



## TEXAS MUNICIPAL RETIREMENT SYSTEM

OR-18-013

November 13, 2018

# Background

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- ❑ The City of Killeen has been a member of TMRS since 1968.
- ❑ Employees deposit at a 7% rate with a 2 to 1 City match.
- ❑ The employee must work 5 years to meet the vesting requirements.
- ❑ The employee may retire with 5 years of service, age 60 or older or 20 years of service at any age.
- ❑ It is standard for Cities our size to adopt USCs and COLA repeating and once adopted, the provisions are effective the next January 1.
- ❑ The City of Killeen's adoption behavior has been consistently ad hoc.

# Historical Plan Adoption

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Effective	Plan Adopted	City Rate	Approval
01/2004	100% USC, 70% COLA	12.16%	Ad hoc
01/2005	No USC or COLA	12.64%	None
01/2006	100% USC, 70% COLA	13.07%	Ad hoc
01/2007	100% USC, 70% COLA	12.94%	Ad hoc
01/2008	100% USC, 70% COLA	13.14%	Ad hoc
01/2009	100% USC	10.70%	Ad hoc
01/2010	100% USC	10.48%	Ad hoc
01/2011	100% USC	10.85%	Ad hoc
01/2012	100% USC, 70% COLA	7.67%	Ad hoc
01/2013	100% USC, 70% COLA	7.77%	Ad hoc
01/2014	100% USC, 70% COLA	8.01%	Ad hoc
01/2015	100% USC, 70% COLA	8.39%	Ad hoc
01/2016	100% USC	8.41%	Ad hoc
01/2017	No USC or COLA	9.77%	None
01/2018	No USC or COLA	9.94%	None

# Discussion and Summary

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The decision has already made and funding was included in the FY 19 Budget.

# Staff Recommendation

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Staff recommends that the City Council authorize the City Manager, or designee, to authorize the Updated Service Credits and the COLA for retirees as is included in the FY19 Budget and adopt the contribution rate at 11.15%, beginning January 1, 2019.

# Plan Adoption Considerations

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- Governmental Accounting Standards Board (GASB) Statement 68 changed how state and local governments account and report for pensions.
  - Effective for fiscal years beginning after 6/15/14.
- Significant change in projecting benefit payments.
  - Includes effects of automatic benefit changes and ad hoc benefit changes to the extent they are considered substantively automatic.
  - TMRS defines substantively automatic as a benefit granted in 2 of the last 5 years.
    - City last adopted USC on 1/1/16 and a COLA on 1/1/15.
- Impact to the City of being deemed substantively automatic.
  - Treated as if the City was annually repeating for financial statement purposes.
  - Net pension liability will increase from \$20 to \$60 million.
  - Funding ratio will drop from 89% to 74%.
  - Contribution rate will not be impacted.