AGENDA FOR SPECIAL MEETING

KERRVILLE CITY COUNCIL

TUESDAY, JULY 27, 2010, 4:30 P.M.

CITY HALL COUNCIL CHAMBERS

800 JUNCTION HIGHWAY, KERRVILLE, TEXAS

TO BE CONSIDERED BY THE CITY COUNCIL
CITY OF KERRVILLE, TEXAS

SUBJECT: Presentation and discussion regarding the City's retirement plan (Texas Municipal Retirement System)

FOR AGENDA OF: July 27, 2010 **DATE SUBMITTED**: July 16, 2010

SUBMITTED BY: Kimberly Meismer, KM **CLEARANCES:** N/A
Director of General Operations

EXHIBITS:

AGENDA MAILED TO:
APPROVED FOR SUBMITTAL BY CITY MANAGER:

Expenditure Required:	Current Balance in Account:	Amount Budgeted:	Account Number:
$	$	$	

PAYMENT TO BE MADE TO:
REVIEWED BY THE FINANCE DIRECTOR:

SUMMARY STATEMENT

The Texas Municipal Retirement System (TMRS) provides retirement benefits to employees of more than 820 Texas cities including Kerrville. TMRS is governed by the Texas Government Code, Title 8, Subtitle G, and is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code.

The City has had Updated Service Credits (USC) at 100% and Cost of Living Adjustments (COLA) at 70% for many years. In 2009, Council voted to change the COLA to 50%.

Elimination of the USC and COLA can save the City an estimated $490,945 annually.

Eric Davis, Deputy Executive Director of TMRS will be providing an overview of the TMRS system along with answering any questions that Council may have.

RECOMMENDED ACTION

Staff recommends eliminating the Updated Service Credits and Cost of Living Adjustments effective January 1, 2011. If Council agrees, we will bring back an ordinance for approval at a future date.

CITY OF
Kerrville
TEXAS

TMRS Update

Presented By Kim Meismer

Director of General Operations

July 27, 2010

CITY OF Kerrville TEXAS

TMRS

- Created by Section 67, Article 16 of the Texas Constitution.
- Governed by the Texas Government Code, Title 8, Subtitle G.
- Qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code .
- Kerrville
  - 144 current retirees
  - 53 active employees eligible to retire

Annuity Increases

- City may choose to grant cost of living adjustments (COLA)
  - Protect benefit from inflation.
- 70%, 50% or 30% of the Consumer Price Index for Urban Wage Earners (CPI-U)
- COLA, is measured from:
  - December before retirement through the December that is 13 months prior to the effective date of the CPI increase.
  - The calculated increase will be applied to the original monthly retirement payment.

CITY OF Kerrville TEXAS

TMRS

Kerrville's Contribution Rate:

Year	Phase In Rate	Full Rate
2011 (at 50% COLA)	14.40%	16.03%
2010 (at 50% COLA)	14.18%	16.13%
2009 (at 70% COLA)	13.76%	17.35%
(Change in Actuarial Cost Method)		
2008 (at 70% COLA)	N/A	13.66%
2007 (at 70% COLA)	N/A	13.52%
2006 (at 70% COLA)	N/A	12.98%

TMRS Rate Analysis - Effective January 1, 2011				
	CURRENT PHASE-IN	**CURRENT FULL RATE**	**As-Is 1/1/2011 PHASE-IN**	**As-Is 1/1/2011 FULL RATE**
	USC 100% **COLA 50%**	**USC 100%** **COLA 50%**	**USC 100%** **COLA 50%**	**USC 100%** **COLA 50%**
Total Rate	14.18%	16.13%	14.40%	16.03%
Example Monthly Deposit – Based on $1,090,989.77 Gross Earnings (April 2010)	$154,702.35	$175,976.65	$157,102.53	$174,885.66
	Proposal #1	**Proposal #2**	**Proposal #3**	**Proposal #4**
	USC 100% **COLA 0%**	**USC 75%** **COLA 0%**	**USC 50%** **COLA 0%**	**USC 0%** **COLA 0%**
Total Rate	12.39%	11.32%	10.36%	9.40%
Example Monthly Deposit – Based on $1,090,989.77 Gross Earnings (April 2010)	$135,173.63	$123,500.04	$113,026.54	$102,553.04
Potential Savings (9 months) from As-Is 1/1/2011 Phase In Rate	**$197,360.05**	**$302,422.36**	**$396,683.88**	**$490,945.40**

USC = Updated Service Credits (affects current employees when they retire)

COLA = Annuity Increases (affects retirees only)