Collin County
TCDRS Retirement Plan

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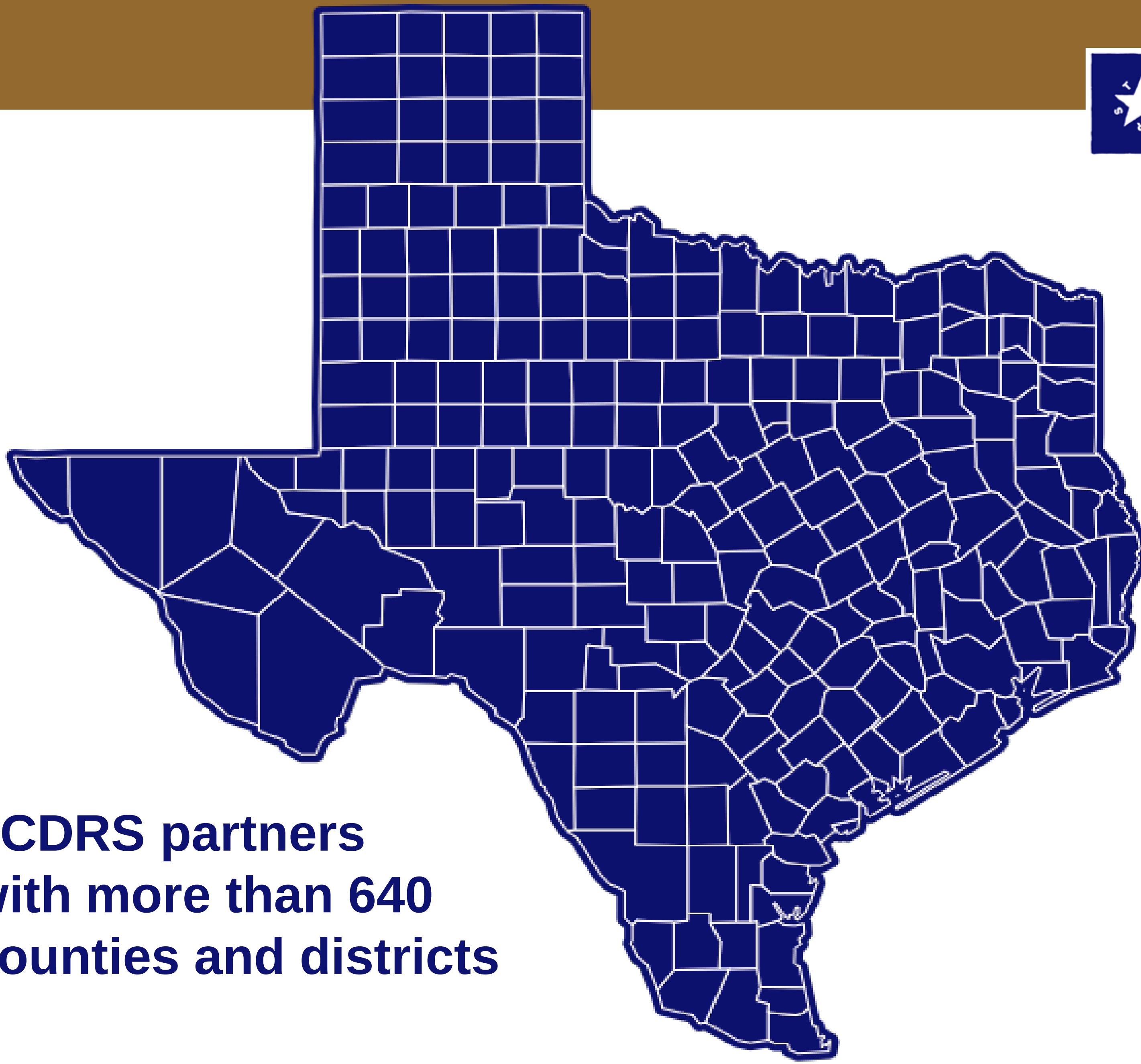
Doing Retirement Right

- ★ **Savings-based**
  - – Members save for retirement over their entire careers
  - – Benefit based on savings balance and employer match

- ★ **Responsible funding**
  - – Employers pay 100% of required contribution annually

- ★ **Flexibility and local control**
  - – Employers can adjust benefits to meet workforce needs and budget

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM



TCDRS partners with more than 640 counties and districts

We serve more than 235,000 Texans

Benefits Texas

- $797 million in benefits paid in 2011
- Supports:
  - $1.2 billion total economic output
  - 9,145 jobs created
  - $675 million added to Texas GDP
- Benefits paid during 2011 in Collin County:
  - $14,510,102

