



# TCDRS Retirement Presentation

**FY2019 BUDGET WORKSHOP**

# Benefits Provided

Deposit Rate	7%
Matching Rate	200%*
Vesting Period	8 years

## Retirement Eligibility

- Age 60 (Vesting) & 8 years of service
- At any age 30 years of service
- Age + years of service = 75

Guaranteed Interest Rate 7%

\*for employee contributions made on or after 1/1/2011

# County Comparison

County	Employee Contribution %	County Match %	Years of Service for Vesting	Retirement Eligibility Rule	Most Recent Retiree COLA	Type and Rate of Retiree COLA	Group Term Life
Collin	7	200	8	75	2018	CPI 40%	Active & Retiree
Bexar*	7	200	8	75	2018	CPI 10%	No
Dallas	7	200	10	80	-	-	No
Denton*	7	225	8	75	2017	CPI 80%	Active
El Paso*	7	250	8	75	2016	Flat 1%	No
Fort Bend	7	200	8	75	2014	CPI 10%	No
Harris	7	225	8	75	-	-	No
Hidalgo*	7	200	8	75	2016	CPI 100%	No
Montgomery	6	250	8	75	2017	CPI 10%	No
Tarrant	7	200	8	75	2018	CPI 50%	No
Travis	7	225	8	75	2016	CPI 50%	No
Williamson	7	250	8	75	2016	CPI 60%	No

\*Allows 20 years of service for retirement at any age, all others require 30 years of service for retirement at any age.

# City Comparison

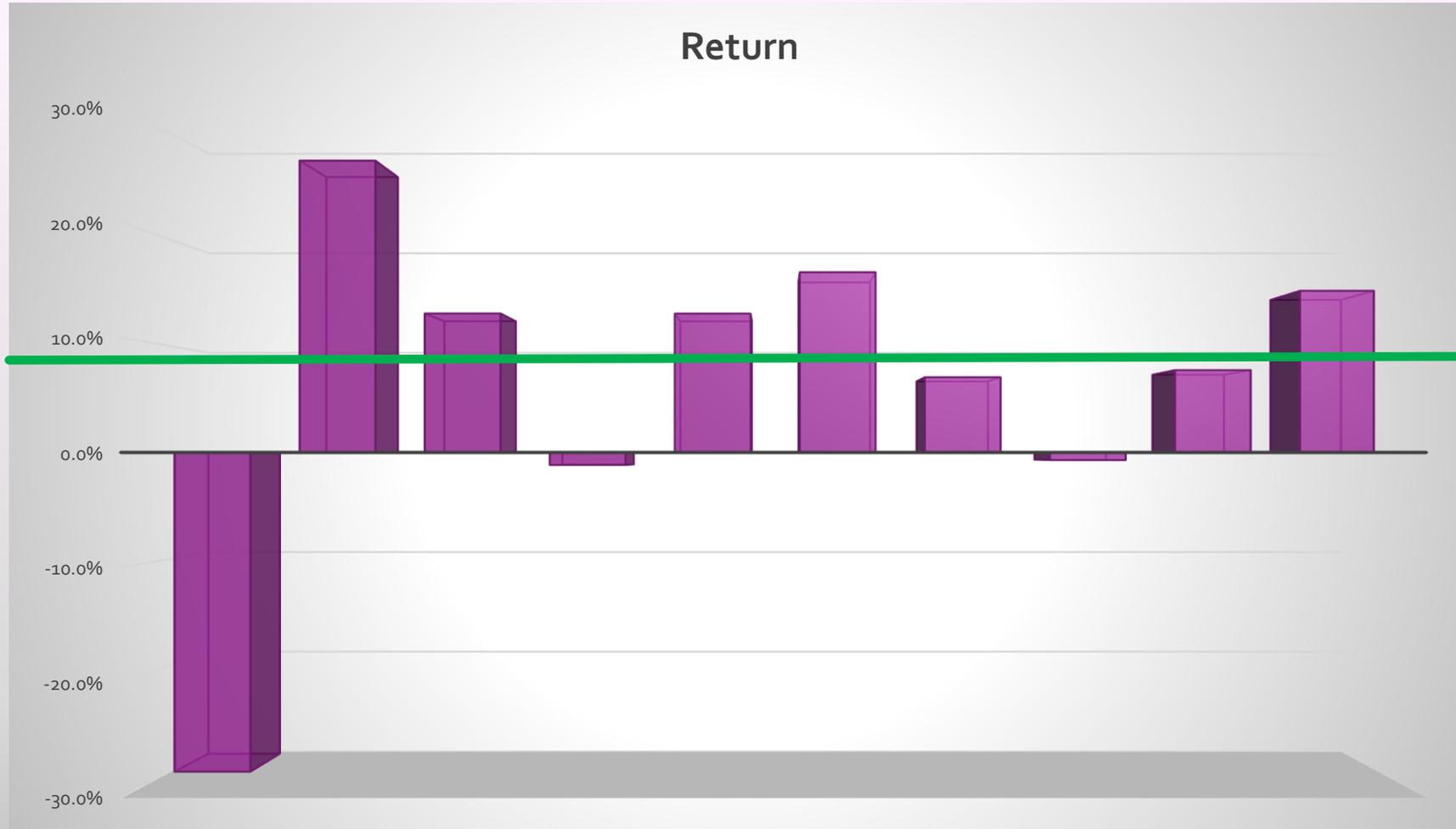
City	Employee Contribution %	City Match %	Years of Service Match %	Retirement Eligibility Rule	Retiree Increase 2018	Retiree Death Benefit
Allen	7	200	5	N/A	CPI 70%	Active & Retiree
Frisco	7	200	5	N/A	CPI 70%	Active & Retiree
McKinney	7	200	5	N/A	CPI 70%	Active & Retiree
Plano	7	200	5	N/A	CPI 70%	No
Richardson	7	200	5	N/A	CPI 50%	No
Wylie	7	200	5	N/A	CPI 70%	Active & Retiree

