

CITY COUNCIL MEMORANDUM

AGENDA ITEM

Ordinance to authorize updating Texas municipal retirement system service credits

ORIGINATING DEPARTMENT

Human Resources

BACKGROUND INFORMATION

The Texas Municipal Retirement System (TMRS) was established in 1948 as a retirement system and disability pension system for municipal employees in the State of Texas. It is administered in accordance with the TMRS act and is governed as a Board of Trustees appointed by the Governor of Texas with the advice and consent of the Senate. The City of Killeen is a member of the TMRS.

DISCUSSION/CONCLUSION

One of the provisions of TMRS is that member cities may, by ordinance, adopt an update of service credits (USC). Updated service credits allow an employee's TMRS retirement benefits to take into account plan improvements or salary improvements which would have improved the salary of the employee during his/her career, while contributing into TMRS. This also provides for increased prior and current service annuities for retirees and beneficiaries of deceased retirees of the City. Upon adoption, all employees covered under TMRS have their retirement benefits recalculated based on a three-year average of their most recent salary. The contribution for FY 2015-2016, as stated in this ordinance, was calculated using the assumptions provided by TMRS to calculate contribution rates.

FISCAL IMPACT

The ordinance provides for the adoption of Update Service Credits in TMRS. The cost of increasing the City's TMRS contribution from the current rate of 8.39% to 8.41% generated when adopting the USC is estimated to be \$8,019 (January through September, 2016). The contribution rate was determined using TMRS's current assumptions for the calculation of contribution rates. The anticipated cost of increasing the City's TMRS contributions was budgeted and will be funded from various salary and benefit accounts currently included in the FY16 budget; no budget amendment is required.

RECOMMENDATION

The recommendation is that the proposed ordinance to update TMRS Service Credits be adopted, to be effective January 1, 2016.