Set Up for Success

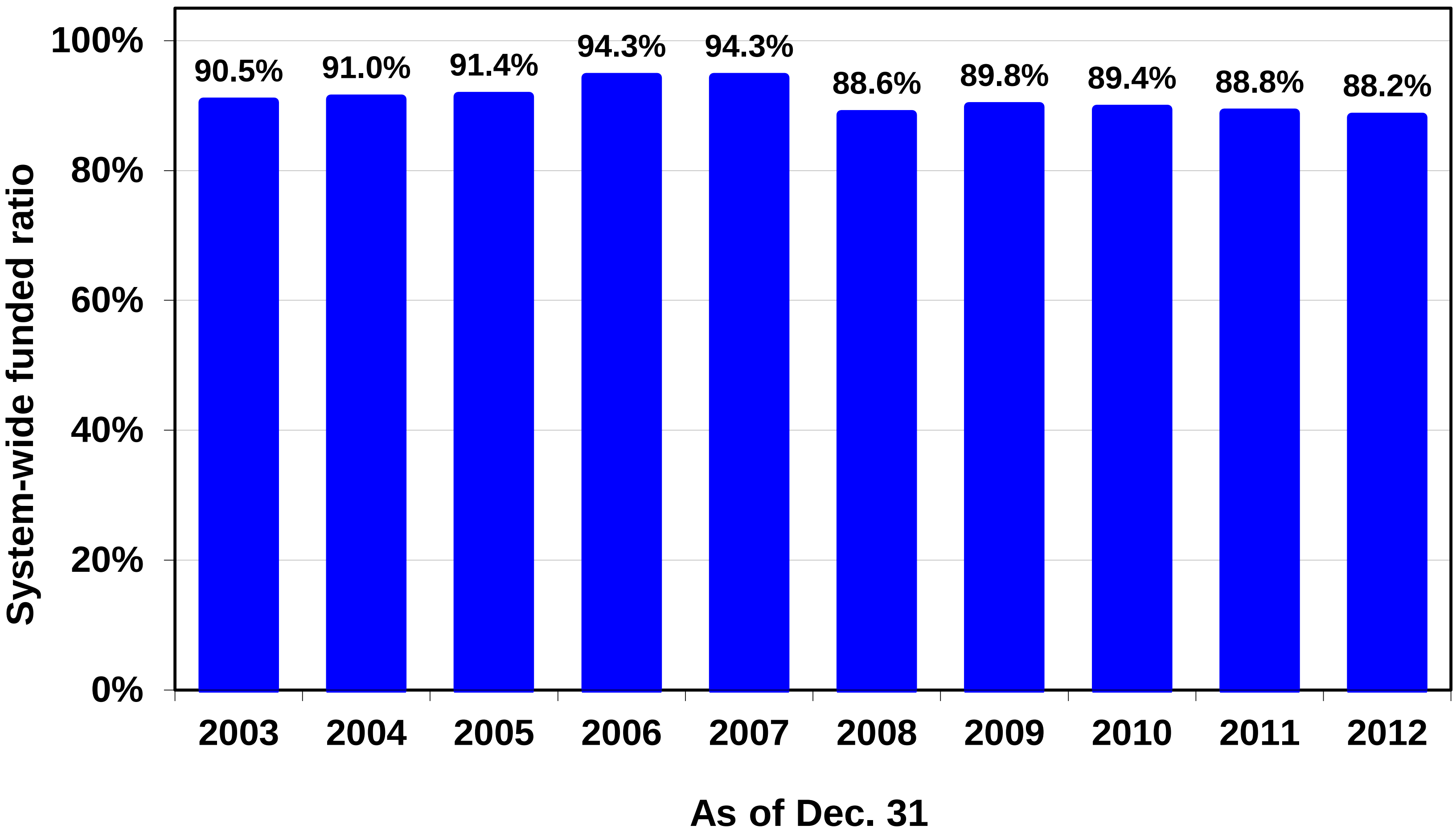
- ★ Created in 1967 by the Texas Legislature
- ★ Managed independently by a nine-member board of trustees
- ★ Receives no funding from the State of Texas
- ★ Manages an estimated $19.7 billion in assets as of Dec. 31, 2012

Plans Like TCDRS Are Efficient

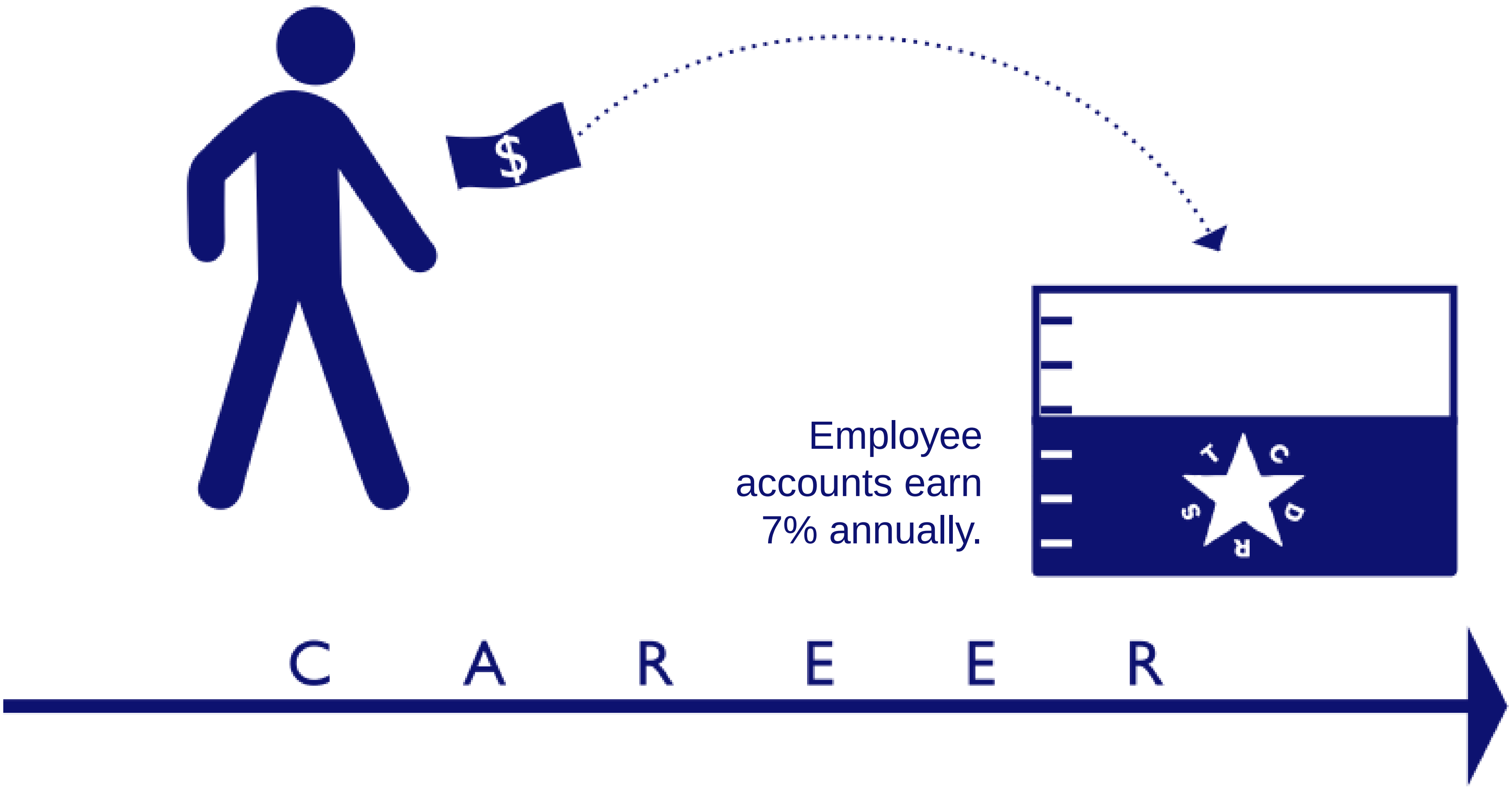
- Provides same benefit as defined contribution (DC) plan at half the cost
  - Professional investment management
  - Optimally balanced portfolio (forever young)
  - Pooled longevity risk
- Costs average 1/4 percent to 1/3 percent of assets

Funded Ratio History

TCDRS is among the top 20% of best funded public retirement systems nationally.



