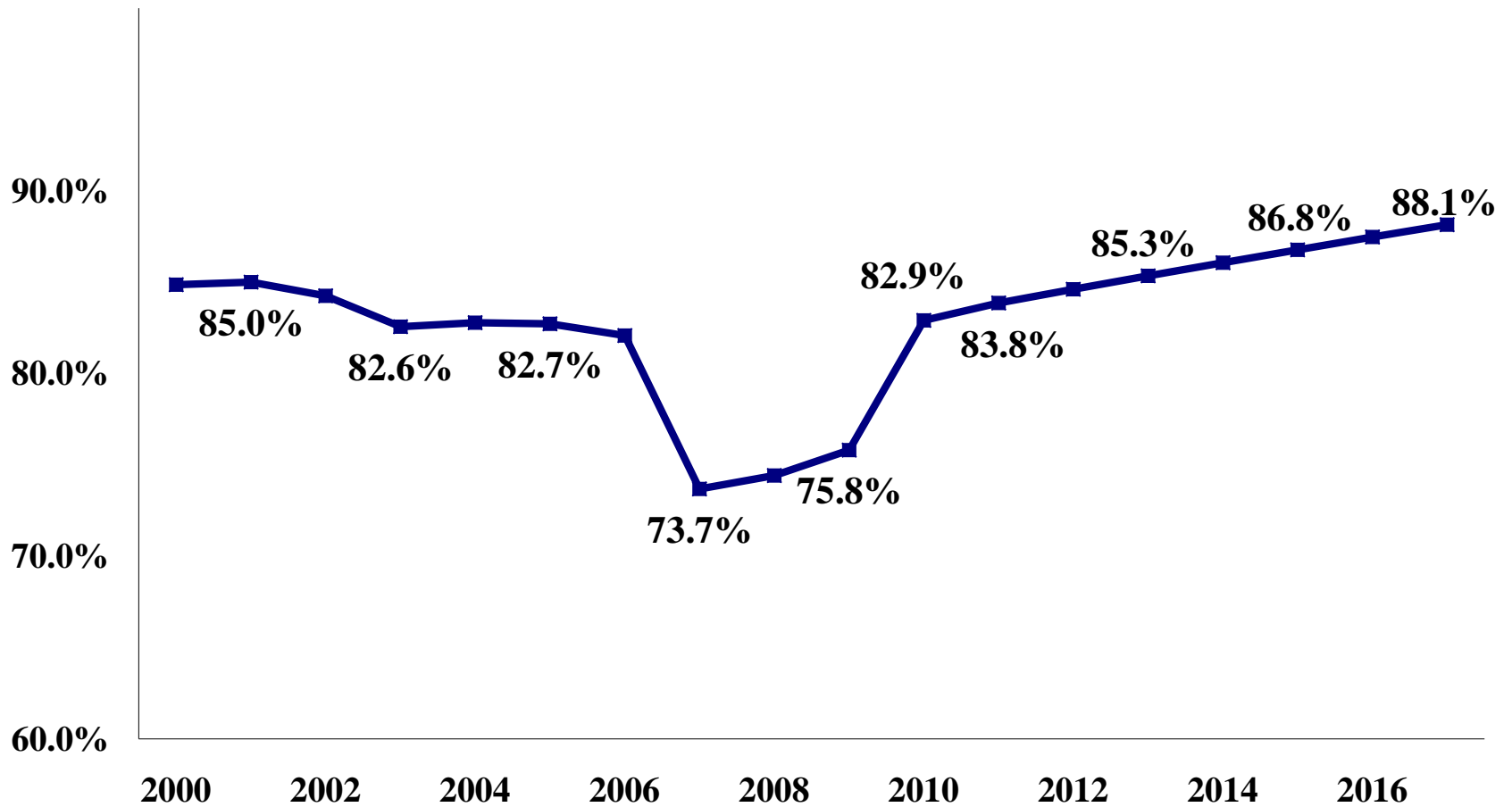
Funded Ratio Percentages

**The System-wide Funded Ratio has increased
3 years in a row!**

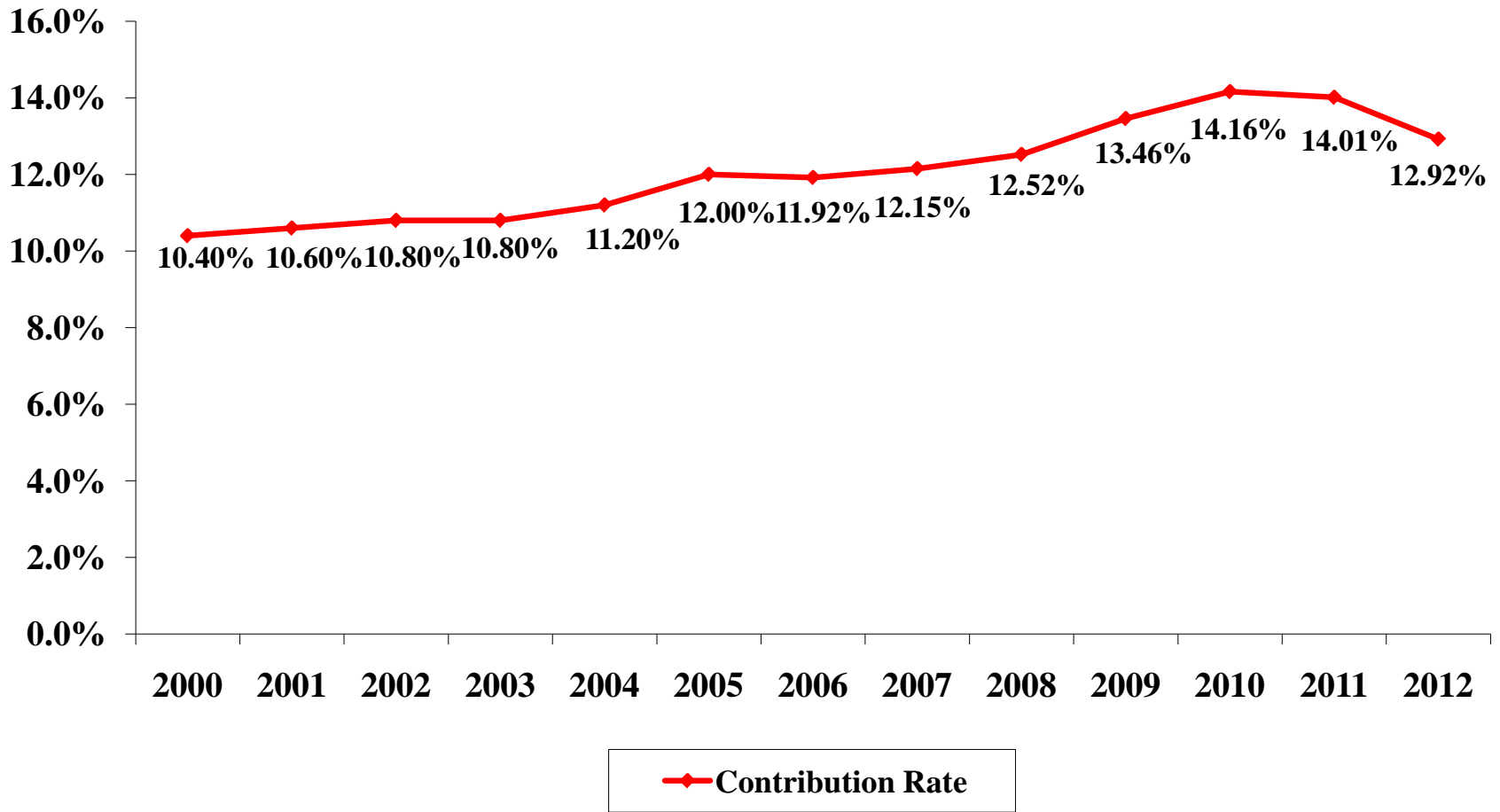




