

# City of DeSoto, Texas

## Pension Information Summary

Summary of Key Data related to the City's Pension Plans and Benefits

### The City's Pension Plan and Other Benefits

The City is a member of Texas Municipal Retirement System (TMRS), a statewide, multiple employer agent plan. The plan is a hybrid defined benefit plan. In an agent plan, each participating government's pension is centrally administered and governed by state statutes. The assets and related pension liabilities for each government are accounted for separately and any unfunded liabilities are solely the obligation of that government. Benefit provisions are adopted by the governing body of the City within the options available in the state statutes governing TMRS. Benefits include retirement, disability and death benefits. All eligible employees of the City are required to participate in TMRS.

TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at [www.tmr.org/publications.php](http://www.tmr.org/publications.php).

Below is a summary of the current plan provisions:

<b>Employee Contribution</b>	7% of pay
<b>Employer Match at Retirement</b>	2 to 1
<b>Vesting of Benefits</b>	5 years
<b>Service Retirement Eligibility</b>	20 years at any age, 5 years at age 60 and above
<b>Updated Service Credit</b>	100% Repeating
<b>Cost of Living Adjustments</b>	30% of CPI Repeating
<b>Supplemental Death Benefit – Employees and Retirees</b>	Yes

Upon retirement, the benefit is calculated as if the sum of the employee's contributions and the city financed monetary credits, both with interest were used to purchase an annuity. Members have seven actuarially equivalent payment options to choose from. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments which cannot exceed 75% of the member's deposit and interest.

### The Plan – Funding and Investment Returns

In order to get a clear picture of the pension commitments made by the government to its employees, there are key elements to review and understand and know where the responsibility rests:

- Investments – Management of the assets in the plan - TMRS responsibility
- Actuarial valuations – Calculation of the actuarial determined contributions and funding progress – TMRS responsibility
- Commitment to fund the benefits earned to date – City responsibility

Information regarding the investment strategies and results can be found in the TMRS CAFR at <http://www.tmr.org/down/pubs/>.

# City of DeSoto, Texas

The actual rate of return on investments affects the actuarial calculation of the City's funding requirements inversely – lower rates of return than anticipated will require an increase in the City's required contribution amount.

TMRS provides the Actuarial Valuation Report at the above site. The Actuarial report provides details regarding the actuarial policies, studies and assumptions used. Actuarial calculations and assumptions affect the plan in that unrealistic actuarial assumptions could lead to higher actual liabilities and require an increase in the City's required contribution amount.

It is of interest to note, with regards to the actuarial valuation, TMRS prepares two separate valuations:

- A funding valuation to calculate the city's actuarially determined contributions
- A valuation based on the Governmental Accounting Standards (GASB) No. 68 requirements which is used for financial reporting purposes

The primary difference between the two valuations is the funding valuation uses a smoothed actuarial value of assets and the GASB 68 valuation gives the fiduciary net position based on a market value of assets on the reporting date.

The actuarial valuation is performed using certain assumptions with regards to the economy and demographics. The assumptions used by TMRS are a result of an actuarial investigation and of the experience of TMRS over a four year period from January 1, 2006 to December 31, 2009 and were adopted and put into place for the December 31, 2010 actuarial valuation. The following are the assumptions used from 2010 to the present:

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Percentage of Payroll, Closed
<b>Remaining Amortization Period</b>	26 years
<b>Asset Valuation Method</b>	10 Year Smoothed Market; 15% soft corridor
<b>Inflation</b>	3.0%
<b>Salary Increases</b>	3.5% to 12.0% including inflation
<b>Investment Rate of Return</b>	7.0%
<b>Retirement Age</b>	Experience-based table of rates that are specific to the City's plan of benefits
<b>Mortality</b>	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

TMRS reports information as of December 31 as opposed to the City's fiscal year end which is September 30. The information presented here can be found in the City's CAFR for the fiscal year ended September 30, 2015 and in the TMRS CAFR, Actuarial Report and Schedule of Changes in Fiduciary Net Position for the year ended December 31, 2014.

# City of DeSoto, Texas

## Financials

### Total Actuarial Liabilities <sup>A</sup>

(Both Valuations):

**\$100,480,753**

### Actuarial Assets Per Funding Valuation <sup>B</sup>

**\$94,580,639**

### Total Fiduciary Net Position

**\$98,772,672**

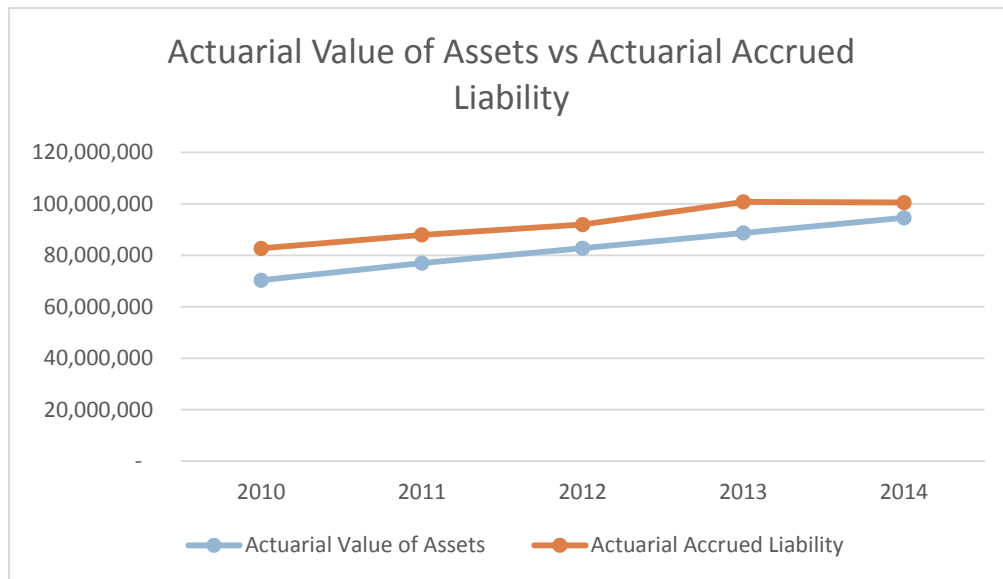
Funded Ratio (<sup>B/A</sup>) – 94.1%

Unfunded Actuarial Accrued Liability (UAAL) (<sup>A-B</sup>)