Employees Save for Their Own Retirement



Employees Earn a Lifetime Benefit

Your Plan of Benefits

- Employee deposit rate: 7%
- Employer matching rate: 200%
- Vesting: 8 years of service
- Retirement eligibility:
  - Age 60 with 8 years of service
  - Rule of 75 (must be vested)
  - 30 years of service at any age
- Partial Lump-Sum Distribution
- Group Term Life: Active employees and retirees

Average Employee and Retiree Profile*

Your employees:

- ★ 46 years old
- ★ 13 years of service
- ★ $51,108 in compensation annually

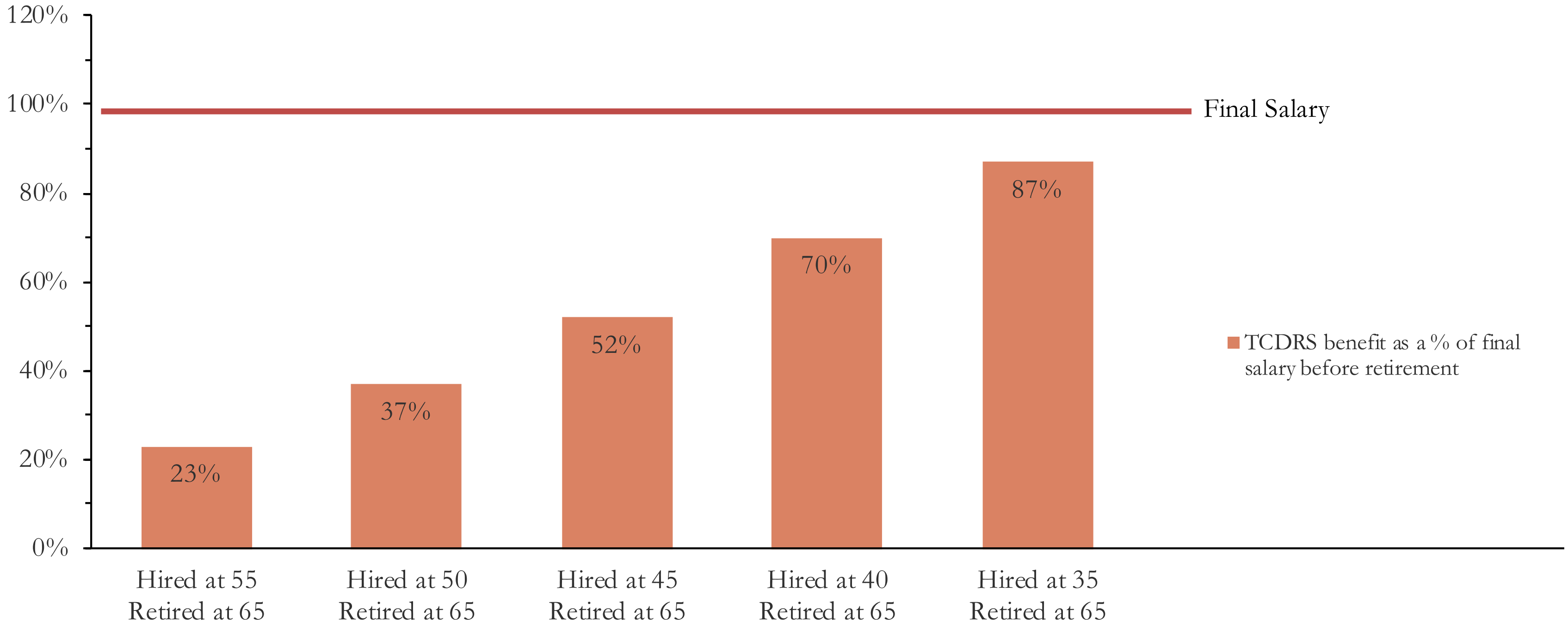
Your retirees:

- ★ 62 years old at retirement
- ★ 17 years of service at retirement
- ★ $25,300 in TCDRS benefits annually

* Based on actuarial data as of Dec. 31, 2012

Your Plan Replacement Ratios

The following chart shows the estimated TCDRS benefit as a percentage of final salary prior to retirement for a new hire:



Assumptions

- Employees are new hires and will work for you until retirement.
- Your current plan provisions will remain in effect through employee's retirement.
- Current laws governing TCDRS will continue as they are.
- Graded salary scales give bigger raises early in careers, with smaller raises later in careers (see Summary Valuation Report at www.tcdrs.org).
- Based on Life Only benefit.

Projection of Collin County Retiree Benefits Under Current Plan

Year Ended	Number of Retirees *	Average Annual Benefit	Average Annual Benefit in 2012 Dollars **
2011	367	$24,100	$24,100
2012	435	24,900	24,000
2013	487	26,000	24,300
2014	534	27,100	24,400
2015	581	28,000	24,400
2016	625	28,900	24,300
2017	671	29,800	24,200
2018	717	30,800	24,200
2019	761	31,800	24,200
2020	805	32,900	24,200
2021	848	34,200	24,200
2022	887	35,400	24,300
2023	924	36,700	24,300
2024	957	38,200	24,400
2025	991	39,500	24,400
2026	1,024	40,900	24,400
2027	1,053	42,500	24,500

* Based on actuarial data as of Dec. 31, 2011. Each year's number of retirees reflects estimated number of new retirees and deaths. It is estimated that between 30% and 35% of all employees will eventually receive a monthly benefit in retirement.

** 3.5% annual inflation

Investment Income Funds Benefits

Estimated

Investment Income Funds Benefits

Estimated

Investment Income Funds Benefits

Estimated

Investment Returns (Net of Fees)

Estimated as of Dec. 31, 2012

Annualized Returns	2012 Return	3 Year	5 Year	10 Year	20 Year	30 Year
Total Fund	12.6%	7.8%	2.4%	7.2%	7.2%	9.2%

Our preliminary estimated results include conservative estimates of fourth quarter performance of TCDRS' private equity, private real estate and distressed debt portfolios whose actual performance will not be available until audited financial statements from the underlying partnerships are received in the spring. Final performance will be released in conjunction with TCDRS' 2012 Comprehensive Annual Financial Report.