Projected Funded Ratio

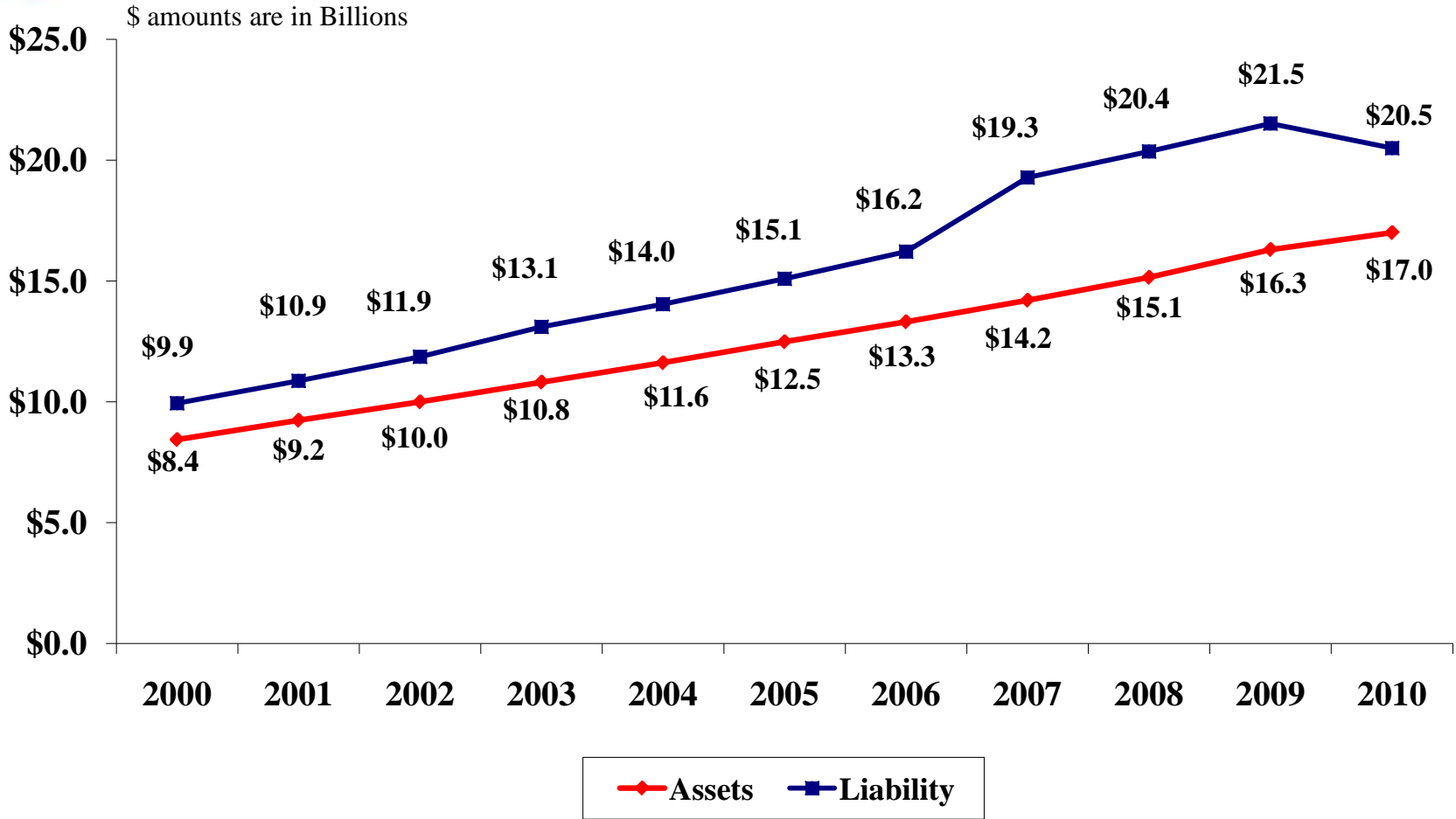


Historical Dollar Weighted Contribution Rates for TMRS

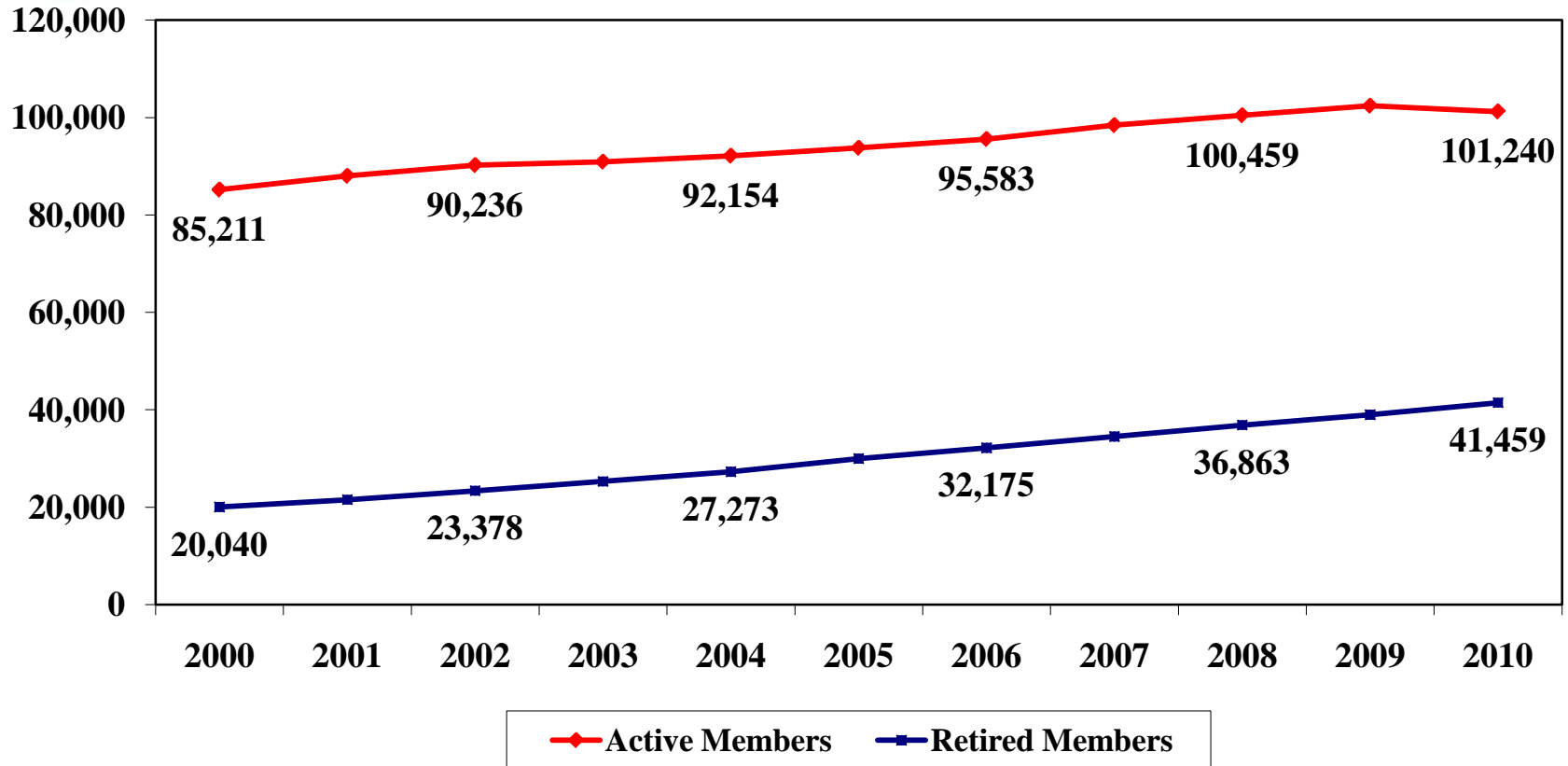


