



City of Killeen

Legislation Text

File #: OR-18-013, Version: 1

Consider an ordinance authorizing the update of Texas Municipal Retirement System service credits.

DATE: November 13, 2018

TO: Ronald L. Olson, City Manager

FROM: Eva Bark, Executive Director for Human Resources

SUBJECT: Ordinance to Authorize Updating Service Credits

BACKGROUND AND FINDINGS:

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. The City of Killeen is a member of the TMRS.

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 reflect inflation and provides for increased prior and current service annuities for retirees and beneficiaries of deceased retirees of the City. On 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 2019 as stated in this ordinance was calculated using the assumptions provided by TMRS to calculate contribution rates.

THE ALTERNATIVES CONSIDERED:

Alternatives are: 1) Do nothing. 2) To adopt 100% Updated Service Credit, including Transfers and 70% CPI Increase to Annuitants Ad Hoc (one time only basis). With the adoption of these additional benefits, the City's contribution rate beginning January 1, 2019 will be at 11.15%.

Which alternative is recommended? Why?

Adopt 100% Updated Service Credit, including Transfers and 70% CPI Increase to Annuitants Ad Hoc (one time only basis). With the adoption of these additional benefits, the City's contribution rate beginning January 1, 2019 will be at 11.15% because this will start the process to fund TMRS on a repeating basis.

CONFORMITY TO CITY POLICY:

This action is uniformed to city policy.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

The City's TMRS contribution rate for 2019 will increase from 10.08% to 11.15% following the approval of an Updated Service Credit and CPI increase for retirees. The total cost of this increase is estimated to be \$386,280 (January through September, 2019).

Is this a one-time or recurring expenditure?

Recurring

Is this expenditure budgeted?

Yes, the FY 2019 Budget assumes the 11.15% rate and associated costs.

If not, where will the money come from?

N/A

Is there a sufficient amount in the budgeted line-item for this expenditure?

Sufficient funding exists in the budgeted line-item for this expenditure.

RECOMMENDATION:

The recommendation is that the proposed ordinance to update TMRS Service Credits be adopted, to be effective January 1, 2019.

DEPARTMENTAL CLEARANCES:

Finance, City Attorney

ATTACHED SUPPORTING DOCUMENTS:

Ordinance
TMRS Letter