Long-Term Investor

- 8% long-term return goal
- Measured against benchmarks
- Reviewed by board every quarter

Achieving Long-Term Investment Goals

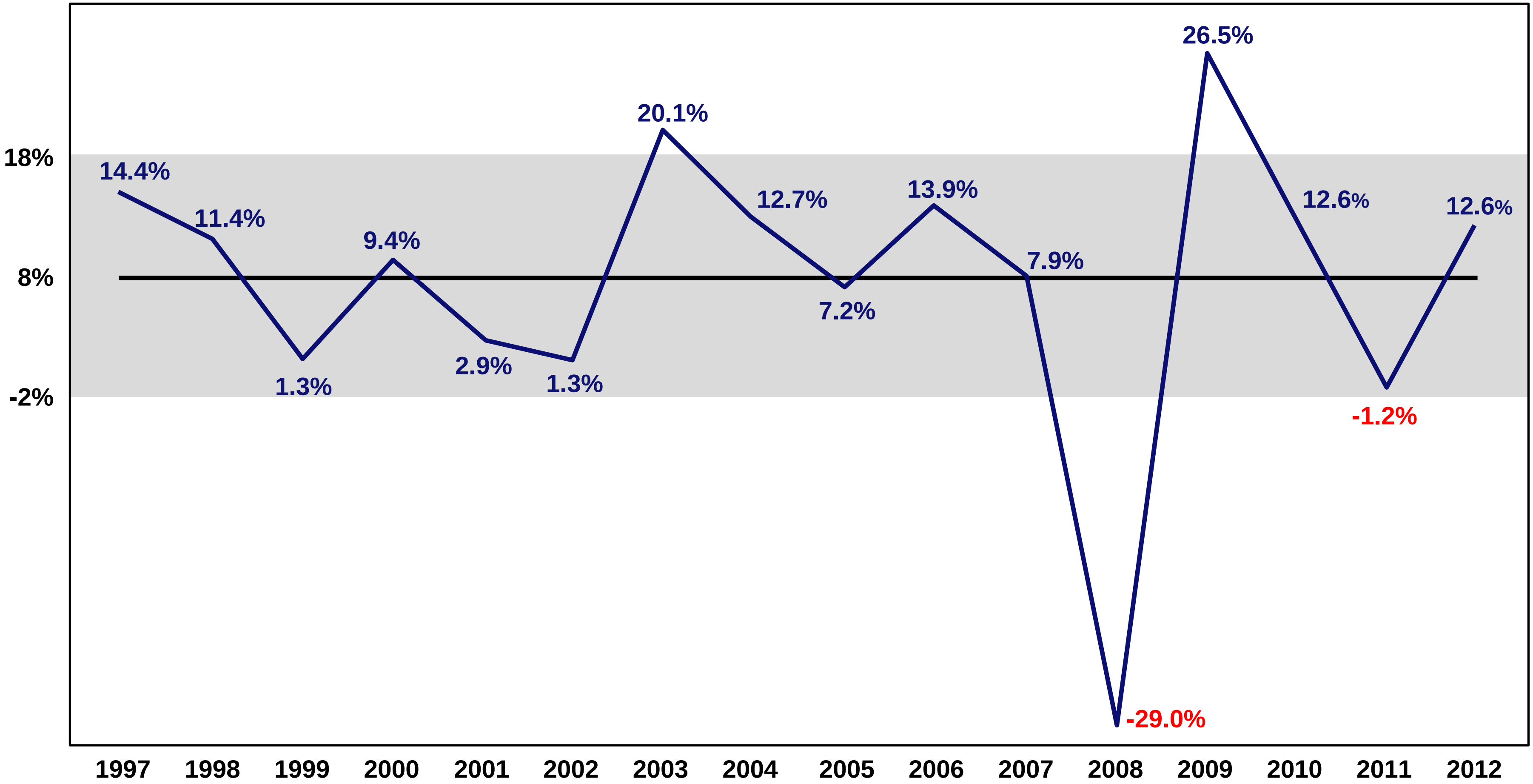
The dream

Achieving Long-Term Investment Goals

The expectation

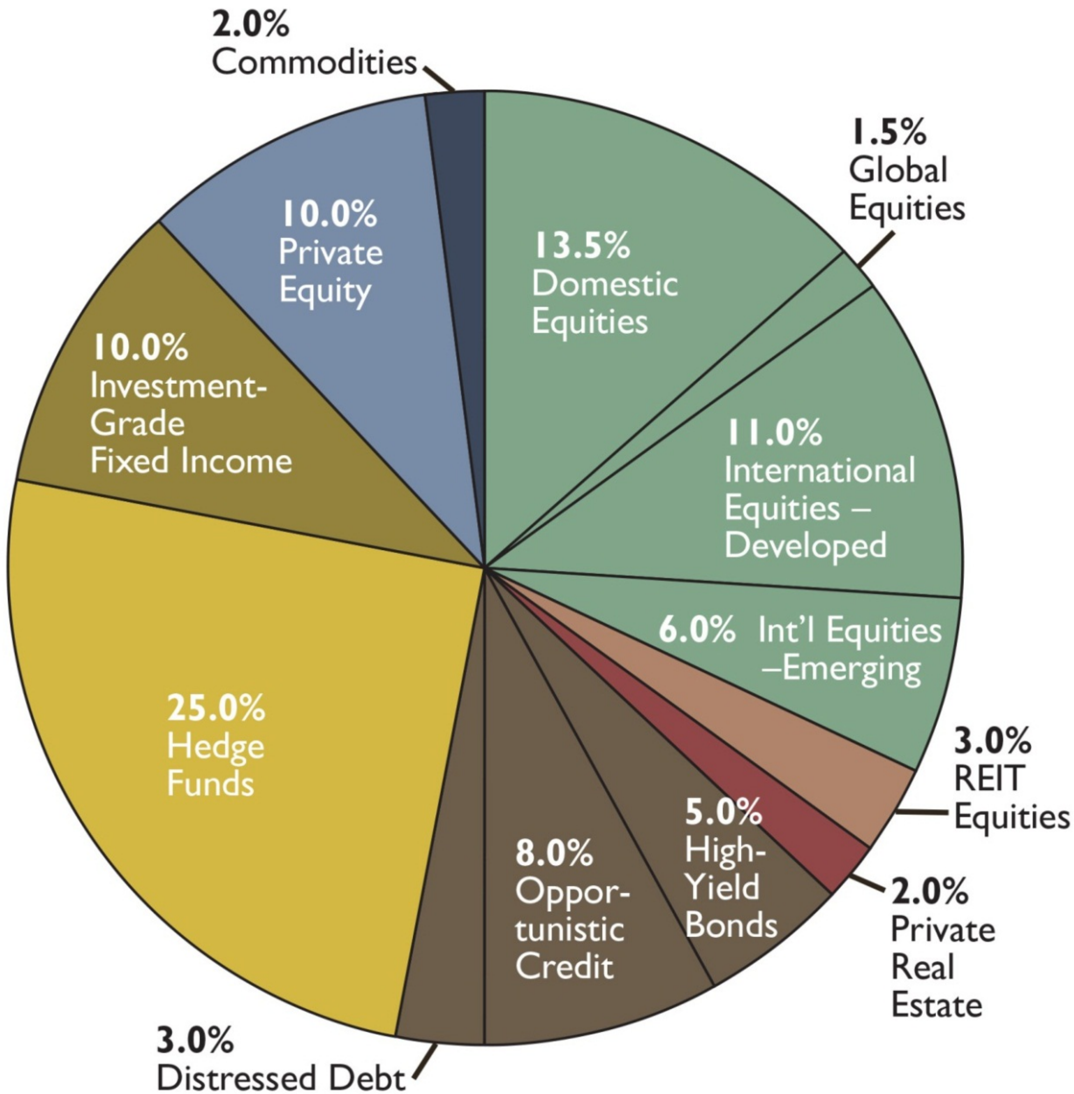
Achieving Long-Term Investment Goals

Actual Returns Net of Fees



Diversified Portfolio Reduces Risk

Target allocation as of Jan. 1, 2013



How Employer Rates Are Determined

- Your rate represents the percentage of payroll your organization is required to pay to fund future benefits for your current employees.

- Each year TCDRS actuaries look at your plan to determine your required contribution rate
  - Study your workforce and estimate benefits you will pay
  - Estimate the value of future benefits in today's dollars