2011 and 2012 are projected rates based on phase in minimum

Actuarial Value of Assets vs. Actuarial Accrued Liability



Active Members & Retired Members

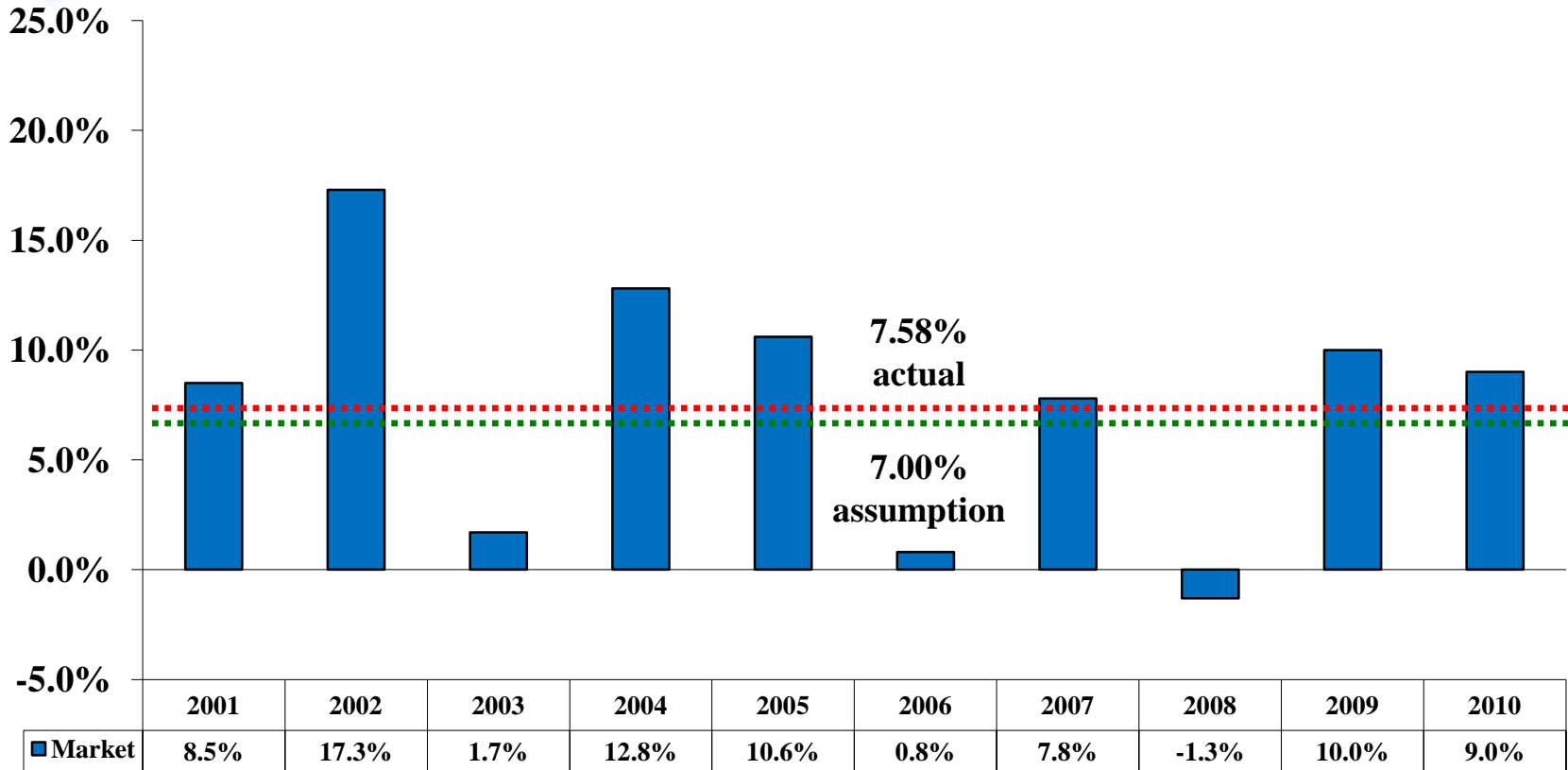


1.7% average increase in active members since 2000; 1.2% decrease in 2010

7.5% average increase in retired members since 2000; 6.4% increase in 2010