# Portfolio Rate of Return

Year	Return
2008	-29.0%
2009	26.5%
2010	12.6%
2011	-1.2%
2012	12.6%
2013	16.4%
2014	6.8%
2015	-0.7%
2016	7.5%
2017	14.7%

Total fund return as of 3/2018	
1 year	14.7%
3 years	6.5%
5 years	8.8%
10 years	5.6%
20 years	7.1%
30 years	8.4%

# Rate of Return (Illustration Only)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Rate of Return	-29.0%	26.5%	12.6%	-1.2%	12.6%	16.4%	6.8%	-0.7%	7.5%	14.7%

— 8% return required to cover guaranteed return

# Rate of Return (Illustration Only)

Year	Required Account Value	Required Rate of Return	Required Ending Balance	Actual Account Value	Actual Return	Actual Ending Balance
2008	\$1,000	\$80	\$1,080	\$1,000	-\$290	\$710
2009	\$1,080	\$86	\$1,166	\$710	\$188	\$898
2010	\$1,166	\$93	\$1,259	\$898	\$113	\$1,011
2011	\$1,259	\$101	\$1,360	\$1,011	-\$12	\$999
2012	\$1,360	\$109	\$1,469	\$999	\$126	\$1,125
2013	\$1,469	\$118	\$1,587	\$1,125	\$185	\$1,310
2014	\$1,587	\$127	\$1,714	\$1,310	\$89	\$1,399
2015	\$1,714	\$137	\$1,851	\$1,399	-\$10	\$1,389
2016	\$1,851	\$148	\$1,999	\$1,389	\$104	\$1,493
2017	\$1,999	\$160	\$2,159	\$1,493	\$219	\$1,712

# Rate of Return (Illustration Only)



# TCDRS Change

- Change in annuity purchase rate.
  - Benefits based on member deposits prior to January 1, 2018, will not be affected.
  - People are expected to live longer. Benefits based on member deposits on or after January 1, 2018, will be based on adjusted mortality tables.
  - This change does not affect the benefit calculation for member deposits before January 1, 2018.
  - This change does not affect employee's retirement eligibility.