  - Compare your plan assets with estimate of benefits
  - Determine a rate to appropriately fund benefits while keeping rates stable

You Fund Your Plan Responsibly

- Your employer rate for 2014 is 8.06% of your payroll.
- You currently have an elected rate of 8.50% of your payroll.
- Your rate is doing two things:
  - Investing for your current employees' future benefits
  - Paying down your unfunded liabilities within 20 years

What Are Unfunded Liabilities?

- “Unfunded” is a misnomer:
  It implies that the benefits aren’t being funded.

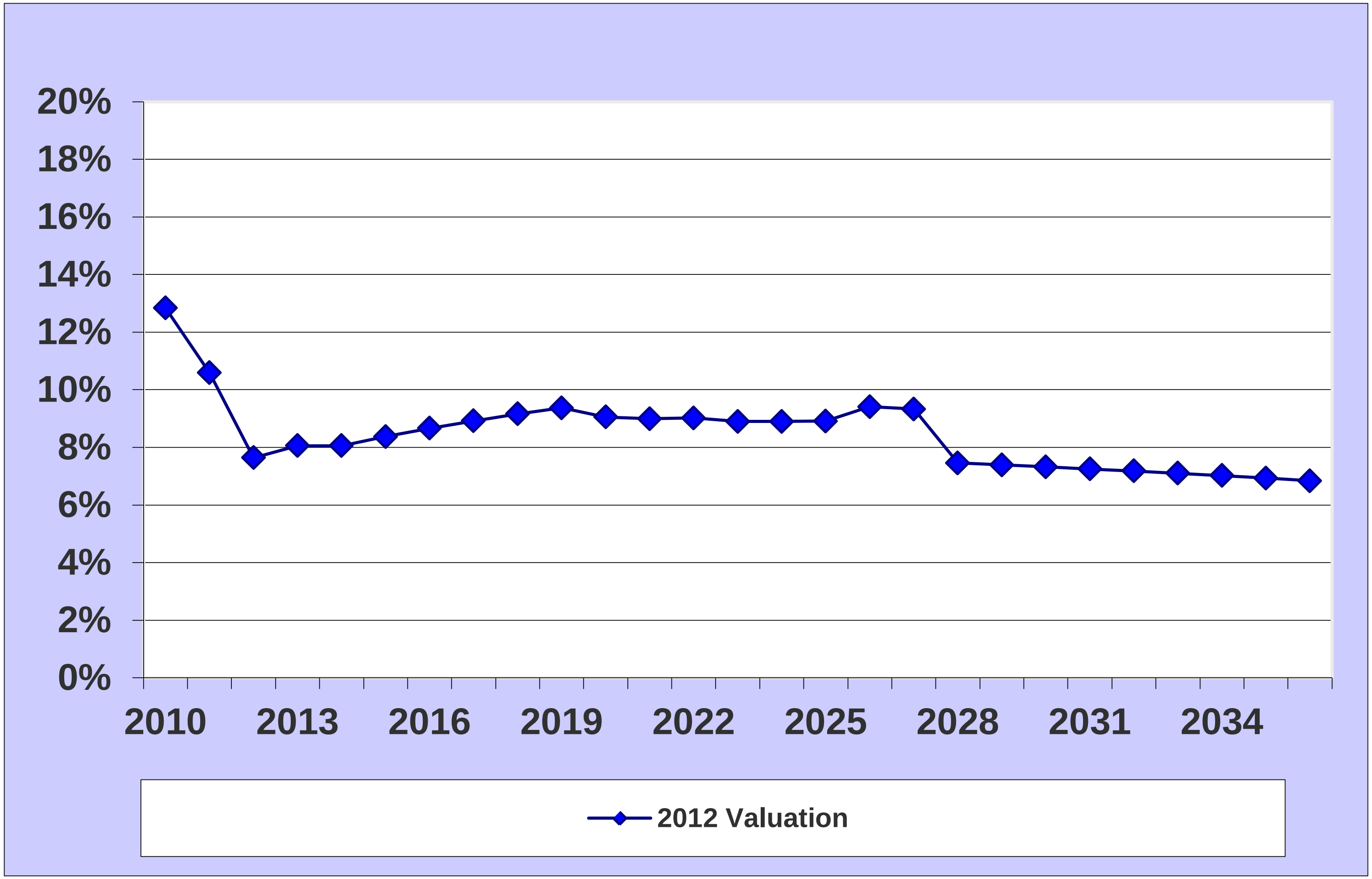
- Unfunded liabilities are simply the difference between estimated plan liabilities and plan assets.

- Unfunded liabilities are being funded over 20 years simply by paying your required employer rate.