There are currently 2.4 actives for every retiree, down from 4.3 in 2000

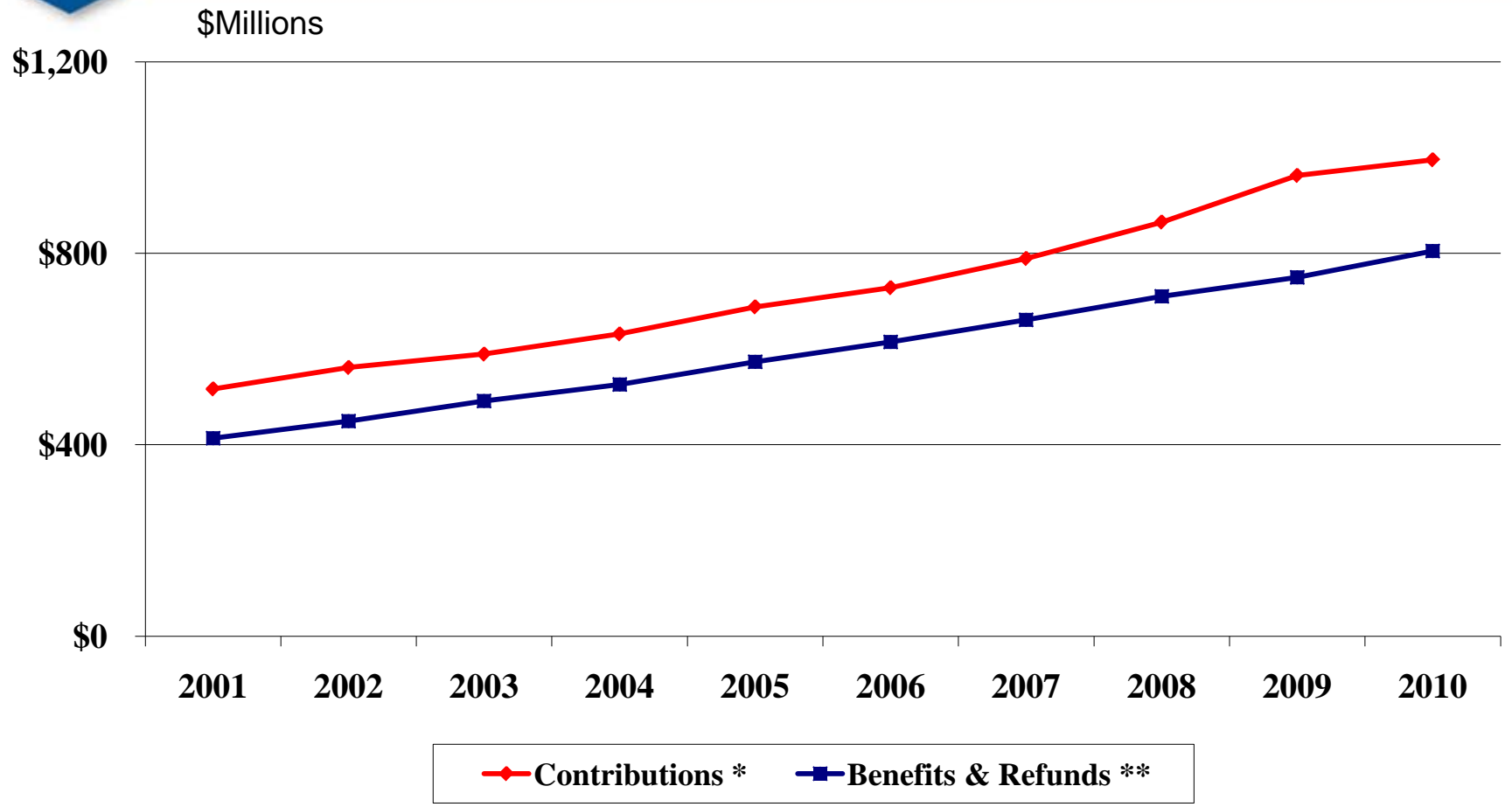
Estimated Yields based on Market Value of Assets