# Cost

Year	Normal Rate (%)	UAAL Rate (%)	COLA Rate (%)	Total (%)	County Contribution (%)
2010	9.10	3.74	.00	12.84	13.50
<b>Made a lump sum payment of \$5,000,000 in October 2010*</b>					
2011	9.38	3.43	.08	12.89	13.50 (original)
2011	7.59	2.92	.08	10.59	13.50 (revised)
<b>Made a lump sum payment of \$35,500,000 in October 2011*</b>					
2012	7.57	2.90	.07	10.54	13.50 (original)
2012	7.57	0.00	.07	7.64	7.70 (revised)
<b>Made a lump sum payment of \$2,045,000 in October 2012*</b>					
2013	7.56	0.45	.05	8.06	8.50 (original)
2013	7.56	0.00	.05	7.61	8.50 (revised)
<b>Made a lump sum payment of \$11,608,062 in November 2013*</b>					
2014	7.55	0.51	.00	8.06	8.50 (original)
2014	7.55	0.00	.00	7.55	8.50 (revised)
2015	7.43	-1.22	.00	6.21	8.00
2016	7.44	-1.73	.00	5.71	8.00
2017	7.08	-0.86	.00	6.22	8.00
<b>Made a lump sum payment of \$2,471,616 in December 2017*</b>					
2018	7.09	-0.32	.00	6.77	8.00 (budgeted)
2019	6.94	0.01	.00	6.95	

\* Lump sum payments were made to reduce the unfunded actuarial liability and/or fund an adopted COLA

# County Rate Comparison

County	2018 Required Rate	2018 Elected Rate	2019 Required Rate
Collin	6.77%	8.00%	6.95%
Bexar	11.91%	N/A	13.51%
Dallas	12.27%	N/A	12.43%
Denton	12.97%	N/A	13.16%
El Paso	16.78%	N/A	16.97%
Fort Bend	12.12%	N/A	11.86%
Harris	14.35%	N/A	14.19%
Hidalgo	11.80%	N/A	11.91%
Montgomery	11.03%	12.27%	10.81%
Tarrant	14.30%	19.50%	13.92%
Travis *	14.91%	14.91%	14.92%
Williamson *	13.94%	12.81%	13.90%

\* If an elected rate is lower than a required rate, the entity must contribute at least the required rate.

# City Rate Comparison

City	2018 Required Rate	2019 Required Rate
Allen	14.08%	14.18%
Frisco	14.29%	14.34%
McKinney	15.43%	15.20%
Plano	17.32%	16.67%
Richardson	14.58%	14.44%
Wylie	15.08%	14.96%

\*TMRS does not have elected rates. Cities contribute the required rate but have the option to make additional payments during the year.

# Employer Contributions

Calendar Year	Total Employer Deposits	Contributing Employees	Cost Per Employee
2008	\$10,431,480	1809	\$5,766
2009			
Standard Payment	\$11,642,578	1786	\$6,519
Lump Sum Payment	\$1,130,000		\$633
2010			
Standard Payment	\$11,770,220.00	1755	\$6,707
Lump Sum Payment	\$5,000,000.00		\$2,849
2011			
Standard Payment	\$11,699,770	1790	\$6,536
Lump Sum Payment	\$35,500,000		\$19,832
2012			
Standard Payment	\$6,702,402	1811	\$3,701
Lump Sum Payment	\$2,045,000		\$1,129
2013			
Standard Payment	\$7,437,259	1824	\$4,077
Lump Sum Payment	\$11,608,062		\$6,364
2014	\$7,222,299	1848	\$3,908
2015	\$7,368,276	1854	\$3,974
2016	\$7,652,829	1898	\$4,032
2017			
Standard Payment	\$8,045,603	1943	\$4,141
Lump Sum Payment	\$2,471,616		\$1,272
<b>Total 2008-2017</b>	<b>\$147,727,394</b>	<b>1832</b>	<b>\$80,646</b>

# Unfunded Liability Update

- Currently there is unfunded liability using the 5-year asset recognition method.
- As of December 2017, our plan has \$1,160,641 of unfunded liability which is a funded ratio of 99.8%.
- Gains or losses that are smoothed are not reflected in the overfunded/unfunded liability. If an immediate asset recognition method were used instead of a delayed asset recognition the unfunded liability would be \$3,114,182, which is a funded ratio of 99.4%.
- The minimum required contribution rate for 2019 is 6.95%.
- TCDRS exceeded their investment return goal of 8% for 2017. Actual return was 14.7%. Actuarial gains and losses are smoothed over 5 years and will be recognized over time.