**\$5,900,114**

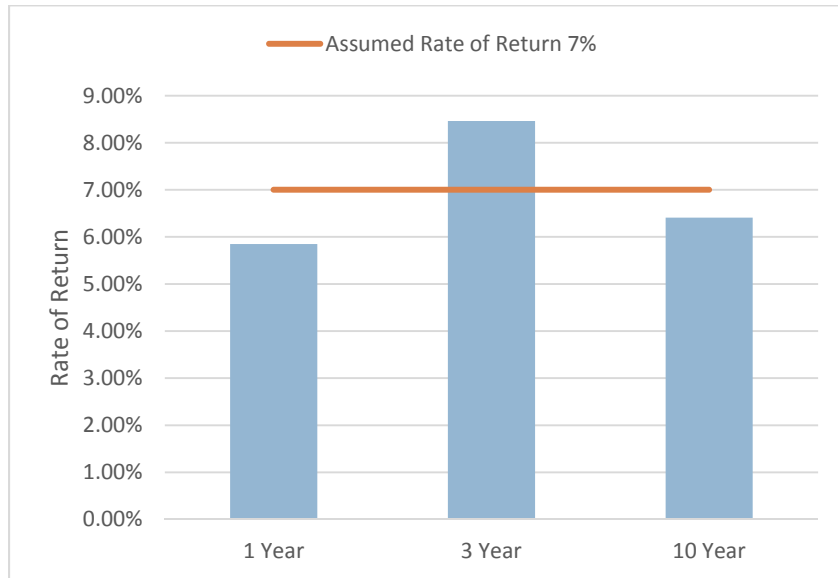
UAAL As a percentage of covered payroll - 27.5%

The chart compares the actuarial value of assets to the actuarial accrued liability over the last 5 years:



# City of DeSoto, Texas

## Historical Investment Returns



The above rates are taken from the TMRS Investment Program – 2014 Year-End Wrap Up report located on the TMRS website. Rates are calculated net of management fees.

## Contributions

The Actuarially Determined Contribution (ADC) rate is presented for the year ended December 31; the rate is to take effect in January of the following year. For the City’s fiscal year ended September 30, 2015, the ADC was determined by the Actuarial Valuation for December 31, 2013. The following table shows the ADC for the last three years:

Actuarially Determined Contributions (as a percentage of pay)			
Year	2015	2014	2013
Employee	7.0%	7.0%	7.0%
Employer	11.21%	11.88%	12.31%
<b>Total Required Contributions</b>	<b>18.21%</b>	<b>18.88%</b>	<b>19.31%</b>

The following chart shows the ADC for the past 5 years (City portion only):

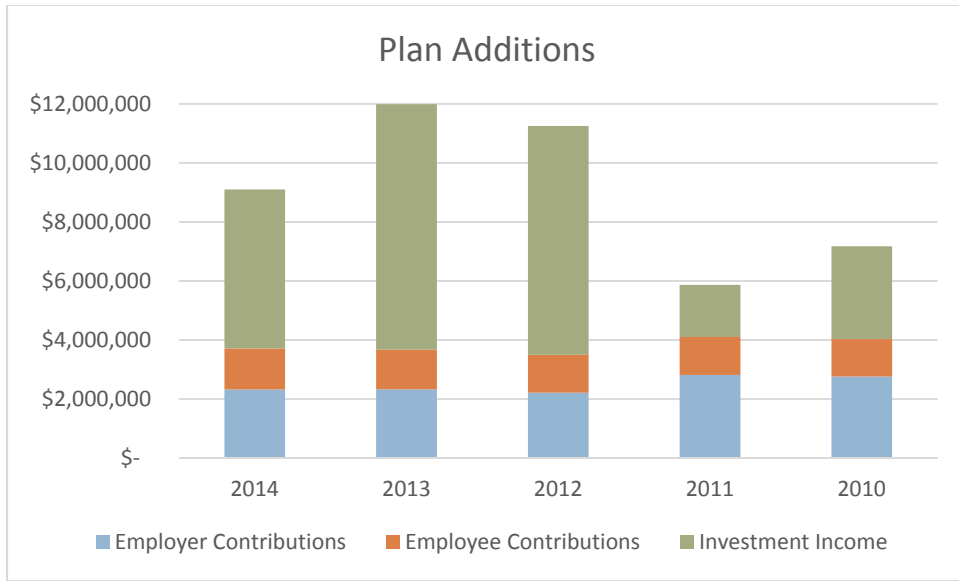
	2015	2014	2013	2012	2011
<b>Actuarially Determined Contributions</b>	\$2,245,773	\$2,332,905	\$2,284,542	\$2,381,834	\$2,785,993

The City contributed 100% of the required amount each year.

# City of DeSoto, Texas

## Additional Plan Information

Plan additions for the last 5 years are as follows:



Plan deductions for the last 5 years are as follows:

