May 17, 2010

City #01070

City Official
City of Richardson
P.O. Box 830309
Richardson, TX 75083-0309

Subject: 2011 Municipal Contribution Rate

Dear City Official:

Presented below are your city's contribution requirements to the Texas Municipal Retirement System (TMRS) for Plan Year 2011 (Calendar Year 2011, PY2011) as determined by the December 31, 2009 actuarial valuation. The actuarially determined contribution rates for retirement benefits and Supplemental Death Benefits (SDB), if any, are based on your city's plan provisions in effect as of March 1, 2010 and the actuarial assumptions and methods adopted by the Board. Effective January 1, 2011, your city's monthly contribution rates will be as follows:

	Phase-in Rate	Full Rate
Normal Cost:	13.49%	13.49%
Prior Service:	6.47%	10.76%
Total Retirement Rate:	19.96%	24.25%
Supplemental Death Benefit	0.00%	0.00%
Total Combined Contribution	19.96%	24.25%

Full information on your rate, including an explanation of changes, and the pension disclosure data to assist your city with the reporting requirements of the Governmental Accounting Standards Board (GASB) are contained in the attached report.

The Total Retirement Rate shown in the Full Rate column above represents the Annual Required Contribution (ARC) under GASB Stmt. No. 27 for PY2011. **The Total Combined Contribution Rate shown in the Phase-in Rate column above represents the minimum required contribution rate to TMRS for PY2011.** The difference represents the portion of your Full Rate that is being phased-in over an eight-year period that began January 1, 2009 (six years remaining). **While it is not required, it is highly recommended for cities to contribute as much toward the Full Rate as possible.** More information on Phase-in Rates and their impact on future contributions is contained in the section entitled Phase-in Rates.

If you have questions about your rate or if you wish to evaluate potential changes in your TMRS plan, contact TMRS at 800-924-8677.

Sincerely,

Eric W. Davis

Eric W. Davis
Deputy Executive Director

Table of Contents

Executive Summary

Valuation as of TMRS Plan Year (PY) Ending	12/31/2009	12/31/2008
Membership as of the Valuation Date		
• Number of		
- Active members	975	982
- Retirees and beneficiaries	438	429
- Inactive members	311	326
- Total	1,724	1,737
• Prior year's payroll provided by TMRS	$ 58,679,443	$ 56,926,188
• Valuation Payroll	$ 60,480,354	$ 58,633,974
Assets – Changes in MAF Fund		
• Balance at end of year	$ 114,607,294	$ 104,891,642
• MAF crediting rate for PY	7.5%	5.0%
• Interest credited on beginning balance	$ 7,866,873	$ 5,069,051
• Municipal contributions during year	9,850,648	9,055,180
• Transfers to CSARF	4,314,297	7,268,747
• Retirement allowances paid directly to retirees	3,687,572	3,344,865
Assets – ESF Fund		
• Balance at end of year	$ 76,012,977	$ 71,134,569
• Member contributions during year	$ 4,111,818	$ 4,052,977
Actuarial Information		
• Actuarial accrued liability (AAL)	$ 295,369,779	$ 276,540,082
• Actuarial value of assets (AVA)	190,620,271	176,026,211
• Unfunded actuarial accrued liability (UAAL)	104,749,508	100,513,871
• UAAL as % of pay	178.5%	171.4%
• GASB #27 Funded ratio	64.5%	63.7%
• Employer normal cost	13.49%	13.05%
• Prior Service Rate	10.76%	10.47%
Contribution Rates for TMRS Plan Year (PY)	2011	2010
• Member	7.00%	7.00%
• Full retirement rate (GASB ARC)	24.25%	23.52%
• Phase-in retirement rate (minimum)	19.96%	18.37%
• Supplemental Death rate	0.00%	0.00%
Total Employer Contribution Estimates for PY	2011	2010
• Projected payroll	$ 62,294,765	$ 60,392,993
• Minimum Phase-in contribution rate	19.96%	18.37%
• Estimated employer contribution	$ 12,434,035	$ 11,094,193

Note: TMRS Plan Year coincides with Calendar Year

Results from prior year reflect the plan provisions used in the 12/31/2008 valuation report.

Calculation of Contribution Requirements

		From Valuation Report as of	
		December 31, 2009	December 31, 2008
		(1)	(2)
1.	Prior year's payroll provided by TMRS	$ 58,679,443	$ 56,926,188
2.	Valuation payroll	60,480,354	58,633,974
3.	Employer normal cost rate	13.49%	13.05%
4.	Prior service liability		
	a. Present members	$ 51,984,666	$ 48,995,297
	b. Annuitants	55,865,407	53,444,390
5.	Current service liability	187,519,706	174,100,395
6.	Total actuarial accrued liability (4 + 5):	$ 295,369,779	$ 276,540,082
7.	Actuarial value of assets	190,620,271	176,026,211
8.	Unfunded actuarial accrued liability (UAAL) (6 – 7)	$ 104,749,508	$ 100,513,871
9.	Funded ratio (7 / 6)	64.5%	63.7%
10.	GASB 25 Equivalent Single Amortization Period*	28.0 years	29.0 years
11.	Assumed payroll growth rate	3.00%	3.00%
	Contribution Rate for TMRS Plan Year:	2011	2010
12.	Full retirement rate		
	a. Normal cost	13.49%	13.05%
	b. Prior service	10.76%	10.47%
	c. Full retirement rate	24.25%	23.52%
13.	Minimum phase-in retirement rate		
	a. Full retirement rate (12c)	24.25%	23.52%
	b. Less phase-in deferral	(4.29%)	(5.15%)
	c. Minimum phase-in retirement rate	19.96%	18.37%
14.	Supplemental Death rate	0.00%	0.00%
15.	Combined contribution rates		
	a. Combined full rate (12c + 14)	24.25%	23.52%
	b. Combined phase-in rate (13c + 14)	19.96%	18.37%

* New Gains/Losses are laddered on a new 30-year period.

Development of Actuarial Value of Assets

	Year Ending 12/31/2009 (1)
1. Actuarial MAF balance as of January 1	$ 104,891,642
2. a. Contributions	$ 9,850,648
b. Benefits paid directly to Annuitants	(3,687,572)
c. Transfers to Current Service Annuity Reserve Fund	(4,314,297)
d. Net cash flow	$ 1,848,779
3. Expected actuarial MAF balance as of December 31 (includes earnings equal to 7.50% of 1.)	$ 114,607,294
4. Actual MAF balance as of December 31 (includes actual earnings)	$ 114,607,294
5. Deferred earnings/(shortfall) (4. – 3.)	$ 0
6. Deferred earnings/(shortfall) recognized (10% x 5.)	$ 0
7. Preliminary actuarial value of assets as of December 31 (3. - 6.)	$ 114,607,294
8. a. 75% of market value of assets (75% x 4.)	$ 85,955,471
b. 125% of market value of assets (125% x 4.)	143,259,118
9. Final actuarial MAF balance as of December 31 (7. perhaps partially limited by 8.)	$ 114,607,294
10. Employees Saving Fund	$ 76,012,977
11. Actuarial value of assets (AVA) (9. + 10.)	$ 190,620,271

Note:
To help mitigate the natural year-to-year fluctuations (positive and negative) in the investment markets, the TMRS actuary has recommended Asset Smoothing. Nearly all public sector retirement systems employ some form of smoothing. Smoothing does not impact long-term plan costs or funded positions, but does impact timing of investment gain and loss recognition. The TMRS Board of Trustees has adopted a 10-year smoothing method with a 25% corridor to determine the System's actuarial value of assets (AVA). This "smoothing method" is intended to help reduce the volatility of the contribution rates from one year to the next. The corridors detailed above on line 8 keep the AVA within a certain range of the market value of assets. AVA is a component that must be disclosed by the city in its Schedule of Funding Progress (see GASB Compliance Data section).

Historical Accumulation of the MAF Balance

Year Ending December 31,	Payroll for the Year	Effective Retirement Contribution Rate [b]	Retirement Contributions for the Year	Benefit Payments [c]	Transfers to CSARF	External Cash Flow for the Year	Interest Credit [d]	MAF Balance
(1)	(2)	(3) (4) / (2)	(4)	(5)	(6)	(7) (4) + (5) + (6)	(8)	(9)
2007	$ 56,108,152	15.23%	$ 8,545,205	$ (3,136,172)	$ (9,197,782)	$ (3,788,749)	$ 5,008,084	$ 101,381,023
2008	57,897,592	15.64%	9,055,180	(3,344,865)	(7,268,747)	(1,558,432)	5,069,051	104,891,642
2009	58,679,443	16.79%	9,850,648	(3,687,572)	(4,314,297)	1,848,779	7,866,873	114,607,294
2010 [a]	60,480,354	18.37%	11,110,241	(3,739,630)	(7,641,946)	(271,335)	8,595,547	122,931,506
2011 [a]	62,294,765	19.96%	12,434,035	(4,011,959)	(8,247,521)	174,555	9,219,863	132,325,924

a. Cash flow estimated based on expected contributions and expected benefit payments.
b. Effective retirement contribution rates for 2007, 2008 and 2009 are actual rates determined by dividing the contribution received by the payroll paid. For those Phase-In cities who contributed the full rate in 2009, effective retirement contribution rates for 2010 and beyond are based on the full rate.
c. Expected Benefit Payments include expected retirements, expected mortality and, if applicable, future cost of living increases.
d. Interest credits for 2010 and 2011 are based on 7.5% MAF crediting rate.

Reconciliation of Full Retirement Rate from Prior Actuarial Valuation Report

Actuarial valuations are based on long term assumptions and actual results in a specific year can, and almost certainly will, differ as actual experience deviates from the assumptions. The following table provides a detailed breakdown of changes in the retirement portion of your city's contribution rate. This analysis reconciles the change in the retirement portion of your city's contribution rate from 2010 to 2011, but will not reflect any change in the cost of the Supplemental Death Benefit (SDB), if your city currently has this provision. (Any changes in the cost of the SDB are primarily due to the change in mortality assumptions and/or changes in the average age of your city's employee group and/or the number of covered retirees.) Following the table below is a brief description of the common sources for deviation from the expected.

Change in Full Retirement Rate				
Full Rate from 12/31/2008 Valuation (PY 2010 Rate)			23.52	%
Benefit changes	0.00	%		
Assumption changes	0.00			
MAF crediting rate	0.00			
Contribution lag/phase in	0.39			
Payroll growth	(0.01)			
Normal cost	0.44			
Liability growth	(0.09)			
Total change	0.73	%		
Full Rate from 12/31/2009 Valuation (PY 2011 Rate)			24.25	%

Benefit Changes - Shows the increase or decrease in the contribution rate associated with any modifications made to the member city's TMRS plan provisions. This will also include any changes to the amortization period adopted by ordinance.

Assumption Changes - Shows the increase or decrease in the contribution rate associated with any changes to the actuarial assumptions since the prior valuation. There have been no changes to the assumptions since the prior valuation.

MAF Crediting Rate - Shows the increase in the contribution rate associated with the Municipality Accumulation Fund (MAF) crediting rate being different than the 7.50% assumed credit. The 2009 credit was 7.50%, so there was no impact due to the MAF Crediting Rate.

Contribution Lag / Phase In - Shows the total increase or decrease in the contribution rate associated with the contribution lag and phase in of contributions.

The “Lag” refers to the time delay between the actuarial valuation date and the date the contribution rate becomes effective. For TMRS member cities, the “Lag” is one year (i.e. the Actuarial Valuation as of December 31, 2009 set the rate effective for Calendar Year 2011). The impact from the “Lag” should have been the greatest in the reconciliation from the PY2009 rate to the PY2010 rate because of the magnitude of the changes to assumptions and methods made in conjunction with the 2007 actuarial valuation. **The impact of the “Lag” is expected to become immaterial once a city is contributing the Full Rate and the Full Rate stabilizes.**

If a city chooses to contribute the minimum phase-in contribution, the difference between the Full Rate and the Phase-in Rate will be reflected as an actuarial loss in the next valuation’s UAAL. This will increase the Full Rate for future valuations. **As the phase-in deferral base is recognized over the next six valuations, the magnitude of the change due to the phase-in should decrease.**

This is an important decision for a city to make in regards to utilizing the minimum Phase-in Rate versus contributing at the Full Rate, or a rate in between. If a city begins to contribute the Full Rate immediately, the actuarial valuation anticipates that the Full Rate will stabilize for the duration of the amortization period. However, if the minimum phase-in contribution schedule is utilized, the ultimate Full Rate at the end of the phase-in period would be expected to be higher than the current Full Rate. For more information on the impact of the phase-in, please refer to the section “Phase-In Rates.”

Payroll Growth - Shows the increase or decrease in the contribution rate associated with larger or lower than expected growth in the member city’s overall payroll. The amortization payments are calculated assuming payroll grows at 3.0% per year. Overall payroll growth in excess of 3.0% will typically cause a decrease in the prior service rate.

Normal Cost - Shows the increase or decrease in the contribution rate associated with changes in the average normal cost rate for the individual city’s population. The normal cost rate is the allocated cost of next year’s benefit accruals. Typically, the normal cost rate will increase if the average age/service combination of the covered population increases and decrease if the average age/service combination decreases.

Liability Growth - Shows the increase or decrease in the contribution rate associated with larger or lower than expected growth in the member city’s overall plan liabilities. The most significant sources for variance will be individual salary increases compared to the assumption and turnover.

GASB Compliance Data

For the Employer's Applicable Accounting/Fiscal Year

City of: Richardson

The attached pages contain data specific to your city and are being provided to all participating Texas Municipal Retirement System (TMRS) employers to assist your city in complying with the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures (an amendment of GASB Statements No. 25 and No. 27)* and if applicable, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The actual disclosures required by GASB Statements 50 and 45 must be based on the circumstances specific to each individual employer; as such, the disclosure(s) is(are) the responsibility of the city (employer) and its independent public accountant.

Please note that any reference to Plan Year (PY) in the following pages refers to the TMRS Plan Year, which coincides with the Calendar Year and Valuation Year, January 1 – December 31.

Items not in italics are comments provided to assist you in completing your financial statement disclosures. Items in *italics* are sample language and charts that are part of the required disclosures.

PENSION PLAN

GASB Statement No. 27 as amended by GASB No. 50:

Note that participating municipalities should comply with the **GASB Stmt. 50** provisions for an **agent multiple-employer defined benefit pension plan.** The GASB statement provides an example of the note disclosures in **Illustration 6** (Notes to the Financial Statements for an Employer Contributing to an Agent Multiple-Employer Defined Benefit Pension Plan). In addition, the participating employer can refer to the footnotes in the TMRS Comprehensive Annual Financial Report (CAFR) to obtain a general description of the TMRS plan, how contributions are made, and how benefits are determined.

In making its disclosures, the employer may need to consider (not intended to be an all-inclusive list):

- Its accounting year (employer fiscal year is likely different than TMRS' December 31 plan year and the valuation period)
- If additional voluntary contributions were made to TMRS during the employer's fiscal year (additional voluntary contributions were permitted effective January 1, 2008)
- The disclosure of a net pension asset or net pension obligation, as a result of paying more or less than the annual required contribution (ARC)

Notes to Financial Statements

Plan Description

The City provides pension benefits for all of its eligible employees [any exceptions such as firefighters would be inserted here by the City] through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at *www.TMRS.com.*

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2009	*Plan Year 2010*
Employee deposit rate	*7%*	*7%*
Matching ratio (city to employee)	*2 to 1*	*2 to 1*
Years required for vesting	*5*	*5*
Service retirement eligibility (expressed as age / years of service)	*60/5, 0/25*	*60/5, 0/25*
Updated Service Credit	*100% Repeating, Transfers*	*100% Repeating, Transfers*
Annuity Increase (to retirees)	*70% of CPI Repeating*	*70% of CPI Repeating*

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

[city should provide chart similar to the "sample chart" shown below, if applicable]

SAMPLE

DO NOT USE "AS IS" FOR YOUR CITY

USE VALUES APPLICABLE TO YOUR OWN CITY

1. Annual Required Contribution (ARC)	*$ 12,000*	$ of ARC[1]
2. Interest on Net Pension Obligation	*1,500*	Interest[2] * (7)
3. Adjustment to the ARC	*(1,221)*	(7) / amortization factor
4. Annual Pension Cost (APC)	*12,279*	(1) + (2) + (3)
5. Contributions Made	*(10,000)*	Actual Contributions
6. Increase (decrease) in net pension	*2,279*	(4) + (5)
7. Net Pension Obligation/(Asset), beginning of year	*20,000*	
8. Net Pension Obligation/(Asset), end of year	*$ 22,279*	(6) + (7)

1. The fiscal year $ ARC is determined by the sum of the applicable $ ARC for each month in the city's fiscal year. The $ ARC for each month is determined by multiplying the PY % ARC (Full Retirement Rate) by the applicable payroll for that month (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report").
2. Should be the interest rate used in determining the ARC for the period. This is 7% for the 2008 and 2009 ARC and 7.5% for the 2010 ARC, and thereafter.