Your Plan Rate Change: 2013 to 2014

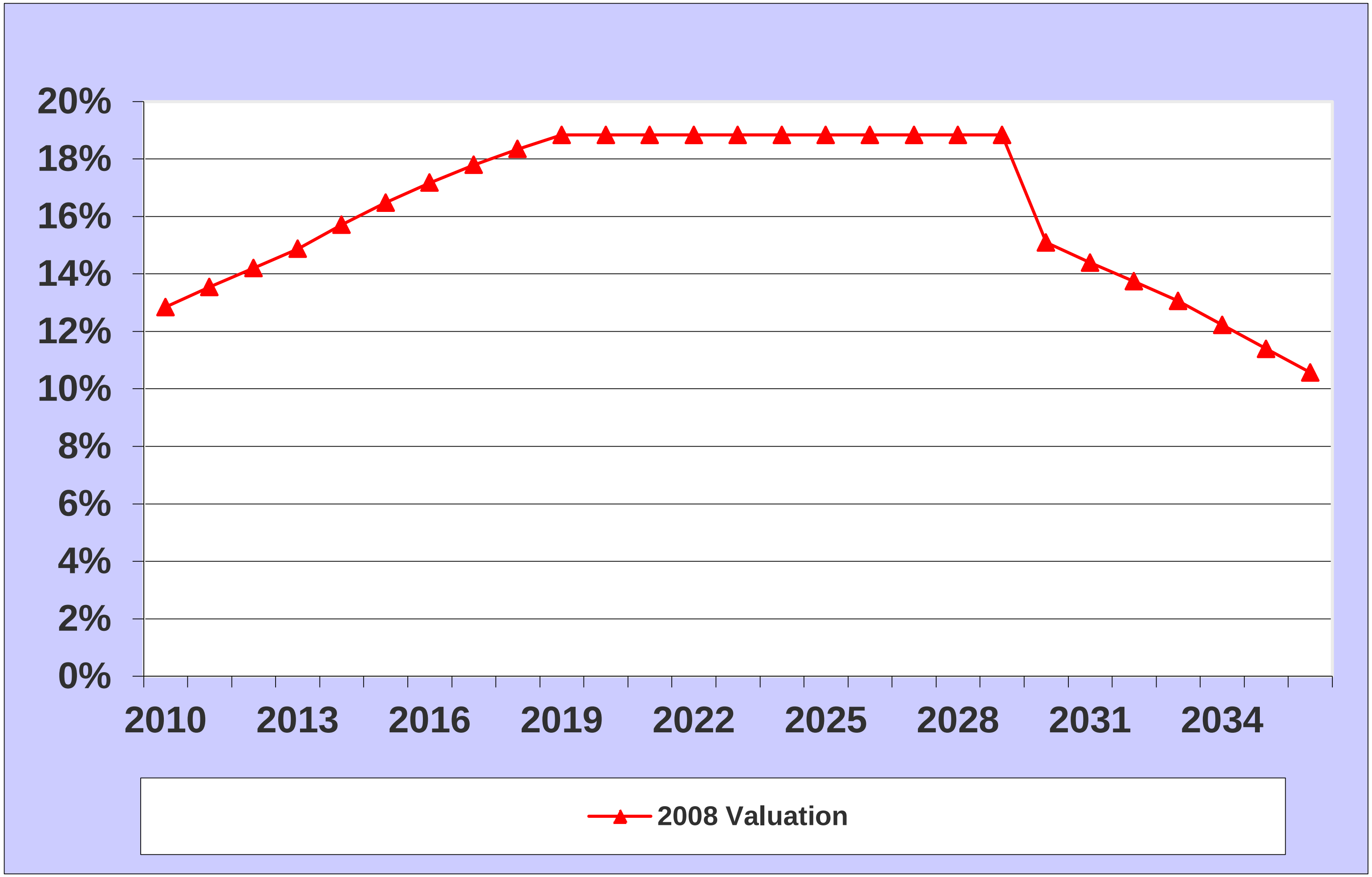
Reason For Change	2013-2014
2013 Rate	**8.06%**
Plan Changes Adopted	TBD
Investment Return	0.81%
Elected Rate / Lump Sum	-0.23%
Demographic / Other Changes	-0.58%
Assumptions / Methods	0.00%
2014 Rate	**8.06%**

Projection of Your Required Rate



*Results provided by Milliman. Assumes all future actuarial assumptions are met including 8% investment return.

Projection of Your Required Rate



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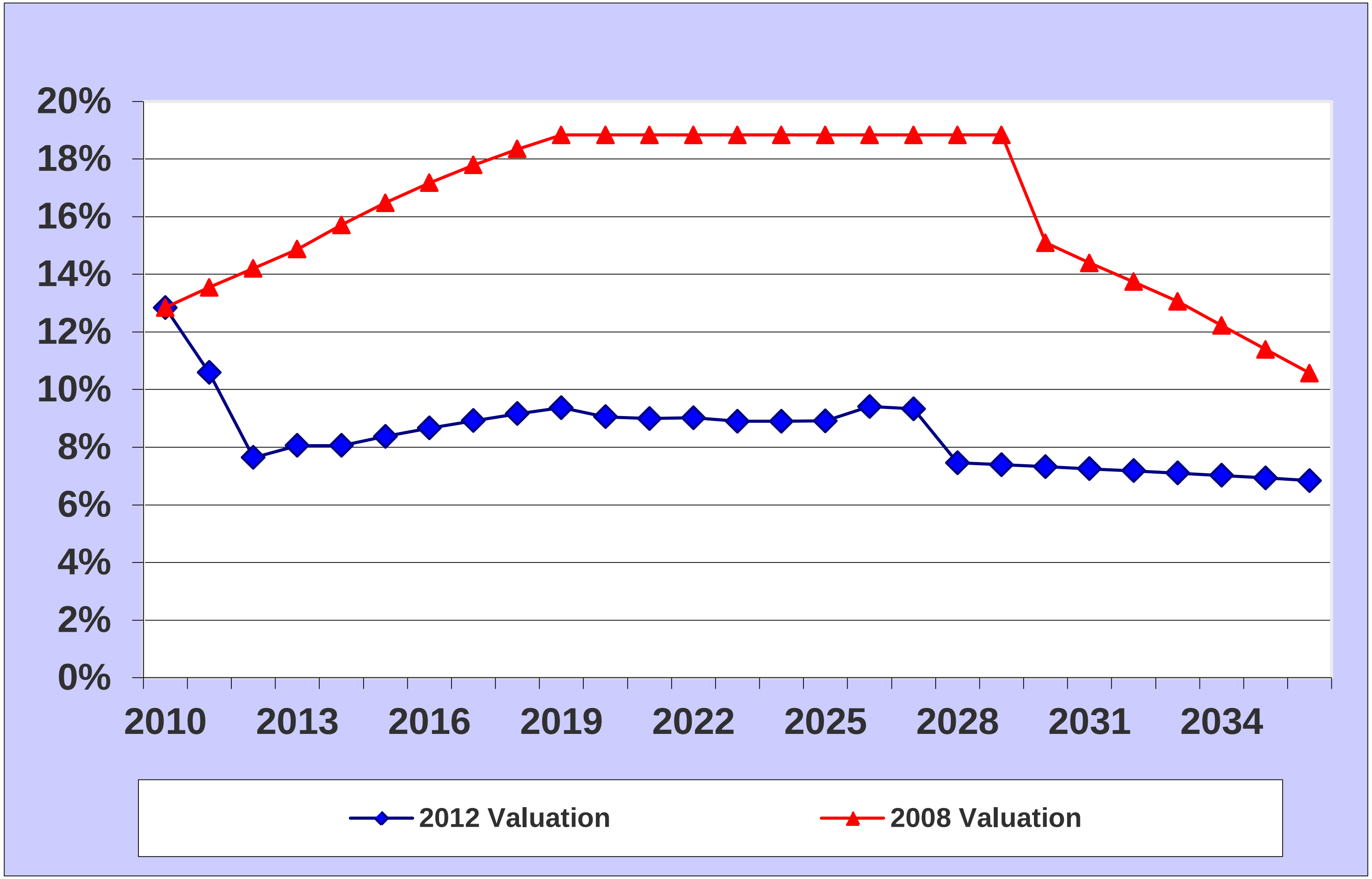
Projection of Your Required Rate