7.58% average compound return over last 10 years



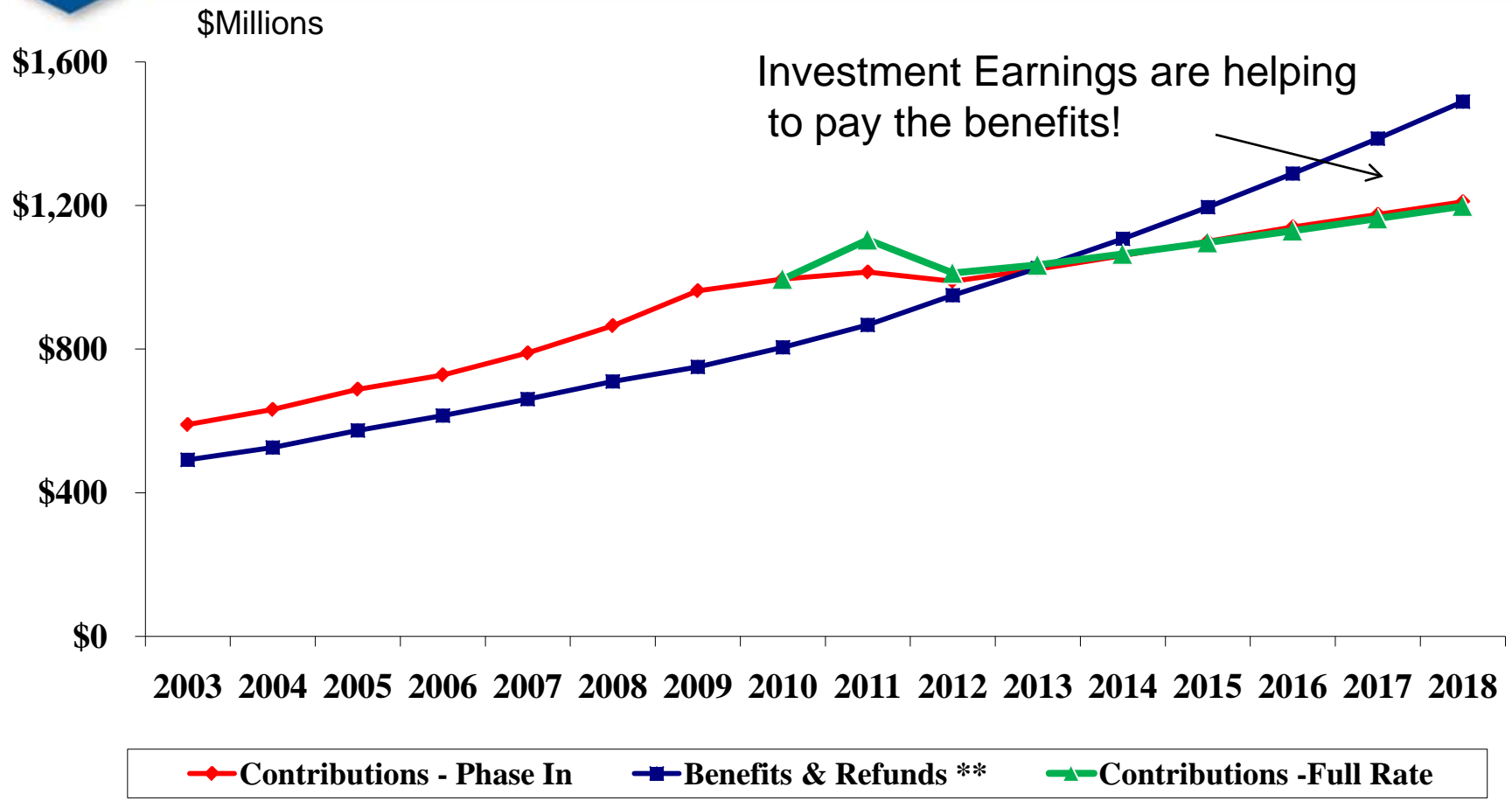
Contributions vs. Benefits and Refunds



* Includes member and employer contributions
** Includes administrative and investment expenses



Projected Contributions vs. Benefits and Refunds