Comment: Cities who contribute at the level of the ARC (which is at the Full Retirement Rate) each year do not need to go through the above exercise for determining the Annual Pension Cost. For these cities, the Net Pension Obligation should be $0 and the Annual Pension Cost will be equal to the actual contributions made for the fiscal year.

However, beginning in 2008, member cities were allowed to make additional contributions into their TMRS Municipality Accumulation Fund (MAF). In addition, beginning in 2009, certain eligible member cities could elect to contribute a minimum amount equal to their ARC less a "Phase In" of the increase from the change to the Projected Unit Credit cost method in the 2007 valuation (i.e. – contribute at the Phase-In Rate). Both of these instances will cause a city to have an actual contribution different than the actuarially determined Annual Required Contribution (ARC), and therefore, accrue a net pension obligation (asset) on its balance sheet. In subsequent years, this Net Pension Obligation (Asset) will be amortized using the same amortization factor used to determine the ARC for a given year. We have included the amortization factor used to determine the prior service rate applicable to the time period indicated in the "Three-Year Trend Information" chart shown below. This is a step required to determine the Adjustment to the ARC (line 3 in the sample chart above) and ultimately the Annual Pension Cost (line 4 in the sample chart above) as described in GASB Stmt. 27.

Comment continued: The above is an example of a schedule to include in your financial statements; we have provided a column to the right of the schedule, describing the calculation. Please note, all of the values should be based on your city's fiscal year, not the TMRS plan year. The example above has a Full Rate (ARC) of 12% and made actual contributions equal to 10% ($10,000 in contributions). There was an NPO of $20,000 at the beginning of the period with an interest rate of 7.5% and an amortization factor of 16.377.

Three-Year Trend Information

Fiscal Year Ending	***Annual Pension Cost(APC)***	***Actual Contribution Made***	***Percentage of APC Contributed***	***Net Pension Obligation/ (Asset)***	**Amortization Factor***	**Annual Required Contribution Rate***
2007	*$*	*$*	*%*	*$*	NA	15.23%
2008	*$*	*$*	*%*	*$*	NA	15.64%
2009	*$*	*$*	*%*	*$*	17.329	21.73%
2010	*$*	*$*	*%*	*$*	16.377	23.52%
*2011**	*$*	*$*	*%*	*$*	16.086	24.25%

* **Comment:** Neither of the last two columns should be shown in the actual exhibit in the city's disclosure. This is being provided to assist the city in completing the calculation from the prior page. Also, the city is only required to show three years of information; the 2011 row is shown only to provide the city with the applicable amortization factor for determining the Annual Pension Cost.

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	*12/31/2007*	*12/31/2008*	*12/31/2009*
Actuarial Cost Method	*Projected Unit Credit*	*Projected Unit Credit*	*Projected Unit Credit*
Amortization Method	*Level Percent of Payroll*	*Level Percent of Payroll*	*Level Percent of Payroll*
GASB 25 Equivalent Single Amortization Period	*30 years; closed period*	*29 years; closed period*	*28 years; closed period*
Amortization Period for new Gains/Losses	*30 years*	*30 years*	*30 years*
Asset Valuation Method	*Amortized Cost*	*Amortized Cost*	*10-year Smoothed Market*
Actuarial Assumptions:			
*Investment Rate of Return **	*7.0%*	*7.5%*	*7.5%*
*Projected Salary Increases **	*Varies by age and service*	*Varies by age and service*	*Varies by age and service*
** Includes Inflation at*	*3.00%*	*3.00%*	*3.00%*
Cost-of-Living Adjustments	*2.1%*	*2.1%*	*2.1%*

Comment: Cities with a fiscal year ending December 31 (i.e. – the calendar year), would indicate that the required contribution for fiscal year 2010 was determined as part of the December 31, 2008 actuarial valuation; as such, the 2007 valuation information shown above would not be included in the disclosure.