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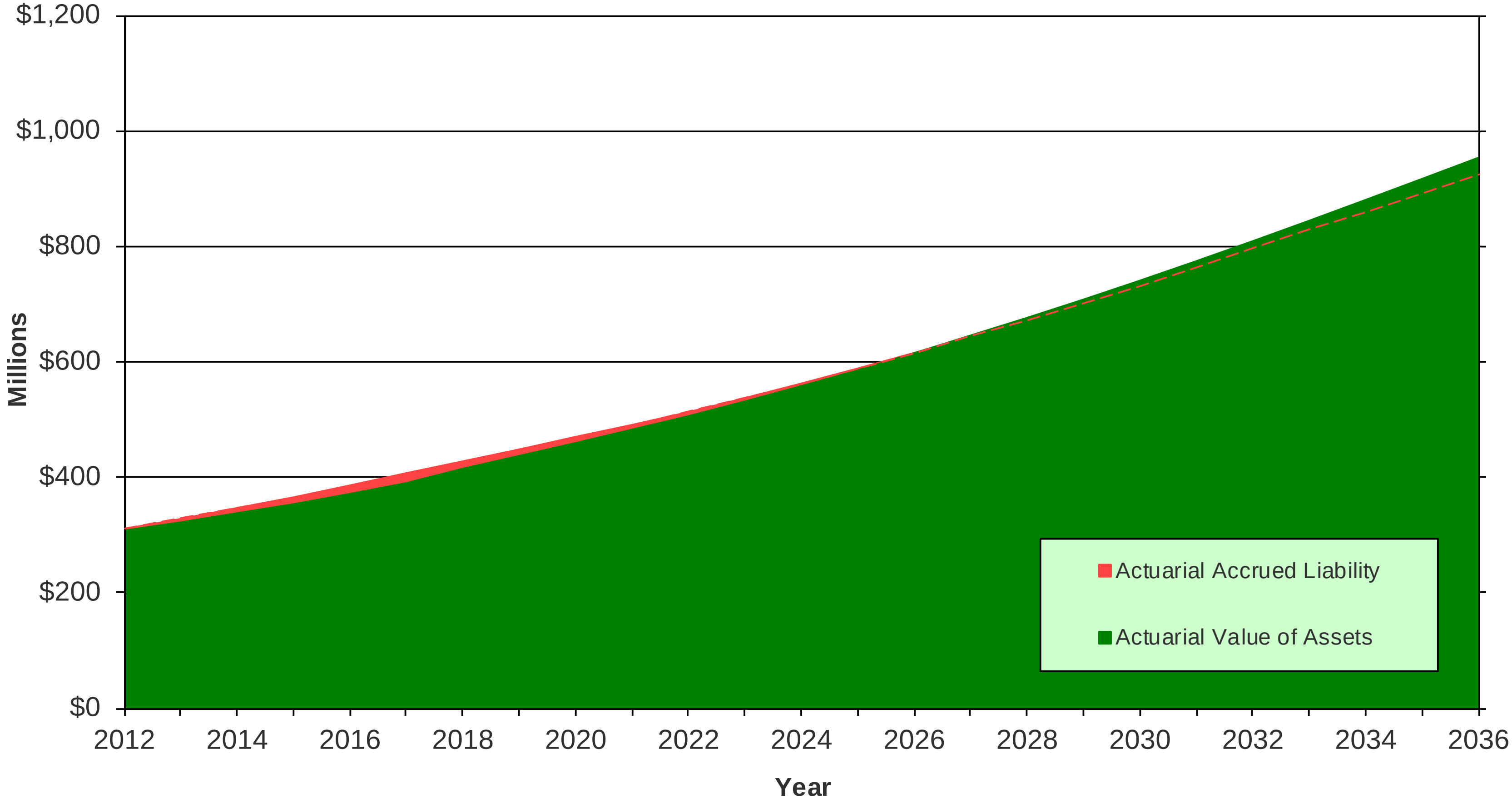
Your Plan Assets vs. Liabilities



The difference between the actuarial accrued liability and the actuarial value of assets represents the unfunded actuarial accrued liability (the red area).

This is a projection and actual results will vary. This projection is based on the same data, methods and assumptions as those used in the December 31, 2011 actuarial valuation, including a long-term investment return assumption of 8% per year. This projection assumes the current plan with a 7% employee deposit rate and 200% employer matching and reflects continuation of the 8.50% elected rate currently in effect.

UAAL Reconciliation: 2011 to 2012

UAAL as of December 31, 2011	**$2,045,000**
Adjustment due to Decrease in Discount Period	184,000
Scheduled UAAL Payment	(128,000)
Recognition of Actuarial Asset Gains and Losses for 2008 - 2012 (using the 10-year recognition method)	5,392,000
2012 Lump Sum Contribution	(2,045,000)
Loss due to Adoption of 60% CPI COLA	423,000
Liability Gain due to Greater than Expected Terminations and Withdrawals	(2,553,000)
Net Actuarial Gains From All Other Sources (retirement, death, individual salary increases, payroll growth, disability, etc.)	(524,000)
UAAL as of December 31, 2012	**$2,794,000**

Funded Status

	Plan Liabilities	Plan Assets	UAAL (Liabilities – Assets)	Funded Ratio (Assets / Liabilities)
10-year Asset Recognition (current method)[1]	$310,506,865	$307,712,427	$2,794,438	99%
Immediate Asset Recognition[2]	$310,506,865	$298,898,803	$11,608,062	96%

1 **10-year Asset Recognition:** Value of assets is based on recognizing actuarial asset gains and losses over 10-year periods. This delayed recognition method, currently in use at TCDRS, helps prevent large swings in required employer contribution rates by smoothing out the impact of year to year volatility in investment returns. In addition, it gives markets time to recover from large one-year market swings. This approach helps you to keep benefits and costs more stable.