# Liability History-5 Year Asset Recognition Method

Calendar Year End	Budget Year	Unfunded Liability	Funded Percentage	Notes
2008	2010	\$ 41,594,399	82.0%	
Made a lump sum payment of \$1,130,000 in October 2009				
2009	2011	\$ 40,273,716	84.5%	before reduced match
2009	2011	\$ 36,309,269	85.8%	with reduced match
Made a lump sum payment of \$5,000,000 in October 2010				
2010	2012	\$ 34,553,355	87.5%	
Made a lump sum payment of \$35,500,000 in October 2011				
2011	2013	\$ 2,044,817	99.0%	
Made a lump sum payment of \$2,045,000 in October 2012				
2012	2014	\$ 2,794,438	99.1%	
Made a lump sum payment of \$11,608,062 in November 2013				
2013	2015	\$ (14,704,583)	104.5%	
2014	2016	\$ (21,504,628)	106.2%	
2015	2017	\$ (11,689,647)	103.1%	
2016	2018	\$ (4,076,091)	100.8%	
Made a lump sum payment of \$2,471,616 in December 2017				
2017	2019	\$ 1,160,641	99.8%	

# Unfunded Liability

Actual Overfunded Liability as of 12/31/2016	\$4,076,000
Adjustment due to Decrease in Discount Period	\$326,000
Scheduled OAAL Drawdown	(\$841,000)
Recognition of Investment Gains and Losses for 2013-2017 (using the five-year recognition method)	(\$2,817,000)
Gain due to Additional Employer Contributions (Elected Rate greater than Required Rate)	\$1,737,000
Gain due to Additional Employer Contributions (Lump Sum Contribution)	\$2,472,000
Loss due to Adoption of 40% CPI-based COLA	(\$2,472,000)
Loss due to Change in Actuarial Assumptions and Methods	(\$3,189,000)
Loss due to Greater than Expected Salary Increases	(\$605,000)
Gain due to Greater than Expected Withdrawals	\$74,000
Loss due to Fewer than Expected Terminations (excluding withdrawals)	(\$149,000)
Gains due to Retirements Different than Expected (includes disability)	\$424,000
Loss due to Less than Expected Retiree Mortality	(\$197,000)
Net Actuarial Gains from All Other Sources (active death, proportionate service, etc.)	\$0
Actual Underfunded Liability as of 12/31/2017	(\$1,161,000)

# Unfunded Liability

	2016	2015	2014	2013
Actual Over/Underfunded Liability as of December 31	\$4,076,000	\$11,690,000	(\$21,505,000)	(\$14,705,000)
Adjustment due to Decrease in Discount Period	\$326,000	\$935,000	(\$1,935,000)	(\$1,323,000)
Scheduled OAAL Drawdown	(\$841,000)	(\$1,248,000)	\$1,076,000	\$520,000
Recognition of Investment Gains and Losses for previous five years (using the five-year recognition method)	(\$2,817,000)	(\$11,370,000)	\$9,337,000	(2,899,000)
Gain/Loss due to Additional Employer Contributions (Elected Rate greater than Required Rate)	\$1,737,000	\$2,121,000	(\$1,599,000)	(\$979,000)
Gain/Loss due to Additional Employer Contributions (Lump Sum Contribution)	\$2,472,000			
Loss/Gain due to Adoption of 40% CPI-based COLA	(\$2,472,000)			
Loss/Gain due to Change in Actuarial Assumptions and Methods	(\$3,189,000)		\$4,364,000	
Loss/Gain due to Greater than Expected Salary Increases	(\$605,000)			
Loss/Gain due to Lower than Expected Payroll Variation		(\$590,000)		
Gain/Loss due to Greater than Expected Withdrawals	\$74,000			
Gain/Loss due to Greater than Expected Terminations and Withdrawals		\$956,000	(\$831,000)	(\$712,000)
Loss/Gain due to Fewer than Expected Terminations (excluding withdrawals)	(\$149,000)			
Gains/Losses due to Retirements Different than Expected (includes disability)	\$424,000	\$250,000		
Loss/Gain due to Less than Expected Retiree Mortality	(\$197,000)			
Gain/Loss due to Greater than Expected Retiree Mortality		\$439,000		
Net Actuarial Gains from All Other Sources (active death, proportionate service, etc.)	\$0	\$893,000	(\$597,000)	(\$1,407,000)
Actual Under/Overfunded Liability as of December 31 the following year	(\$1,161,000)	\$4,076,000	(\$11,690,000)	(\$21,505,000)