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Funded Ratio*	*Unfunded AAL (UAAL)*	*Covered Payroll*	*UAAL as a Percentage of Covered Payroll*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
			(1) / (2)	*(2) - (1)*		*(4) / (5)*
12/31/2009	*$190,620,271*	*$295,369,779*	*64.5 %*	*$104,749,508*	*$58,679,443*	*178.5 %*

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Required Supplementary Information

Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

Actuarial Valuation Date	*Actuarial Value of Assets*	*Actuarial Accrued Liability (AAL)*	*Funded Ratio*	*Unfunded AAL (UAAL)*	*Covered Payroll*	*UAAL as a Percentage of Covered Payroll*
	(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
			(1) / (2)	*(2) - (1)*		*(4) / (5)*
12/31/2007	*$169,208,373*	*$262,453,428*	*64.5 %*	*$93,245,055*	*$54,789,624*	*170.2 %*
12/31/2008	*176,026,211*	*276,540,082*	*63.7*	*100,513,871*	*58,633,974*	*171.4*
12/31/2009	*190,620,271*	*295,369,779*	*64.5*	*104,749,508*	*58,679,443*	*178.5*

SUPPLEMENTAL DEATH BENEFITS FUND

GASB Statement No. 45:

In addition, GASB Stmt. 45 may be applicable to your city if the city has elected to participate in the Supplemental Death Benefits Fund (SDBF) **for its retirees**. Participating municipalities should comply with the **Stmt. 45** provisions for a **cost-sharing multiple-employer defined benefit healthcare plan.** The GASB statement provides information in paragraph 24 and also an example of the note disclosures in **Illustration 4** (Notes to the Financial Statements for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan). In addition, the participating employer can refer to the footnotes in the TMRS CAFR to obtain a general description of the SDBF.

In making its disclosures, the employer may need to consider its accounting year if the employer's fiscal year is different than TMRS' December 31 plan year (PY) and the valuation period.

Notes to Financial Statements:

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The city elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees **[this sentence should be updated to reflect the city's actual provisions as noted in the chart below**]. *The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.*

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

Your city offers supplemental death to:	Plan Year 2009	Plan Year 2010
Active employees (yes or no)	No	No
Retirees (yes or no)	No	No

Comment: This chart can be utilized to complete the footnote information above regarding your city's plan provisions for SDBF.

Contributions

Note: Your city is only required to disclose participation in the Supplemental Death Benefits Fund for OPEB reporting purposes if you provide this coverage to your retirees.

The city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The city's contributions to the TMRS SDBF for the years ended 2010, 2009 and 2008 were $____, $_____ and $______, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:

(RETIREE-only portion of the rate)

Plan/ Calendar Year	***Annual Required Contribution (Rate)***	***Actual Contribution Made (Rate)***	***Percentage of ARC Contributed***
2007	*0.00%*	*0.00%*	*100.0%*
2008	*0.00%*	*0.00%*	*100.0%*
2009	*0.00%*	*0.00%*	*100.0%*
2010	*0.00%*	*(city to provide)*	*(city to provide)*
2011	*0.00%*	*(city to provide)*	*(city to provide)*

Comment: Your city can disclose the ARC in dollars (as noted in sentence above) or in a chart similar to the above. In addition, the city is only required to show three years of information; additional years have been provided for informational purposes only.

The city is reminded that the disclosure should state the contributions for the cities respective fiscal year. As in the pension disclosure, the city can determine the $ contributions made by summing their monthly payroll by the retiree-portion SDBF rate noted above (payroll can be obtained from line 1 of the TMRS-3 report). Cities should also note that TMRS only allowed a Phase-In Rate for the pension contributions; all contributions to the SDBF are paid at the stated % rate above and as such, the % of ARC contributed will always be 100%.

Phase-in Rates

Following the change in TMRS' actuarial cost method as of the December 31, 2007 actuarial valuation, many TMRS cities that had adopted annually repeating USC and COLAs saw their contribution rates increase significantly.

Any city that experienced an increase of 0.50% or more due to actuarial assumption or method changes was given the option to phase-in the higher rate over an eight-year period beginning January 1, 2009. Your city was eligible for that option.

In addition, any increase in your 2010 rate due to the change in assumptions first reflected in the December 31, 2008 valuation was combined with your original phase-in balance and phased in over the remaining seven years of the phase-in period. The 2011 rate reflects the third year of the 8-year phase-in period.

What rate should my city pay?

Your city must contribute at least the Phase-in Rate and should consider paying more than this amount.

Can my city contribute more than the Phase-in Rate?

You may contribute at any rate you choose, but you must contribute at least the Phase-in Rate. Your city may choose to pay (1) the Full Rate, (2) a rate between the Phase-in Rate and the Full Rate or (3) a rate above the Full Rate. The TMRS Act was amended effective January 1, 2008 allowing cities to make additional contributions to TMRS.

What is the impact of paying the Phase-in Rate or a rate below the Full Rate?

Contributing at a rate less than the Full Rate during the phase-in period will affect your City in at least the following two ways:

(1) Each year that the actual contribution rate is less than the Full Rate, the difference generates an actuarial loss in the following year's actuarial valuation which must be amortized as part of the UAAL by an increase in the Prior Service rate. All other things being equal, the Full Rate for each successive year of the phase-in period will reflect the cumulative increases in the Prior Service rate from all prior years; therefore, for a city that contributes the phase-in rates exactly, the 2016 Full Rate will reflect the cumulative effect of seven incremental increases in the Prior Service rate. Cities that pay the Phase-in Rate or any rate less than the Full Rate are also likely to see their funding ratio decline each year.

(2) In accordance with GASB Stmt 27, your city will need to disclose a Net Pension Obligation (NPO) in its financial statements to reflect the difference between the annual required contribution (ARC) (i.e. – the Full Rate excluding supplemental death rate, if applicable) and the actual contributions made. More information about GASB reporting requirements is discussed in the GASB Compliance Data Attachment.

What is the impact of contributions in excess of the Full Rate?

Contributions above the Full Rate will have the exact opposite effect on your city as described above for contributions less than the Full Rate – (1) the amortization of actuarial gains created by additional contributions will decrease the Full Rate (by a decrease in the PS Rate) for the following year and (2) reduce the NPO, if any, or create a Net Pension Asset (NPA) for financial statement purposes. A city that makes contributions in excess of the Full Rate should also see its funding ratio improve more rapidly.

Can my city pay the Full Rate this year and change to the Phase-in Rate in a later year?

Yes. Each year during the 8-year phase-in period, TMRS will send you a rate letter showing both the Phase-in Rate and the Full Rate. The Phase-in Rate will be the minimum rate you must pay. As mentioned earlier, a city should consider paying more than the Phase-in Rate.

If my city makes plan changes that increase the cost of our plan (benefit improvements), can we phase-in those additional costs?

No. The contribution rate increase due to benefit improvements will not change the Phase-in Amount used in determining the Phase-in Rate. The Phase-in Rate will increase by the same amount as the Full Rate. The Phase-in Rate was intended to assist those cities that needed additional time to budget for the Full Rate. Any city making plan changes should consider paying the Full Rate.

If my city makes changes that decrease the cost of our plan (benefit reductions), will our Phase-in Rate be affected?

Yes. Reductions in the Full Rate because of a plan benefit reduction will change the amount being phased-in and the Phase-in Rate beginning with the year the plan changes are effective. The portion of the amount being phased in and not yet recognized (7/8th in year 1, 6/8th in year 2, 5/8th in year 3, 4/8th in year 4, 3/8th in year 5, 2/8th in year 6, 1/8th in year 7, and 0/8th in year 8) will be reduced by the decrease in the Full Rate to be phased in evenly over the remainder of the 8-year phase-in period. If the decrease in the Full Rate due to reductions in plan benefits exceeds the unrecognized portion of the Phase-in Amount, your required contribution rate will be the reduced Full Rate based on the new plan provisions.

If I make a plan change in 2010, will my 2011 contribution rate be recalculated?

Yes. 2011contribution rates will be re-determined for cities that adopt changes in plan benefits prior to the end of calendar year 2010.