* Includes member and employer contributions

** Includes administrative and investment expenses

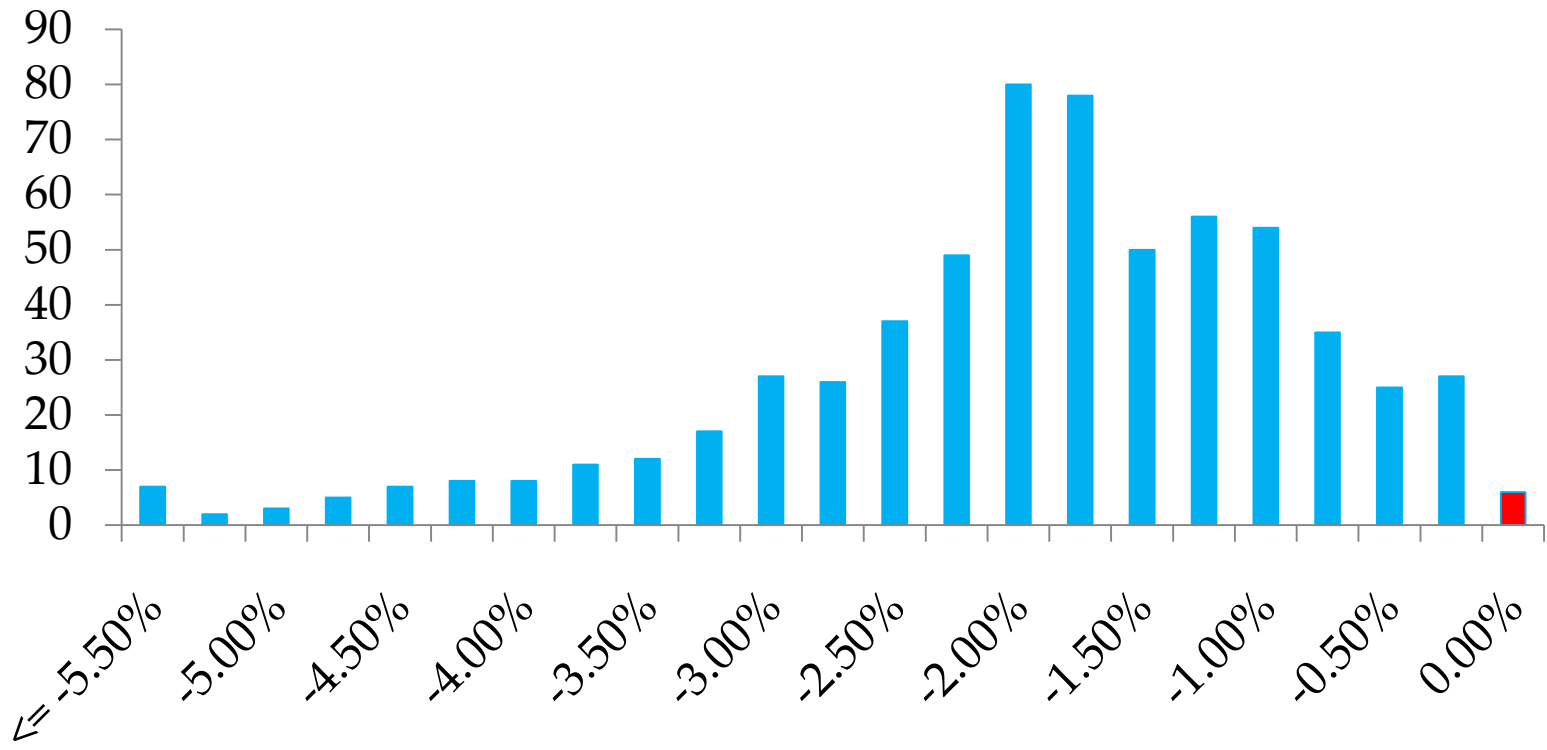
12 Assumes no recognition of current deferred investment gains/losses