# GASB Statement 68

- Requires Collin County to report TCDRS pension liability/assets on the CAFR.
- Reporting requirements do not change how TCDRS plan funding is calculated.
- Repeating Cost of Living Adjustments (COLAs) increase the calculated rate of financial reporting, as they assume annual COLAs for all plan participants continuously into the future and require this pension liability to be reported on the CAFR.
- Any significant volatility experienced in pension liability will be reflected on the CAFR.
- The repeating COLA designation has no effect on the plan funding. It does not impact the plan's funded ratio or the required contribution rate, which are calculated for the purpose of funding the plan.

# GASB Statement 75

- New for fiscal years after June 15, 2017
- Post employment benefits other than pensions (OPEB)
  - Because we cover retirees, we have a post-employment benefit.
- Our OPEB liability as of December 2017 is \$3,245,484, which will be reported on our September 30, 2018, fiscal year-end financials.
- For financial reporting purposes only – does not impact costs.

# Cost of Living Adjustment (COLA)

- The TCDRS retirement benefit is a fixed benefit payment.
- The costs of goods and services, such as health care expenses, go up each year due to inflation.
- A Cost of Living Adjustment (COLA) restores some of the purchasing power that the benefit loses over time.
- Electing a COLA is only effective for one plan year and is reassessed on a year-to-year basis. Court determines if a cost of living increase will be awarded each year. There are three options:
  - **Flat Rate COLA:** Flat percentage increase is applied to all retiree benefits.
  - **CPI-based COLA:** Based on how much inflation has occurred since each employee retired. Adjustments for one retiree could differ from that of another retiree if they retired at different times.
  - **No COLA**

# Retiree COLA

- COLAs are funded over a 15-year period.
- Collin County has historically adopted various COLA options including:
  - 60% to 100% of CPI
  - 3% - 8% Flat Rate
  - No COLA
- Last year, a COLA of 40% CPI was approved for plan year 2018.
- As of the end of December 2017, there were 760 individuals collecting TCDRS benefits, 320 active employees were eligible to retire, and 344 additional employees will be eligible to retire in the next 5 years.

# Basic Life Insurance Proposal

Projected Premiums	2018
TCDRS 1x salary	\$245,551
Collin County Basic Life (50,000)	\$61,280
Basic AD&D	\$9,012
<b>GRAND TOTAL</b>	<b>\$315,843</b>

VOYA Proposed Options 2019*	Estimated Yearly Cost
Option 1: 1x salary, plus \$50,000 (max \$300,000)	\$159,858
Option 2: 1.5x salary, plus \$50,000 (max \$400,000)	\$202,792
Option 3: 2x salary (min \$100,000/max \$400,000)	\$209,104

\* Proposed rates include AD&D

## Impact

- Removing the TCDRS life insurance policy means retirees will no longer have a \$5,000 benefit.
- Typically, benefits are not offered to part-time employees (17) unless legislated. TCDRS requires part-time participation. These employees would lose life insurance coverage worth 1x their salary.
- CSCD employees, district judges, and the district attorney receive life insurance coverage through the state. These employees would lose life insurance coverage worth 1x their Collin County paid salary.
- All eligible employees would experience an increase in county-paid coverage with options two and three.

# Court Determination Budget Information

- Employer contribution rate to remain at 8%
- Determination of any retiree COLA
- Determination of basic life insurance proposal