2 **Immediate Asset Recognition:** Value of assets immediately recognizes actuarial asset gains and losses. These values do not reflect the current valuation method for your plan. With the immediate asset recognition method, year to year investment return volatility can cause large swings in required employer contribution rates, making budgeting for retirement plan costs much less predictable. In addition, using this method may over- or under-estimate the true cost of the plan especially after significant market volatility. Note that these results are different from your plan's funded status on a plan termination basis.

You Make the Call Each Year

2014 Contribution Rates*

Matching Rate	Employee Deposit Rate: 7%	6%	5%	4%
250%	10.38%	8.64%	6.64%	5.04%
225%	9.22%	7.66%	5.88%	4.43%
200%	8.06%	6.41%	5.11%	3.82%
175%	6.64%	5.49%	4.35%	3.21%
150%	5.57%	4.58%	3.59%	2.60%
125%	4.50%	3.66%	2.83%	1.99%
100%	3.43%	2.74%	2.06%	1.37%

* All benefit changes are prospective only.

Ways to Help Keep Rates Stable

- ★ Maintain or adjust your benefit levels
- ★ Contribute at a higher elected rate
- ★ Make a lump-sum contribution

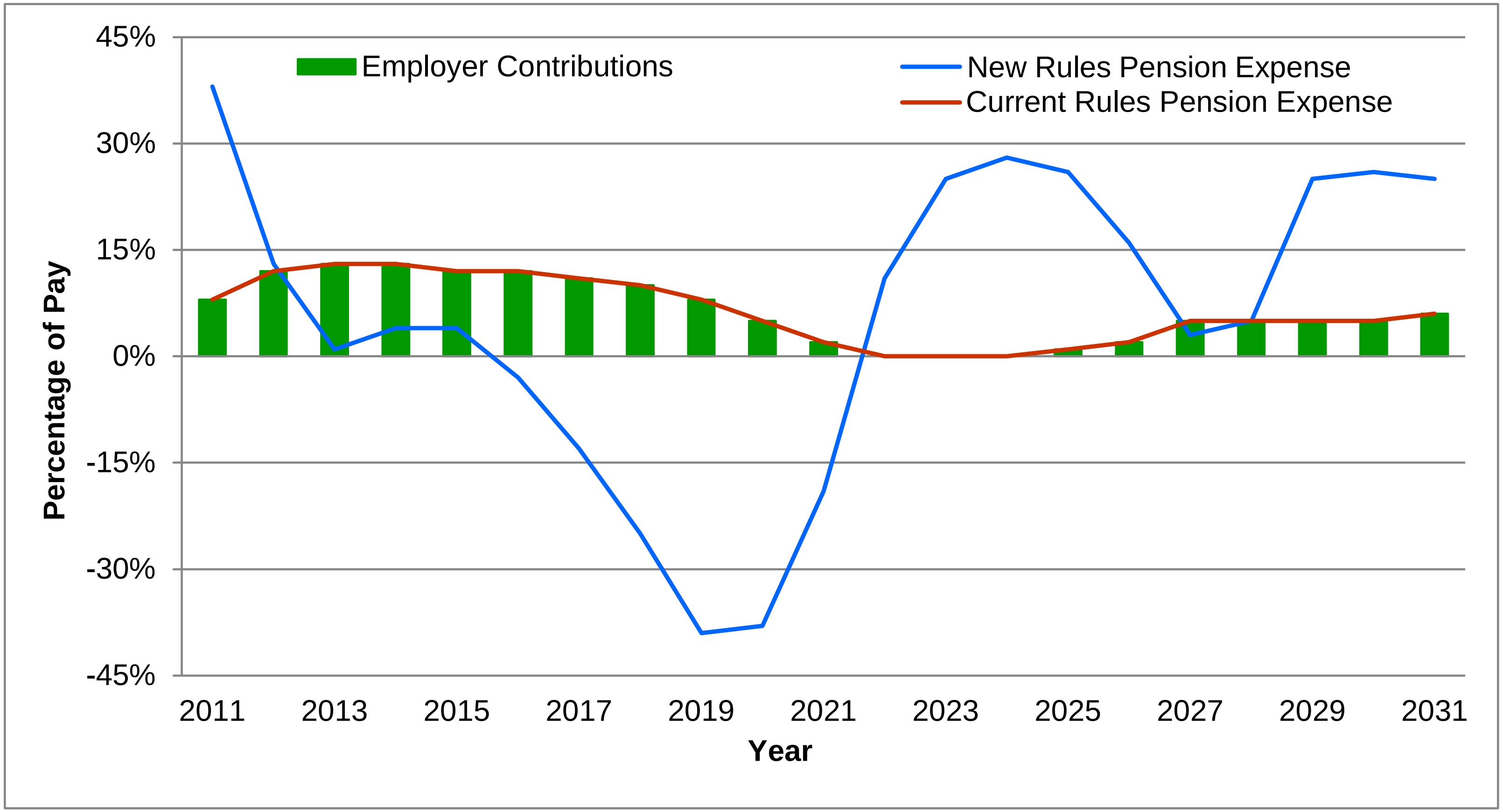
Pension Plan Reporting About to Become More Confusing

- ★ Changes in financial reporting for pensions
- ★ At least three sets of numbers:
  - Policymakers
  - Bond-rating agencies
  - GASB
  - Others

How GASB Changes Affect You

- Funding and accounting no longer married, resulting in two sets of numbers
- Pension liabilities (or assets) will now show up on your balance sheet
- Your pension liability will be impacted by repeat COLAs
- Your pension expense (or income) will be volatile
- May cause confusion with stakeholders and press
- TCDRS implementing trial run in 2013

Pension Expense –
Current Rules vs. New Rules



This study compares expected pension expense under current and new rules for a hypothetical public pension plan assuming investment returns of the last 20 years repeat.

We Are Here to Help!

- ★ Employer Services
  - – Information regarding plan options
  - – Rate information and analysis
  - – Special plan studies

- ★ Education opportunities
  - – Annual Conference: July 15-17, 2013
  - – Free webinars
- ★ Contact information
  - – Phone: 800-651-3848
  - – Email: EmployerServices@tcdrs.org

www.tcdrs.org/employer

Questions?