Distribution of Rate Changes

(TMRS cities with more than 10 members)

Rate Change Due to Assumption Changes and Fund Restructuring



The red highlight represents +/- 0.0%



In Summary

- ◆ System-wide Funded Ratio increased substantially
 - ▶ SB 350 – “Restructuring”
 - ▶ Overall asset gain
 - ▶ Overall liability gain
- ◆ Most cities will be paying their Full Rate beginning in 2012, and remaining phase-in bases are much smaller
- ◆ Expectation is for an increasing funded ratio over the next few valuations and continued stability in the contribution rates



*A few brief comments on the upcoming
GASB changes ...*



Background

- ◆ On July 8, 2011, the Governmental Accounting Standards Board (GASB) issued its Exposure Drafts (EDs) on pension accounting and financial reporting standards
- ◆ The first, *Accounting and Financial Reporting for Pensions*, proposes standards applicable to state and local governments that provide pension benefits (amending GASB Statement No. 27)
- ◆ The second, *Financial Reporting for Pension Plans*, proposes standards for the financial statements of plans that administer the benefits (amending GASB Statement No. 25)
- ◆ In addition, the GASB issued a plain-language report summarizing the changes



Background

- ◆ The EDs were issued after a lengthy deliberative process which included:
 - ▶ *An Invitation to Comment* in 2009
 - ▶ *A Preliminary Views* document in 2010
 - ▶ Related hearings and testimony
- ◆ An ED is usually the last public document that the GASB issues before issuing final standards
- ◆ The GASB's decisions are considered tentative until they are made final
- ◆ The GASB's authority extends to accounting and financial reporting but not to actuarial valuations for funding purposes



Background

- ◆ The EDs would significantly change current pension accounting and financial reporting standards for state and local governments
 - ▶ Disconnect pension accounting measures from pension funding measures
 - ▶ Require employers to recognize an unfunded pension obligation on their balance sheets
 - ▶ Require employers to recognize a new measure of the pension expense on their income statements, which would be significantly different from their actuarially determined contributions
 - ▶ Replace most of the current note disclosures and required supplementary information with information based on the new measures



The GASB's Next Steps

- ◆ Comment period ends September 30, 2011
- ◆ Public Hearings - October 2011
- ◆ Final Statement – June 2012
- ◆ Effective dates:
 - ▶ Reporting periods beginning after 6/15/12 for large single employers with a plan net position of \$1 billion or more
 - ▶ Reporting periods beginning after 6/15/13 for all others